TRANSNATIONAL CORPORATIONS
IN
INTERNATIONAL POLITICAL ECONOMY

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ABSTRACT

This thesis examines the conceptualisation of transnational corporations by realism and neoliberalism within the discipline of international political economy. It initially considers, via case studies, the example of three 'transnationals' closing plants in northeast England in 1998/9, asking how those actions correlated with existing theoretical conceptualisations. From this analysis, a hypothesis is developed whereby all firms are seen as national constructs and, as such, subordinate to the state.

Theoretical and academic legitimacy is then provided by considering the continued importance of the national in forming identity, how political schools of thought have sought to accommodate the national, and whether theories of the firm can explain national identity in abstract corporate bodies. An holistic theoretical explanation of the firm as a national construct is reached, identifying national identity as the strongest social sphere influencing development of the individual self, with realist behavioural theories showing it as imported into firms as abstract social structures. This finds a political home in the Gramscian concept of the national popular.

The North East of England is then used as the defined geographic region in which to test the hypothesis empirically via a synthesis of extensive and intensive research methods. Questionnaires to all firms with host operations constitutes the former, and the latter is provided by documentary evidence, the Internet and interviews informing case studies focusing on twelve of these firms with home bases in the United States, the European Union, Scandinavia and Asia. The testing fails to falsify the hypothesis, and the manner in which the case studies display their national identity is discussed.

The thesis concludes by offering a new way in which a transnational corporation can be identified as conceptually distinct from other firms. It thereafter confirms that, failing to identify such a firm by the empirical testing undertaken, reinforces realist ideas of the firm in world order, whereas neoliberal ideas remain more in the realm of hope and/or expectation.

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ABREVIATIONS

CEO	Chief Executive Officer
FDI	Foreign Direct Investment
IPE	International Political Economy
IT	Information Technology
MNC	Multinational Corporation
MNE	Multinational Enterprise
R & D	Research and Development
TNC	Transnational Corporation
UK	United Kingdom
UN	United Nations
UNCTAD	UN Conference on Trade and Development
UNCTC	UN Centre for the Study of Transnational Corporations
US	United States of America

CHAPTER1 – INTRODUCTION

This work concerns the conceptualisation of the transnational corporation (TNC) within the academic discipline of international political economy (IPE), and the manner in which this contributes to what is arguably the most fundamental debate within mainstream IPE; whether either realism, or neoliberalism, and their variants offers the more convincing explanation of contemporary world order. Although these two schools of thought display many differences in their approach, arguably the most significant and pivotal is their attitude towards who are the constitutive actors in the world system, and the way in which their interrelationship and interaction should be conceptualised. Whilst debates between these competing paradigms on such matters have been ongoing for many years, there appears to have been a preference to pursue them hypothetically or, at best, validated by anecdotal or analysis of limited empirical evidence. Rarely are the broad theoretical stances supported by rigorous empirical research. Therefore, in concerning itself with TNCs as what has been claimed to be the most significant group of actors on the world stage other than sovereign states, this work attempts to bring some empirical input to the debate, to draw conclusions from that analysis and offer perspectives to give those conclusions theoretical grounding.

In this first chapter we open by considering whom the two mainline paradigms view as the constitutive actors in the world system and, in particular how and where TNCs fit into these conceptualisations or theoretical perspectives. Moving from those perspectives we will then outline three examples of the actions of three TNCs in the North East of England in 1998/9 that could be suggestive of their having special relationships with their 'home' state, and propose a hypothesis that firms operating in multi-state locations should be conceptualised as national home-state constructs. Whilst considering only three examples might itself be viewed as anecdotal, they are an adequate base upon which to develop a hypothesis for further empirical testing. In Chapter 2, we will look to provide an academic legitimacy for this hypothesis and a theoretically grounded explanation for the behaviour of the three firms.

To accomplish this we will, of necessity, adopt a multi disciplinary approach in initially offering an understanding of national identity, then considering how, and if, such identity is dealt with by mainline political philosophical schools of thought. We will also draw on business/management theory in the search for a holistic view of the firm operating internationally that accommodates ideas of national identity, political philosophical analysis and the nature of the firm; a holistic view that recognises the continuing relevance of the national within such firms. Chapter 3 will outline the epistemology, methodology and methods adopted to empirically test the hypothesis on firms operating within a sample area of the North East of England. That approach will be strongly influenced by Popper's critical realism whereby we will be looking to falsify our initial hypothesis and, in doing this some questions will be developed to aid in the analysis and testing of the research data. Chapters 4 and 5 will first outline the results of the research and then discuss the implications in relation to the above mentioned questions which will be proposed as the test as to whether a specific firm should be considered as an autonomous actor or a home-state national construct. Finally we conclude that our empirical research fails to falsify our initial hypothesis and that it is therefore worthy of being further discussed and criticised. We also conclude that until it is empirically falsified, the lack of autonomous international firms leaves a void within the neoliberal explanation of world order, whilst also acting to reinforce realist explanations.

1.1. TNCS IN REALIST AND NEOLIBERAL PARADIGMS

Within IPE there is a variety of opinions as to what in general the discipline does, and should, concern itself, be it Gilpin's (1987) states and markets, Strange's (1994) authority and market nexus, Cox's (1996) power relationships between social groups, or feminist contributions as discussed by Sylvester (1996) – although these latter contributions may be aimed more towards the discipline of International relations rather than IPE. However, few strands of thought would challenge Pettman (1996:18) when he contends the key recurring 'words' are state, firm, market, capital and labour. As has been made clear already, it is accepted that the implications for the conceptualisation of one of these words, the firm, is far from the only area in which the two mainstream theoretical strands in IPE vary, but it is one that is clearly important as empirical validation would significantly impact on the strength of contrasting theoretical strands. That such conceptualisation should be one of the keystones to either approach is evident in their key assumptions. Many writers have provided their interpretations of the defining features of realism and (neo)liberalism but one of the best in terms of its clarity and conciseness is provided by Krasner (1996). However, before citing his words, it is worth reminding ourselves of the need to always be aware of authors' personal sympathies as well as the use and implications of terminology. Earlier we referred to competing explanations of the 'world' system and in the following quote from Krasner he refers to this as the 'international' system; world order as a system between nations with his sympathies nailed to the mast. Nonetheless his differentiation is useful and, with this one perhaps pedantic criticism, most neoliberals would not find fault with them. His first assumption of those aligning themselves with realist perspectives is that,

> *"The constitutive actors in the international system are sovereign states. Other actors such as multi-national corporations, or non-governmental organisations are subordinate to states in that they must operate within governing structures established by states…."* (1996:114-115).

Realism's intellectual pedigree historically is in the writings of Thucydides, Machiavelli, Hobbes and Rousseau and is a paradigm that dominated the study of international relations in the decades immediately following the Second World War (Buzan 1996). This central role focussing on power politics, the causes of war and prescriptions for preventing its recurrence is unsurprising in a period where the carnage of two world wars was still fresh in the mind. But it was a paradigm increasingly under challenge by the need to explain the growing volume of trans/multinational institutions and economic concerns; areas central to the neoliberal ideas then coming into vogue. However Waltz (1979) rejuvenated realism in providing the base for what was subsequently was labelled 'neorealism'. Whilst some suggest he abandoned conservative assumptions about human nature that underpinned classical realism (e.g. Buzan 1996:49) others suggest he drew on its central motivations of national interest, security and power (Hollis and Smith 1991:39). However, whereas realism proposed no clear distinction could be drawn between the system of states and the nature of sovereign units (Linklater 1995:243), Waltz provided a systemic third image analysis, beyond theories of human nature and state attributes; an anarchic self-help system of states continually adjusting their stance in the world, according to their reading of their power and that of others, and resulting in a balance of power (Brown 1997:47). They act in very similar ways despite diverse political systems and contrasting ideologies, a phenomena occurring by imposition of structural constraints. It is these states, as territorially based units, which still command primacy in neorealist understanding of IPE, with other actors displaying loyalty to them (Holsti 1995:136). This could explain the assertion, contested by neoliberals (Evans 1997:71), that states are able to control economic transactions, in some way restoring the explanatory power of realist assumptions about the role of the power maximising state (Hollis and Smith 1991:37). The unit of analysis is still the state and explanations of its relationships with other actors could be described as vague. However, an alternative way of viewing this apparent vagueness is to recognise that realism does not need a separate and distinct concept of such actors as the firm operating outside the home state. If such actors are 'subordinate' to their home state, then their conceptual status is no different to a firm whose operations are solely home based.

In contrast to realism, Krasner outlines the first assumption of those aligning themselves with liberal perspectives as,

> *"There are many different kinds of actors including state-owned enterprises, multi-national corporations, public international organisations, non-governmental organisations, private foundations, and terrorists, as well as states."* (1996:110).

This reflects the dissatisfaction with realism's inability or unwillingness to expand its horizons beyond the world of states that was growing during the 1960s and gave birth to a seminal collection of essays edited by Nye and Keohane (1971). They emphasised the need to also focus on what they then called 'transnational relations'; '...contracts, coalitions, and interactions across state boundaries that are not controlled by the central foreign policy organs of government...' (1971:xi). If that was the case in 1970 when the Cold War was still a major feature of the world order, it would become much stronger and more accurately interpret a more modern world, where globalisation has become the buzz-word and the power of the state is argued by some to be in terminal decline (e.g. Ohmae 1995). However, to portray neoliberal thoughts as being a reaction to events of the latter part of the twentieth century would ignore the need of the paradigm to establish its own intellectual pedigree in the works of eighteenth and nineteenth century academic giants such as Smith, Ricardo and Bentham.

Critics of mainstream thinking have viewed neoliberalism as an extension of neorealism, as terminology blurs the boundaries between the two camps, and have sought to not differentiate between them (Ashley 1984), with other analysts acknowledging some shared core assumptions (Brown 1997:49). Yet neoliberalism increasingly departs from neorealism in its view of the state's place in the world system, by emphasising its declining dominance and increasing relevance of other actors. Keohane demands more emphasis must be placed on non-state actors (1986:192), which he had earlier suggested as including environmentalists, the church and Multinational Corporations (MNCs) (Nye and Keohane 1971:381). Although from the 1971 collection of essays onwards there has often been a seeming reluctance to define the terms and concepts the neoliberals use; Nye and Keohane's MNC is one such example. Nonetheless, the neoliberal paradigm goes on to emphasise the importance of international regimes as a means of limiting uncertainty and promoting mutually beneficial agreements (Keohane 1984:181), with the state therefore more limited in its ability to pursue self-interest (1984:258). World order is thus maintained by consensus, with states prepared to accept absolute advantage as opposed to the relative advantage envisioned by neorealists (Powell 1993). The neoliberal world is one of international cooperation, international law and institutions, international communications and social norms producing mutual benefit (Baldwin 1993:11). Neorealist power games between conflictual states are supposedly consigned to the dustbin of history.

However, some commentators saw the wheel as having turned too far. In March 1999 *New Political Economy* felt it necessary to publish an edition entirely focused on the need to put the 'P' back into IPE. This was a response to strong globalisation theses as all pervasive dynamics providing the obituary for the power of those traditional actors on the international stage, the nation states (Ohmae, 1990), on retreat on all fronts (Strange, 1996) or no longer the main players, but merely one of many (Horsman and Marshall, 1995:201). Nonetheless the continuing import of the political was emphasised by Philip Cerny (1999:148), who called for a credible set of political 'change masters' (whether revitalised states or regimes is unclear) to give coherence or stable values and hoped to see the discipline of IPE playing a catalysing role in producing them. Less wistful was Higgott (1999:29) in contending there was still no substitute for the nation-state and study should be geared towards the analysis of the state's adaptation to globalisation and not its decline. Other analysts have also noted the serious ongoing shifts in the nature of stateness (Evans 1997:87). Jessop (1997) argues there was a general trend towards the denationalisation of the state or statehood reflected in the hollowing out of the national state apparatus whereby areas of state power have continued to move '...upwards, downwards and sideways...' (1997:574). With destatization of the political system and internationalisation of policy regimes he predicted a provisional and more residual role for the nation state in the instance of meta-governance and social cohesion. Jessop's contribution to regulation theory can be interpreted as describing a shift rather than a diminution of state role but words such as 'provisional' and 'residual' are more suggestive of diminution. Jessop claimed to have tried to break with the simple distinction between market and state. However, Block (1994) was more persuasive in breaking this capitalist distinction of the state occupying a position external to the main economy when developing a qualitative state paradigm; a paradigm suggesting there is a common set of roles for all states in all economies listed by O'Neill (1997:295) and described as '...vast and complex operations common to all Western states...' (1997:296). Shaw (1997) argued 'the state' should not be considered as one universal concept when identifying three distinct state categories based on the level of their stability and the very reference to 'Western states' would highlight the way many commentators develop universal theory from a limited base. Whether the qualitative state is a universal concept or one only relevant to Shaw's first category of western states where power is centred on North America, Western Europe, Japan and Australasia, is not a debate to be continued in these pages. As the home bases of Multinational Enterprises (MNEs) are predominantly concentrated within these states/regions, it may be contended that, even if Shaw's analysis is accepted, it is this first category of states that is appropriate to the current work. Nonetheless it must be accepted these states are changing, metamorphosing and transforming (as they arguably have done since their inception) but, to analysts such as Block and O'Neill, their death knell is premature.

Many of the above commentators appear implicitly to refer to the sort of organisational state definition regarding the state as a set of governmental institutions (Dunleavy and O'Leary,1987:1-3). In this view the firm is completely outside of, and separate from, the state. O'Neill moves away from this limited concept of the state and cites Held (1989:71) viewing as 'enmeshed' in the contradictions of capitalism. He himself moves further in seeking to explain that different states have different levels of power due less to extant economic conditions than indigenous historical attitudes to governance and state role. This appears to take us further away from the narrow conceptualisation of the state and it is interesting to consider the wider interpretation of the state offered by Cox's Gramscian approach. The outer shell of administrative, executive and coercive apparatus of government is underpinned by the political structure in civil society, in the form of the church, the educational system and all the institutions that help create certain modes of behaviour and expectations consistent with the hegemonic social order (Cox, 1983:164). The phrase 'all the institutions' is open to interpretation/definition and, arguably, firms could now be conceptualised in this light; supporting, and supported by, a view of the state as legitimating and enforcing the key exploitative relations of the neoliberal form of capital (Gill 1995:422). The ideas of Gramsci will be considered in more detail in Chapter 2 but Cox certainly offers a view of the state that could provide support towards realist understandings of contemporary world order. Using Cox's historical materialism to maintain realism's validity may be an anathema to classical realists. However as Cox himself argued his views were informed by certain strains of realism (1981:91), claims to such an interaction would not be without academic precedent.

In summary, the contemporary realist still sees states as paramount whereas their liberal counterpart gives more weight to the multi-national firm (Stopford and Strange 1991); entities described by Strange as the key non-state actor. It is therefore unsurprising that Eden (1993:26) subsequently described the tension between states and multinationals as the crucial problem to be considered within IPE. What exactly constitutes a 'multi-national firm' in conceptual terms is less clear, although, whether it is realist or liberal developing theory, one would expect the conceptual building blocks to be rigorously detailed, if one views the role of conceptualisation as providing the keystones to theory in contrasting schools of thought. The terminology is inconsistent even within the same school of thought. In these pages we have already deliberately referred to TNCs, MNCs and MNEs to emphasise this laissez faire attitude towards terminology; an attitude that extends into conceptualisation. In much academic writing the above difference is usually undefined and vague, if not non-existent, as typified by the collection of writings edited by Pitelis and Sugden (1991), and who, in noting the variation, see the different initials describing essentially the same entities. They elect to leave terminology to the preference of the individual author. The suggestion seems to be that we will all know one when we see it.

1.2. IN SEARCH OF A DEFINITION OF A TNC.

But there have been attempts to define the beast and it might have been expected that definitions would be an issue to be considered sooner rather than later in a review such as this. However, as stated, definition or conceptualisation of TNCs by the discipline of IPE does not appear to have been a universal prerequisite to either theory or analysis. Where it has been considered the discipline frequently turns to one of the many of accepted definitions provided by other disciplines. The most popular version appear to have been borrowed from the world of business where Buckley and Casson (1985:1-2) note the use of four alternative types of definition; operating criteria in terms of the form of ownership; structural according to the organisation of the firm; performance in terms of spread and proportions of sales/production; and behavioural based on the extent of the firms geocentricity. Yet rather than arguing their preference of one over another, they decide to use Casson's simple threshold definition from 1982 by identifying them as firms which own outputs of services originating in more than one country. This is really a variation on a theme established by the United Nations whose version was enterprises which control assets – factories, mines, sales offices and the like – in '...countries other than its home country...' (UNCTAD 2004:345). More recently the firm as coordinator of production in more than one country has become the popular base, from Cowling and Sugden (1987:60) to Dicken (1998:8). Definitions emanating from organisations collecting statistics such as the UN may be convenient but in theoretical analysis within IPE becomes problematic. Take a hypothetical example of a home baker in Dover who opens another home bakery in Calais. The baker owns, controls and coordinates production in more than one country and suddenly becomes a TNC and, presumably, according to neoliberal thinking (e.g. Ohmae 1990), should be considered as an actor independent from states on the international stage. The baker's competitor in Dover who has another 50 home bakeries throughout the United Kingdom is of course still subordinate to its home state.

Any discipline must look to establish and accept definitions useful for and relevant to its own purposes. If TNCs are distinct from national firms, both in their practises and their role in theory, something other than simply operating in more than one country should be required for their conceptual change of status. The dangers of importing definitions unsuitable for their new purposes is nowhere more evident than from the United Nations adoption of the Casson definition of what constitutes a TNC. It seemingly means we can assess the degree to which a firm is transnational. The United Nations have created a transnationality index by rankings obtained from ratios of foreign assets to total assets, foreign sales to total sales and foreign employment to total employment (e.g. United Nations 1997). Such a table may be interesting to measure or assess international production/producers' but whether the definition and this type of measure is conceptually useful for a discipline such as IPE is another matter. Initially it might appear we are all singing from the same hymn book when the United Nations ask 'How transnational are TNCs?' (UNCTAD 2004:37). However the question seeks answers as to where assets, staff and key operations are located, rather than whether firms have divested themselves of a national identity. The difference becomes clear if we consider a Britain buying a second house in, for example, Spain, and living in that country for part of the year, should we no longer conceptually view them as British, but multinational? And will they become more multinational if they buy another house in Spain for holiday lets? The idea that, conceptually, nationality is a characteristic that diminishes relative to the locality of the ownership of assets and/or production appears to be faulted, as will become clear when national identity is discussed in more depth in the next chapter. Yet some theorists have attempted to provide definitions of the TNC that are distinct and specific to IPE. Although the former is more positive as to the existence of large numbers of TNCs, both Kindleberger (1969:182) and Hirst (1993:11) sought to identify what it is that is distinct and concluded it was whether or not the firm maintains ties to a home state. These ideas appear to be a development of the words of Aristophanes who maintained that, 'A man's homeland is wherever he prospers'; words from a now long distant civilisation that could be argued to have passed the test of time in offering the basis of many academic conceptualisations of TNCs in the late twentieth and early twenty first centuries. Rugman (1981:254) is an example of the tone of such approaches by seeing them as almost predators, roaming the world and alighting with their production facilities at locations where they can maximise return from firm specific advantages. But others have seen home as less portable and mercenary than Aristophanes; man as less self contained and less turtle-like in transporting his home from state to state. John Ruskin described '... the true nature of home ... (*as*) the place of Peace; the shelter, not only from injury, but from all terror, doubt and division...'. Hirst with Thompson (1999) might agree when they cite empirical work evidencing that the majority of international firms still remain tethered to a definite national country base. Bartlett and Goshal (1989) show companies progressing from multinational to transnational via international and global, and Leong and Tan (1993) conclude the most common form was the multinational with the least common being the transnational. Those analyses are based on company form and strategy but the work of Hu (1992) is particularly persuasive in adding other tests that could signpost why a firm retains a national identity other than what is economically expedient or advantageous. He asserts that before concluding a firm has shed its national identity

"...the following criteria should be applied:

- *In which nation or nations is the bulk of the corporation' assets and people located?*
- *By whom are the local subsidiaries owned and controlled, and, in which nation is the parent company owned and controlled?*
- *What is the nationality of the senior positions (executive and board posts) at the parent company, and what is the nationality of the most important decision makers at the subsidiaries in host nations?*
- *What is the legal nationality of the parent company? To whom would the group as a whole turn to for diplomatic and political support in case of need?*

- *Which is the nation where tax authorities can, if they choose to do so, tax the group on its worldwide earnings rather than its local earnings?"*

(Hu, 1992:121)

Both Hu and the other analysts mentioned accept as a given that firms, at least initially, are national constructs and Hu in particular implies firms are either national or non-national, although some commentators edge their bets by seeing large firms in transition, such as Andrew Mair's (1994) description of Honda as a 'global local corporation'; a post-national corporation. But mostly, if we can identify them as non-national, we can refer to them as a TNC, MNC or MNE. Whichever set of initials we use is not relevant to the view that, being non-national, the firms so defined can be regarded as autonomous actors when producing theoretic models of world order in IPE. However whilst his criteria progress the ability to define whether a firm should qualify as non-national, they provide only some of the foundation. Firms grow from domestic bases and there seems no requirement to cast off or minimise that base once they commence producing internationally. A firm could fail most of these tests but still be acting in non-national manner, arguably with the exception of 'diplomatic and political support'. Whether a firm has shed its national identity may be demonstrated in its actions as much, or possibly more, as in its structure. That is not to say considering actions is an alternative to looking at its structure, but that the two aspects interact and are possibly interdependent. It may, for example, have most of its assets in its home state from where its directors and decision makers are citizens. But do its decisions and actions favour that state over others? An answer to that question could be reached by deduction, but we can draw upon recent experience of three firms, with host operations in North East England in 1998/9, and develop an answer and hypothesis inductively from that experience. As indicated earlier this methodology and its justification will be outlined and discussed more extensively in Chapter 3.

1.3. THREE PLANT CLOSURES

During 1998/9 the largest instances of single plant job losses in the North East of England were provided by three firms to which the term TNC would be commonly applied by those adopting the UN/Casson definition; Siemens, the German company who had a semiconductor plant situated in Wallsend, Fujitsu, their Japanese competitors with a plant in Newton Aycliffe, and Grove Worldwide, the US crane manufacturers with production facilities in Sunderland. Prefixing these firms' activities with 'German', 'Japanese' and 'US' may to some appear erroneous, controversial or an expression of prejudice in reaching a conclusion prior to proper analysis and examination. However such descriptions are the norm in everyday usage, as can be seen from observing the media. The Financial Times 12th July 1999 describing Air Liquide of France and Air Products and Chemicals of the US is but one example of many. Moreover, following closure, each of the three firms transferred its production from the North East of England to plants in its 'home' state. Closure of the three plants reflecting rational profit maximising decisions of economic man without undue influence from the pull of their homes would reinforce the view of these TNCs as independent actors on the world stage. Alternatively, if events suggested home status was writ large in their chosen course of action, doubt would be cast on such claims for conceptualising them as actors independent from states.

The three closures are a starting point, a snapshot, a review to assess whether we could develop a hypothesis inductively (further discussed in Chapter 3) as to how we should conceptualise TNCs and justifying further research.

1.3.1 Siemens

The firm was founded in 1847 and took a leading role in the construction of telegraph lines across Europe with an office in London as early as 1850. Its innovative expansion continued in the fields of electric railways, lifts, dynamos and other electrical apparatus until it was disassembled in 1945 and development had to begin anew. Its semiconductor business developed from its first large scale production of integrated circuits in 1973 to DM6.3bn in revenue in 1999 when it vested that part of its overall business in a wholly owned subsidiary, Infineon which became the eleventh largest chip supplier world wide.

Infineon had front-end production facilities (fabs) in Renenberg, Munich (2) and Dreden in Germany, Villach in Austria and alliances with Motorolla in Virginia (US), IBM in Corbeil-Essoness (France) and Mosel-Vitelic in Hsinchu (Taiwan). In addition to the assembly and final test unit annexed to its Dresden plant and a similar unit in Porto (Portugal) it operated additional R &D facilities in Israel and California. In 1995 they announced their intent to develop a new fab in Wallsend reflecting the comparative advantage of not only UK labour availability and costs but the flexibility in UK labour relations required in such dynamic industries (Semiconductor Business News, October 1997). The first wafers were produced in the spring of 1997 and, notwithstanding the then difficult market in semiconductors, the firm made it clear there was "...no question whatsoever of Siemens going back on its commitment to this wafer fab." (Electronics Weekly 22nd January 1997). Nonetheless in July the firm announced its intention to start phasing out production in September and shutter the fab by the year-end, with the loss of around 1200 jobs (Semiconductor Business News, July 1997).

Firms had closed fabs before but usually older plants using older technology, producing the smaller wafer sizes and nearing the end of their life cycle. This did not apply to Wallsend where the first module was producing 200mm wafers and a second was intended to produce 300mm with sufficient land for construction of two more modules. By comparison Munich and Villach were still only capable of producing 150mm wafers (Fabtech 1998) and Siemens had already identified UK labour costs as 50% cheaper than in Germany, with direct and indirect employment costs accounting for 25% of the total running costs of a fab (Electronics Weekly, March 1997). Siemens cited the downturn in the semiconductor market necessitating reduced overall production levels. There is no challenge to this market change, predicted in 1997 to reach

$318.2bn by 2001, and a prediction reduced in 1999 to $218bn (Dataquest 1997 & 1999). But the fall in the overall value of the market was based mainly on the fall in unit price that would suggest the need to concentrate production in the most modern and cost effective plants. Although the Wallsend plant produced a loss of $150m in the previous year, that year had been one in which its production facilities were being brought on stream and one during which other plants in full production were also making losses. The Siemens explanation for closing a state-of-the-art-plant with significantly lower labour costs than 'home' plants does not convince. The question, 'Why Wallsend?' is unanswered. An alternative scenario would consider the relevance of the firm's strategic alliances and the strength of its ties to its home state.

The need for alliances to a large extent reflects the high risk, high cost and speed of change within the industry. The first semiconductors appeared in 1948 from the Bell Telephone Laboratories as what we knew as transistors, which by the end of the 1950s had been grouped on a single 'chip' of silicon as an integrated circuit. By the 1970s it was possible to build a number of such circuits into one chip and the microprocessor was born (Dicken 1998:353). But the chips capacity was limited by its size and, as the industry developed, the microprocessor became a series of layers of sliced silicon with the semiconductor layout etched using photolithographic techniques; hence the name wafer. In 1999 the drive for maximum content in minimum size has reached the stage where the thickness of the layers of silicon dioxide are measured in atoms. The Lucent/Bell Laboratories have produced a layer of five atoms, although twenty-five is the norm for mass production and there are doubts as to the feasibility of controlling a manufacturing process generating the Lucent/Bell wafer. These doubts suggest we may shortly be waving farewell to the 'silicon' chip as the search continues for insulators which will provide better control of heat and leakage (PC Pro September 1999:51). The change from the 1948 transistor to the five atom layer of 1999 had been explosive and, in the 1990s, no sooner is a wafer being marketed than its successor is in its initial phase of production. Nowhere is this better evidenced than in PCs, a small part of the overall market, where speed tests of the years new processors were running at 11 in 1991 and 1906 in 1999 (Computer

Buyer, September 1999:28-47). Semiconductor development and use is essential to space exploration, technological medical advances and the sophisticated weaponry that was being developed in the late twentieth century. In industrial production the robotics of modern plants relies on their use and, at home, many of our domestic appliances would no longer function without them.

The increasingly intricate process of production necessitates increasingly particular standards for the factory or fabrication unit; 'fab'. Whether on a layer of silicon five or twenty five atoms thick, a speck of dust has dire consequences for today's product. The extremely pure production environment extends from the 'clean' areas where production takes place to pure water supplies and waste disposal facilities for noxious chemical wastes. Assembly, packaging and final testing require less critical environmental conditions and are less technically demanding (Dicken, 1998:362-363). 'Fab' structures not only necessitate high levels of expenditure, but production machines have limited flexibility in manufacturing new products and, each time the researchers take a step forward, the developers must look at retooling. Whether a single stand-alone firm can accept the risks and costs involved is questionable. Indeed research in this field is frequently reinforced by state activity and it has been argued that even the largest firms could not justify the risks in the scale of this research sponsored by states (Afuah, 1998:317-318).

This fast moving, high cost and high-risk environment obviously persuaded Siemens that partnerships with Motorola, IBM and Mosel-Vitelic for production in the US, France and Taiwan were where their future lay. The question, 'Why Wallsend', still awaits a persuasive answer and it may well be it is in the firm's relationship with its 'home' state that such an answer will be forthcoming. Claims that semiconductor manufacturers are state-centric institutions are not new. Angel (1994:156-186) cites the industry as having laid to rest the myth of a free market, in which the hand of government is absent, using Japan and the US to evidence that contention. The former intervened in the 1980s to shift competitive advantage to the home state by taking steps to either support or counter, as appropriate, the prevailing dynamic economies of scale, imperfect competition and a cumulative and temporarily embedded knowledge base. In the same period, the latter launched two major domestic programmes of support for the industry including the provision of $100m a year to promote Sematech, a consortium of US semiconductor firms cooperating to maintain the nation's technological lead; this on top of the drip down from US government expenditure for research and development in defence, health, energy, transportation, environment and agriculture that in 1995 was $71.4bn. Reich (1991, 159-162) makes the case for such initiatives to ignore 'home' nation status but such normative views do not seem to prevail in the real world.

In Germany in the 1990s there was also evidence of the state sponsoring and protecting its own contributors to the industry, resulting in a 300mm wafer development line at Dresden. This represented the initial realisation of joint research with Motorola dating back to 1996, when Siemens announced the German Government was supporting the companies' research work towards 300mm wafers (Electronics Weekly, November 1996). The extent of support towards the $595m required became clear later with a $111m contribution from Federal funds and $71m from the state of Saxony and the residue divided equally between the two firms. Additional to this was the $268m provided towards the costs of constructing the pilot line (Micro Magazine, February 1998). In parallel with this, a similar development was maturing in the US, where Motorola started construction of a further wafer fab near its existing White Oaks site, again on a joint basis and expected to represent an investment of $3bn (Semiconductor Business News, December 1997). Historically Siemens had been regarded as an innovative firm in the field of semiconductors and seen the US as its major target for overseas (i.e. non home base) expansion (UNCTC, 1986:238-239). On the other hand, whilst Motorola has been amongst the largest semiconductor supplier over many years, it has not been a leading source of major product or process innovation (UNCTC, 1986:173). Alliance offered mutual benefits, but the path was less than smooth. As recently as 1997, Siemens was suggesting Motorola would not be part of their developing the 300mm product (Semiconductor Business

News, April 1997). Clearly there was no single route to Siemens strategy of maximum penetration of the global market for semiconductors and, when preferred options did mature, other strategic options needed to be reconsidered.

Siemens' own front-end production facilities are now all located in Germany. It has access to the US market via its joint venture with Motorola and to the Asian market via its joint venture with Mosel-Vitelic. It also has the advantages of the joint venture with IBM in France. Whereas its strategy is geared towards the global market, its own production is now firmly grounded in its home state, where it knows well its capabilities, can exercise better control and, one might contend, feels comfortable. One is drawn back to Ruskin's historic view of 'home'. The more contemporary explanation is that Siemens views itself in what Yeung (1998:4) referred to as a 'network corporation', 'network society' and 'alliance capitalism'. It appears to be interpreting this as a network or alliances of national corporations, which enables them to maximise the benefits of a global market, whilst limiting their risk exposure. It seems a logical and sensible strategy, in which there seems little space for a wholly owned front-end production facility in the UK. Undoubtedly the downturn in the value of the world market for semiconductors was a factor. Undoubtedly the annual loss of $150m at Wallsend provided a publicly acceptable reason for closure. Probably Infineon will look towards rationalising its older manufacturing units in Germany, but the UK plant was a more obvious priority in the context of the scenario outlined.

Whilst focussing on Siemens and its German roots, the involvement of both Motorola's in the US and Mosel-Vitelic in Taiwan has been mentioned. In each firm they have developed alliances resulting in a strengthening of production facilities in the home state. In Motorola this appears to build on its reputation for engendering an almost Japanese style sense of family towards its staff, with a 'Service Club' whereby employees of ten years or more service were assured employment continuity, and of course most employees are American (Braaten and Millikin 1994:303). Three firms all strengthening their 'home' state production. It is of course open to the argument that the continuing interrelationship with their home state is instrumentally motivated rather than any inherent feeling for that state; that the support offered by the home states has forced each firm to make these decisions in locating their production and in no way negates the Rugman description of location to maximise return from firm specific advantages. Yet if we focus again on Siemens its essentially German nature is rooted in its historical development and evident in its decision makers.

Hirst (1993:11) refers to TNCs having internationally recruited management and many normative texts on management, following Ohmae's views, draw attention to the way special awareness may be hindered by the senior management and the board being drawn predominantly from the firms country of origin (e.g. Ellis and Williams 1995:7-8). On the other hand, Infineon, Siemens' semi-conductor arm, hand had a management board comprising CEO and four Executive Vice Presidents, all German nationals, all educated in Germany and all gaining their work experience in Germany (Infineon 1999). The Siemens group, registered and liable to tax in Germany, has nearly 50% of its workforce based there, even though less than a third of its revenue is produced there and, from what has been previously evidenced, the balance of comparative cost advantages is against producing there. Attention has been drawn to the criteria for qualification as a TNC suggested by Hu; criteria of which both Siemens and Infineon fall well short. Moreover its actions in closing the production facilities at North Shields clearly show it as acting differently and more favourably towards its home-state operations. The evidence supports the view that both Siemens and Infineon are German firms with international operations. There are clear distinctions between transnational operating strategies and transnational corporations. That these firms pursue the former is undeniable, but there appears little to support a view of Siemens/Infineon showing or owing no more loyalty to one state more than any other, as Kindleberger would have us believe. The evidence points to them being German in name and nature.

1.3.2. Fujitsu

As another manufacturer of semiconductors, it is tempting to open by labelling Fujitsu as one of Siemens'/Infineon's competitors. They participate in the same market and the comments on that market made previously case study are equally applicable. However, whilst there is no evidence of their being anything other than competitors in making semiconductors, the two firms coincidentally closing their plants in north east England in 1998 subsequently announced their intention to merge their European PC operations; a move placing the joint venture as the world's fifth biggest PC vendor and Europe's second (The Register, June 1999). This emphasises the extent of Yeung's strategic alliances and inter firm networks in the electronics industry in general, resulting in the line between competitors and allies in manufacturing semiconductors and associated products becoming blurred.

International competition was less blurred when the firm was established in 1935 from the communications division of Fuji Electric Co. Ltd as principally a manufacturer of telephone equipment, although even at that time they cooperated technically with Siemens. Like Siemens, the firm's development was severely damaged in the 1940s following the war, but thereafter Fujitsu grew rapidly, beginning production of computers in 1952 and transistors in 1960. It established divisions in various host states in the late 1970s/early 1980s including Europe, the US and other parts of East Asia, which developed further through the rest of the 1980s. In the UK in 1990 it acquired 80% of ICL, a stake expanded to 100% in 1998. By that time the firm had diversified across a wide electronics product range, including PCs, software, printing and imaging, data storage, electronic components, home and vehicle and telecommunications products. A total of 180,000 employees provide this product range (Fujitsu 1998) and sales for 1999 were projected to be $43.8bn with $4.6bn of this coming from semiconductor and component sales (Electronic Buyers' News, 1999).

Although international competition was less blurred in 1935, Fujitsu's domestic situation was, and still is, entwined in the historical network of other producers and financiers, so widely embedded in Japanese society. The Fuji Electric Co. Ltd competes in some sectors and still owns over 13% of the firm's shares. It is itself a member of the Furukawa Group involved in engineering, electrics, chemicals and insurance, amongst other activities. These *keiretsu*, corporate groups linking manufacturers with subcontractors and other business partners, have been argued as facilitating nimble responses to competitive conditions (Yashiro 1998:180). Others have identified these familial groupings, connecting business, bureaucracies, political parties and even universities, as structural barriers to free trade which protect indigenous firms and which incomers ignore at their peril (Walsh and Coon 1994:220). However, even with these home influences firmly embedded in its structure, the firm felt the need to widen its global horizons in the 1980s, in line with many others in Japanese industry who reacted to the nation's 'bubble economy'. Nonetheless by 1999 the firm still relied on home sales for 85% of its semiconductor production, a figure they were looking to reduce to 70% in the next three years. Even at that latter level the figures evidence the degree of dependence on the home market.

Fujitsu's acquisition of a 106 acre site at Newton Aycliffe to construct a semiconductor fab was made public in 1989 and by 1991 was in production. The project cost was reputedly £400m and produced 852 jobs at its peak (Sunday Times, 23rd October 1994:B3). However the difficulty in identifying the precise arrangements under which such FDI is made is as apparent here as it is in the case of Siemens. How much is paid in incentives, by which authority and on what terms is vague and lost in the euphoria of having succeeded in attracting the jobs being created by the TNCs investment. Authorities and firms are content to avoid extensive scrutiny of the arrangements agreed. One report is that the package comprised a promise of £30m in public funds, of which £17m had been paid before closure (Northern Echo, 3rd August 1999:10). Others suggest a £100m loan was involved in the package (The Register, September 1998). Nonetheless the fab was reported to be the quickest Fujitsu plant to run at a profit and continued to do so until 1996, after which it ran at a loss. The firm maintained production even after the guaranteed operating period ended in February 1998, but later that year on 4th September it announced its intention to close the plant before the year end. The UK Government made no request for repayment of grants, because of the length of time the plant was in production, but there was an expectation that the less widely publicised loan would be repaid (The Register, September 1998).

Although various estimates of the construction costs ranged from £100m to £200m, a sale of the site was sought at a price tag of £15-20m. Certain production tools were removed but the firm ensured the clean room and ionised water supply were still fully functioning, estimated to have cost an extra £900,000. Siemens had initially seemed resistant to selling to a competitor, but Fujitsu were more happy to contemplate a sale to a purchaser inside or outside the industry. At the relatively low price mentioned it seemed the firm felt some obligation to contribute towards creation of fresh employment opportunities in Newton Aycliffe. Such a view would be supported by their approach taken to future strategy, referred to below, and the traditional attitudes of Japanese firms towards their employees. In the event they attracted a purchaser, subject to funding, in the form of Filtronic, a UK electronics group engaged in manufacturing semiconductors, albeit made from gallium arsenide *(Financial Times* 3rd August *1999:18).*

As a producer with facilities in many host states in addition to those in their home state the question as to why close Newton Aycliffe arises. The Fujitsu closure received far less press and public criticism than Siemens and most comment focussed on it being in the Prime Minister's parliamentary constituency. It was a mature plant in operation through the 1990s and widely accepted as manufacturing a product rapidly becoming obsolete. If production facilities were to remain at Newton Aycliffe then a minimum of retooling, and possibly rebuilding with more modern clean room facilities, might have been anticipated. On the other hand if the firm had enjoyed a good experience at this location in terms of comparative labour costs and productivity, it could be expected they would seek to extend that experience in planning their global strategy for investment and development of production facilities. In 1997 total hourly labour costs in Japan were estimated as being around 50% higher than in the UK, $31.13 compared to $20.96 (Institute for the German Economy in The Times, 27th January 1997) and there seems no suggestion Fujitsu were less than satisfied with the plant's productivity.

Yet, as in the case of Siemens, the closure of the UK plant was not a stand-alone decision, but part of a wider review of the firm's strategy towards its involvement in the semiconductor industry. Price changes in 1996 had already led to it announcing the delay of a new UK plant (The Economist, 1996:23) and Newton Aycliffe was not the only 1998 casualty, as Fujitsu disposed of its DRAM assembly line in Singapore, by way of sale to an indigenous company, United Test and Assembly (The Register, October 1998). In parallel, projected capital spending for 1999 was reduced to $667m, less than half of 1998 spending. These steps are all part of the firm's revised strategy which concentrates its own production facilities mainly in Japan and looks towards increased numbers of cooperative ventures, many of which will be by way of licensing production to other firms (Electronic Buyers' News, 1999). Although licensing is a slightly different approach to technology alliances to that taken by Siemens, it follows the same principle of looking to minimise the firm's individual risk exposure, whilst still attempting to maximise the market for products developed by the firm. Indeed, two years previously subcontracting/licensing was proposed as the main alternative to teaming up, as a means of dealing with the changes that were occurring in the industry (The Economist, 1996:25).

Twenty to thirty years ago, Fujitsu would have been identified as Japanese and therefore not typical of the wider behaviour of TNCs, which were analysed as an essentially a western, and particularly US, phenomenon. Work in the early 1970s of such noted analysts as Vernon and Stopford was based on results from the Harvard Multinational Enterprise Project, begun in 1965 and based on the 1967 Fortune 500 list of the largest US industrial companies. Differences in organisation, concentration in East Asia and lack of innovative competitiveness identified Japanese international firms as essentially distinct from western models of TNCs (Yoshino 1976:90). Yet the surge and scale of Japan's incursion into western states during the 1980s, again particularly the US, forced commentators to accommodate these firms in their models; $67.5bn in FDI in the years 1979-89 was too much to ignore. Nonetheless in the early 1990s some commentators still argued that Japanese firms had still not been fully assimilated as TNCs, contending that as international firms they are still very young and have not reached the more advanced stage in their life cycle shown by their western counterparts (Campbell 1994). Such comments would suggest that finding Fujitsu favours its home base would be unsurprising. They would be seen as Japanese and thus not representative of the fully grown adult TNC. However the parallels with Siemens and both firms post war growth are evident. The contention that true TNCs are firms in a very advanced stage of their life cycle may well be valid, but surely is one that is as valid to firms with home bases across the globe wherever the point of origination.

The way in which both Siemens and Fujitsu fail to meet Hu's TNC criteria is remarkably similar. Fujitsu's parent company is registered in Japan where taxes could be levied; the majority of its assets and people are similarly located there; a review of the names appearing on the management board does not reveal a single westerner; and of the ten principal shareholders listed in their 1998 Annual Report, the only one not Japanese is Chase Manhattan, whose standing proxy is placed with Fuji Bank. There seems no suggestion that German TNCs are not representative, but perhaps national characteristics are more similar to those of the rest of the western world. Certainly Fujitsu's approach to Newton Ayecliffe after closure appeared more philanthropic than Siemens to North Shields and it seems to have retained and exported Japanese benevolence towards the well being of employees and ex-employees. Even if management styles vary, it can be argued as derogatory or condescending label Japanese international firms as less mature *per se*, rather than simply exhibiting differing embedded cultural attitudes. These two firms both retain strong ties to their home state. When push and pull factors are evaluated, Fujitsu found the pull of its home base with high levels of trade, a history of both implicit and explicit state support and the embedded relationships of the *keiretsu* more attractive than any geographic comparative advantages possessed by other states. As in the case of Siemens it relates to its home state. It is a Japanese firm with international operations.

1.3.3. Groves

This example centres on the Crown Works, located on the banks of the River Wear in Sunderland, occupying a site of some 96 acres. It had a long history of crane manufacturing in the hands of Coles Cranes Limited, who were reputed to be the largest manufacturer of cranes in Europe when that company was acquired in 1984 by Grove Worldwide, themselves a crane manufacturer with their head office at Shady Grove, Pennsylvania and owned by Kidde Inc. of New Jersey. In 1987 Kidde was purchased by Hanson Trust plc, a British based and owned conglomerate, although control of Grove Worldwide was exercised by Hanson Industries, the Trust's US arm. By the early 1990s Grove's marketing literature described Crown Works as employing 1300 people, having a capacity to produce over 1000 machines a year and still representing the world's largest manufacturing facility outside the US.

However on 11th March 1998 Hanson announced, as part of its rationalisation to concentrate on its building materials business, it was to sell the whole of its interests in crane manufacturing in the form of Grove Worldwide to Keystone Inc., which is the principal investment arm of the Texas Investment banker, Robert M. Bass. The sale was completed on 30th April 1998 and, on 10th August, Grove announced its intention to close Sunderland in November, with the loss of around 650 jobs. The 14 years from 1984 to 1998 had seen Crown Works 94acres transformed from the largest crane-manufacturing site in Europe to being central in the Government needing to establish a task force to drive a redeployment and regeneration initiative for the locality (Pike, 1998).

As long-established heavy engineering, it is convenient to label closures such as this as part of the Region's oft quoted 'decades of decline' and 'loss of traditional industries' (e.g. The Journal: 15th July 1999, p.7). But this was not an industry in decline in 1997, when the market for new machines had increased by 5% (Cranes Today: April 1998, p.5). Within the industry, Grove Worldwide overall unit sales had increased almost threefold between 1988 and 1997 and, whereas their overall production between 1968 and 1997 was 17,000 units, by 1997 they were shipping and invoicing 8299 units in a single year, although this last figure increased with the acquisition of Delta Systems of Tonneins, France and the Krupp mobile hydraulic crane business of Wilhelmshaven, Germany in 1995. These unit sales produced a reported operating profit for the financial year ended 31st December 1997 of $79m on sales of $890m (Financial Times, 11th March 1998). Yet this picture of Grove as a profitable firm in a growing market seems very much at variance to the picture painted as justification for the closure. Pike (1998) outlines the reasons cited by the firm, which appear more of a 'catch all', as "...consistent losses, cheaper foreign competition, loss of market share, collapse in demand, over capacity, strong pound...". Some of these issues will be further discussed later, but the balance appears to be that Grove believed it was not securing a large enough market share or as profitable as it could/should be, rather than an unprofitable firm in a dying industry.

To accept this contention means that, in searching for justification for closing the Crown Works, one must look specifically at the firm's operations in Sunderland, their profitability and its fit within the firm's overall operations and strategy. Grove's claim was that Sunderland had produced an operating loss in each of the six years prior *to closure, but only they know how those figure* were calculated. Prior to their acquisition, and subsequently, Grove has not been entirely open in reporting its trading and financial position. When wholly owned by Hanson there was no obligation to release any breakdown of figures by product or plant and, following acquisition by Keystone, the new Chairman and Chief Executive Officer (CEO) openly stated they would "...not be publicizing the performance of the company" (The Crane & Lift Report: April 1998, p.17). If the Works did make a repeated loss, in a firm making overall operating profits of $79m, then to understand the closure one must seemingly look back to 1984, when Grove acquired Coles. The acquisition could have been driven by a corporate strategy of having a European manufacturing plant close to that market and customers. Equally it could have been motivated by the acquisition of Coles' existing client/customer base. There was probably an element of both, but the years between acquisition and closure suggest a heavy bias towards the latter. There appears to have been no concerted effort to develop Sunderland into a stand-alone profitable unit or division, but rather as an overflow plant to take up the slack, as and when needed. The levels of workers employed in production varying substantially from year to year supports such a contention; as does the cessation of crane production in 1997 and subsequent use of the facilities for general spares production and to assist in production of manlifts for shipment to Wilhelmshaven. The Coles' customer and product base was by then firmly rooted with Grove.

Due to the secrecy and lack of financial information in the public arena some speculation is necessary if one is looking for some more specific explanation for closure than the 'catch all' public statement. The new CEO, bought in immediately following acquisition to replace the previous incumbent of six years, said "...Keystone bought Grove Worldwide because it is a well run organisation which represented a good deal and a good investment." Later in the same interview he emphasised the need to focus on "...reducing costs and improving value..." (Cranes UK, Summer 1998:13). In another interview, apparently referring to Sunderland's future prospects, he confirmed that reducing costs would include "...shifting the production of certain models and components to facilities where they can be more efficiently produced." (Cranes Today, August 1998:7). There is a contradiction in a 'well run organisation', where weeks after taking office, the Chairman is implicitly saying costs are too high, value inadequate and products not all manufactured at the most efficient location. The truth seems to be, behind the growth in sales of Grove Worldwide products, there is a poorly hidden weakness in its product development and efficiency management. It can be argued that, had those aspects of the firm's operations been successful, the acquisitions in 1984 and 1997 would have been both unnecessary and wasteful. Coles was acquired when Grove were under severe competitive pressure from Omega who were making inroads into their market, particularly the 20ton range. In 1997 the pressure on the home front was from another competitor, Terex, and commentators have pointed to the previous superiority of the Krupp product line to that emanating from Shady Grove. They further note no new product has come out of Wilhelmshaven since acquisition, fearing "...Grove's American management might encumber and compromise the future output of new German models..." (The Crane and Lift Report: April 1998:22). The concern was that the firm would look towards absorbing its German and French acquisitions in the same way as it had Coles, without incorporating features that had made those firms successful. After all, JLG, one of Grove's competitors, supplies all its European product needs from McConnellsberg, PA, not too far from Shady Grove. The German coordinator of the firm's European Forum did not miss the suggestion that the US might absorb the German customer base in the same way, and with similar results. He asked for an extraordinary meeting of the Forum to discuss the effects of policy changes on European operations evident from the proposed closure of Crown Works, but was refused on the grounds only one site was involved.

Comparison with Terex is informative in the area of efficiency management, as industry specialists question how that firm can produce a turnover of \$650m with 1,900 employees, whereas Grove need 5,300 employees to generate sales of \$890m (Cranes Today April 1998:5). As the two companies compete head to head, it is not surprising that the new CEO puts cost reduction at the head of action needed, although more surprising to hear Grove was 'well run'. But such public pronouncements evidence the point made above regarding the reliability of information for public consumption. On 7th April 1997, at a presentation to potential lenders financing the acquisition, Grove was described as an 'undermanaged company', an 'orphan asset; part of a large, diversified conglomerate' and having a 'historically high cost structure'. Keystone's operations improvement programme anticipated up to \$50m savings in operating costs and \$50m reduction in working capital (The Crane and Lift Report April 1998:9).

It would be anticipated that new owners and managers would look critically at all production facilities in the light of the above comments. However, Sunderland was not the archetypal representation of the traditional British industrial plant, with high costs perpetuated by protected working practices and staffing levels. Trade union officials emphasise staff have cooperated to remove such practices and provide the flexibility required by management. Such comments cannot be dismissed as predictable, but unreliable, when the outgoing Chairman, talking of Sunderland, said "...not that the people are the problem. Quite the reverse. Even in tough negotiations with the trade unions, they're very intelligent and reasonable people....". His view was that the "...UK-built crane product we tried to sell here was just not acceptable." (The Crane and Lift Report April 1998:5). Reducing Grove's 5,300 staff by the 650 employed at Sunderland may not restore a competitive balance, but a 12% reduction is a soft and fast option towards meeting the expectations of Keystone's lenders/bankers. The industry had been alive with anticipation of substantial layoffs (The Crane & Lift Report April 1998:1). However it is doubtful this reduction was all they had in mind, particularly as no such reductions have been announced at Shady Grove at the time of writing, notwithstanding that the former Chairman had described the biggest challenge for the firm as "...changing the culture here in Shady Grove."

Both staff and the former Chairman emphasise the efforts made in Sunderland to improve efficiency and productivity, and the new Chairman warns of 'shifting production of certain models and components to facilities where they can be more efficiently produced'. Analysts within the industry pronounce the superiority of the German designed models. Yet UK production ceases and German designed models do not appear. In the mid 1990s Hanson's difficulty was transferring dollar profits into pounds for group figures, due to the strength of the pound. But in 1998/9 a strong dollar might be expected to act as a spur to promoting firms' European design and/or production. Moreover the benefits accruing to firms using UK labour rather than German has already been observed in the discussion regarding Siemens and that same review showed those costs as 25% higher in the US. Why then were the advantages of economies in production at Sunderland, the lower labour costs, the superior German design reputation and the relative weakness of European currencies were not maximised. There is no dispute that Grove is a TNC within the definitions provided by the United Nations and

Casson by producing in more than one country. But there seem few parallels with Hirst's internationally recruited and orientated management locating production wherever comparative advantage and market conditions dictate. The actions of this firm are more suggestive of giving priority to protecting their home, by concentrating production and developing its global strategy substantially on an export base. That conclusion would support Hu's ideas of such firms being more accurately pictured as domestic firms operating internationally and indeed it fails when tested against his criteria for qualification as a TNC. Of its sales revenue in 1997, 67% was from sales in North America, two of its three divisions were claimed to have over 40% share of that region's market, over 70% of its staff were employed in the US, where it is registered and liable to taxes, and both its senior managers and owners are American (The Crane and Lift Report, April 1998, and Grove Worldwide1999). As for Hu's criteria of national support, Krugman's critique (1994) of US strategic trade policies provides ample evidence of their content and attraction to domestic firms. Whether one agrees with his academic argument, or not, the determination to support home firms and the public popularity of such policies is clear.

There seems little doubt the firm sees itself as a producer/and trader on the world stage, but an American trader/producer. As in the other studies there is no case to assume that a firm becomes a TNC, and therefore conceptually distinct from domestic firms, simply by adopting a global or transnational trading strategy.

1.4. IN SEARCH OF A CONCEPT – A HYPOTHESIS

The epistemology, methodology and methods adopted in pursuing this research will be detailed and discussed in greater detail in Chapter 3. However, in outline, it is our intention to develop an hypothesis inductively from the above three case studies, thereafter seeking to falsify that hypothesis from quantitative data and case studies of a wider range of firms. This is similar to Popper's critical realism, but differs in the respect of the hypothesis being grounded in the three case studies and not by deduction. We view this as strengthening Popper's approach and a methodology that accepts the limitations of our initial data.

Considering only three firms closing plants in one region of one state in a restricted period of time is obviously open to challenge if used to form more wide generalisations as to the nature of TNCs. The firms can be argued to be too small a sample and non-typical. Against this a firm from each of the world's largest economies of the developed world, the Triad, minimises claims that actions reflect cultural diversity – although this itself might be to counter an argument that reinforces the relevance of 'home'. Similarly the events could be contended to reflect the specific conditions applying to that region in that state and at that time. But, what to one analyst can be seen as geographical and temporal limitations, to another analyst would be seen as minimising the impact of these factors as variables. However, we do believe that the actions and evidence of these firms is an adequate base from which to construct a hypothesis as to how firms, and specifically TNCs should be conceptualised in mainline theoretical approaches within the discipline of IPE; a hypothesis that can then be tested against a wider range of firms operating internationally. Moreover, we believe this methodology, together with our particular in-depth analysis, in the form of case studies leading towards an hypothesis and subsequently testing that hypothesis, is distinctive and will provide a persuasive argument.

In order to construct this hypothesis we return to Krasner's summary of the way in which actors interact and interrelate in the world order, or perhaps, which actors interact and interrelate. The realist sees the firm as subordinate to the state. The neoliberal sees some firms escaping from this yoke and acting independently once they move into production in more than one state. These firms interact and interrelate with states, *inter alia*, autonomous from the needs, requirements or influence of their state of origin. The neoliberal makes no claim for domestic firms to be included in the cast list on the world stage and thus, presumably, accept that those firms must be conceptualised as being subordinate to their home state. The idea that the firm suddenly must be conceptualised as not subordinate to its home state immediately it starts to produce overseas is clearly ludicrous, as our hypothetical example of the Dover baker illustrated. If we are to believe the TNC differs from the domestic firm in that it is not subordinate to its state of origin, it would be logical to concentrate on that lack of subordination, rather than the spread of its production. This is the approach taken by Hirst and Thompson (1999:11) where our Dover baker becomes an MNC based in predominantly one location and would only transform to a TNC when it ceased to be "...controlled or constrained by the policies of particular nation states...". Their approach seems eminently logical, but they make no explicit attempt to locate their definitions into IPE theory. One must assume the MNC is still viewed as subordinate to the state in line with realist views and the TNC reflects the neoliberal view, but with a revised conceptualisation. However, this stance is based on the idea that only policies of a state control and constrain a firm's activities. It is based on the assumption that control and constraint require positive actions. That assumption is to misunderstand or underestimate the 'national' in national identity; an expression that will be considered in more detail in the next chapter.

So let us return to our three firms formerly producing in the North East of England and consider whether they are MNCs or TNCs in the terms outlined by Hirst and Thompson. We have shown in each case that there are grounds to believe they favoured production units in their home state over those in a host state. However, there was no evidence of their actions being dictated by control and constraint flowing from policies of their home states. On the other hand, in relocating production they did not demonstrate they were "...without specific national identification..." and "...willing to locate or relocate anywhere in the globe to obtain...the highest returns..." (Hirst and Thompson 1996:11). They would then presumably be considered MNCs, whereas examining their actions when they located in the North East would probably have led to their being seen as TNCs. That yo-yo action from MNC to TNC and then back to MNC again does not seem to point to a definition or conceptualisation that is satisfactory for theoretical purposes. It is more suggestive of the firms remaining as MNCs in Hirst and Thompson's terms. This would imply that there is something more than freeing themselves from explicit home state control and constraint needed to justify being conceptualised as a TNC.

However, if none of our three firms can be seen as shedding their national identification then where are those stateless neoliberal TNCs? The three firms are leading global producers in their field, particularly those from Germany and Japan and, if they are still displaying home nation loyalties or characteristics, it must be pondered as to whether national identity is embedded in all firms. Perhaps we must deny the existence of the non-national firm until we can produce evidence of its existence and it is upon this thought that we base the following hypothesis.

All firms are national constructs and should be conceptualised as such when producing models of world order in mainline theoretical approaches to the discipline of IPE.

As stated, this hypothesis will subsequently be tested against a range of firms but, before doing so, we will consider whether, and where, it can find an academic 'home' that will provide it with legitimation. This is pursued in the following chapter.

CHAPTER 2 - THE NATIONAL IN AN ACADEMIC CONTEXT

> *'Well, a lot of top executives in American companies were and are Scottish, either born here or with Scottish roots. LiS would target those individuals and work on them, trying to get them not only to open a factory here, but to persuade other Scots in positions of influence. Look at IBM. Actually, this isn't an example of LiS at work. IBM has had a presence in Scotland for forty years. They started in Greenock, and they're still there - the plant's about a mile and a half long. But what took them to Greenock in the first place? I'll tell you. It wasn't economics or a skilled work force – it was sentimentality. The head of IBM at the time was in love with the west coast of Scotland and that's all it was.' McAllister shrugged and blew on his coffee.'*

Ian Rankin 1995:132

McAllister works for the Scottish Office and relates this anecdote to John Rebus, the Edinburgh policeman, in the Ian Rankin novel 'Let It Bleed'. It is fiction but, as in much contemporary fiction, it may reflect a reality where affinity to place overturns pure economic rationality. Indeed, the previous chapter suggested the three real life examples of plant closures by TNCs in the North East of England could be contended as being significantly influenced by 'sentimentality' in continuing loyalty to the firms' home states. Perhaps then, Rankin's 'fiction' is grounded in reality by recognising factors in decision-making other than economic expedience. In the context of this research, the contention implicit in the hypothesis developed in the previous chapter is that a major non-economic factor in the decision making of firms is their national identity. Perhaps the three firms cited are examples of Stuart Hall's view that identity is the ground of action (1997:42). If that is the case then we are considering something less ethereal than sentimentality when viewing the national, the part it plays in identity formation and the manner it subsequently displays itself.

The pivotal word in our hypothesis is therefore **'national'** and, in this chapter, we will focus on that word with a view to providing academic legitimacy to our conceptualisation of it being a characteristic of all firms. The intention is to initially establish the importance and priority of the nation to the identity of the individual, before considering how this national identity informs and/or is accommodated by political schools of thought and theories of the firm. Thereafter theories of the firm will be considered in order to unearth a means of conceptualising firms that accommodates the continuing impact of national identity and loyalty. The objective is to produce a holistic package that explains why national identity is so pervasive to both the individual and hence the firm, as well as grounding that notion within a political school of thought.

We will examine whether such contentions have claims to theoretical and academic legitimacy and, in doing so, two principles adopted by one of modern IPE's founding fathers, Robert Gilpin, will play a significant part. The first is the lack of any academic straitjacket requiring the writer to draw only from the well of one single school of thought or theoretical approach This is made clear in Gilpin's discussion of his own catholic influences (1986:304) and is an attitude extending into other disciplines (see for example the land economist and economist Stephen Fothergill and Graham Grudgin 1985:101). The second is the realist knowledge that the state and the firms are abstract constructs and do not really exist, because only individuals really exist (Gilpin 1986:318 and Cox 1992:133). We also feel the need to comment upon three items of terminology before opening our discussion of identity; nationalism, nation and state. The first of these, 'nationalism', has been used in a very catholic manner over the years and it clearly has a relationship with national identity. The 'ism' labels it as an ideology but, in recent years, it has often been used in a pejorative sense, associated with forces striving for what they see as political, social, economic and cultural emancipation. Peter Alter (1989:6) quotes a German dictionary defining the word as an "...exaggerated and intolerant form of though in relation to a nation...". So the national component of self-identity, previously so laudable when expressed as patriotism, sometimes can become less palatable when expressed via many of the present day nationalist movements. Alter goes on to contend there are many and hybrid interpretations and brands of nationalism but, when the word is used in the following pages, it is only to convey the feeling of loyalty and affection towards one's home state that shapes individual action towards favouring that state over others. However this current work is most certainly not concerned with nationalism as political phenomenon or ideology.

Similarly, it is also not intended to be a dissertation on the distinction between state and nation, which are "...manifestly not identical..." (MacCormick 1999:190). The distinction is recognised but, as Herb (1999) observes, there is frequent confusion in terminology and that it is common practice to use nation and state as synonyms, despite the significant differences between them. Nonetheless, even though identification with them is not congruent, Kaplan (1999) contends national identity sustains state identity in that the state needs the nation for legitimacy and the nation needs the state to fulfil its aspirations. Thus the two are symbiotically linked as illustrated by Tiryakian (1997). Therefore, when referring to 'national identity' in this work, it is not proposed to generally distinguish between state and nation unless there is a specific need. Nor is the argument to be pursued as to whether these specifically constitute or generate 'imagined communities' (Anderson 1991), 'spatial identities' (Kaplan 1994), 'communities of sentiment' (Weber as quoted by Norman 1999), or any other more specific brand of identity or community. Moreover, the distinction between nation and state come to the fore when the former exist independently from the latter. In the context of the current work, we cannot envisage a TNC developing within a nation without a state and we therefore believe it is sufficient to recognise the part that national/state identity plays in forming individuals' identity. We do not therefore seek to rigorously distinguish these two constructs in all instances.

2.1. UNDERSTANDING NATIONAL IDENTITY.

With the realist contention that only individuals exist and that entities such as firm and state are abstract constructs guiding our thoughts, our search for theoretical validity starts by examining individuals and the aspects of identity they bring to, or take from, these abstract constructs. That they do take these aspects of identity into firms as abstract constructs will be discussed later in this chapter. However the initial task will be to seek to reach some understanding of the nature and degree of durability of an individual's national identity. To do this we will draw considerably from the disciplines of psychology and social psychology in maintaining that, whilst not an innate human characteristic, national identity exists across and between generations producing something more than a transient social characteristic. It will further argue that there is little evidence that it has been consumed in the process of globalisation, but that it has proved resistant to the process, perhaps even heightened by it and that the nation remains predominant in its influence on socio-territorial identity.

Social psychology recognises the individual's need to establish a self-knowledge, both for their own identification and recognition of others and we see identity analysed into aspects such as social, biological or interpersonal. Our specific interest of national identity is regarded as a social differentiation as opposed to occupation, which is an interpersonal attribute in analysing self-concept (Robert Baron and Donn Byrne 1997:154). The complex nature of identity starts to become more apparent when one then adds the cocktail of biological characteristics, such as colour, gender, age or sexuality, and even more features that are socially nurtured and constructed. Yet these various components are the stable points of reference that, with the logic of identity, "...help(s) us...to sleep well at night..." in a turning world (Stuart Hall 1997a:22 and 43). It is of course not being suggested that the elements of identity are neatly pigeonholed because much social theory considers the complex interaction between essentialism and constructionism. Indeed some theorists (e.g. Sedgewick 1985) have argued the strength of the forces of social construction have severely reduced the role of agency in building individual identity, in some cases to the extent that "...constructionism (the position that differences are constructed not innate) really operates as a more sophisticated form of essentialism..." (Fuss 1989:xii). But there is not only a conflict between nature and nurture, there are also the conflicts between the various social constructs to which the individual is exposed following the dawn of modernity and the break-up of, arguably, that most all-encompassing identity scheme of kinship (Craig Calhoun 1994:11). Parekh (1999) argues that national identity is no more or less than any other, be it species, sexual, occupational, linguistic, religious, regional or other identity. To an extent this builds on the view of Cascardi (1992:3) that "...the modern subject is defined by its insertion into a series of separate value spheres, each one of which tends to exclude or attempts to assert its priority over the rest...". Which 'value sphere' is ultimately dominant will vary from individual to individual, yet there is a strong case to disagree with Parekh's (1999) view that "...in day-to-day life one's national identity impinges little on one's consciousness...". Others contend that national identity is one of, if not the, strongest of these spheres. Such a suggestion finds support in Max Weber's contention that the term nation suggests in the first instance that "...it is proper to expect from certain groups a specific sentiment of solidarity in the face of other groups..." (1978:922). Certainly the words of Robert Gilpin, would suggest that is the case. He concluded that the nation-state "...For better or worse ... continues to be the most powerful object of man's loyalty and affection." (1971:69). It could be contended that these words from a political scientist are no longer as valid three decades later, particularly as identity formation is claimed to involve construction and reconstruction throughout "...the life-course of individuals and groups and through their different faces, roles and circumstances..." (Melucci, 1996). Yet Gilpin's sentiment is echoed by the sociologist Paul Kennedy (2001:2) when he considers the numerous component parts of identity and concludes that "...issues surrounding nationality and national identity ... normally assumed the central place...". Lest this be regarded as an isolated voice it should be noted that the words appear in the context of a collection of articles emerging from a 1999 interdisciplinary conference around the theme of globalisation and identities.

Moreover specific articles/case studies were located in the US, Europe, the Middle and Far East, Africa and South America, suggesting the identity with nation is not purely some western outdated legacy of modernity.

If Gilpin's views still hold some validity over thirty years later, then it would seem the nation is something more than a group or series of groups bringing together individuals in a given territory, and the loyalty given to it more than that given to other social grouping promoting mutual objectives. This idea of conceptualising the nation as distinct and superior to other social forces in constructing identity is enlarged in the work of other political scientists such as Anthony Smith (1991) who compares national identity to other social identities. Class is one such example and, whilst consideration of this social identity may now sometimes be seen as less in vogue than in years past, for much of the nineteenth and twentieth centuries there had been predictions of national frontiers being broken down by the realisation of working class brotherhood. But as Robert Holton (1998:136) argues, examples across the world prove "...the appeal to nation as a source of cultural identity and political security has, on most occasions, proved more powerful than the claims of social class...". The relevance of those words becomes clearer when Holton provides his shorthand understanding of the concept of the nation-state as bringing together "...what may be loosely termed a 'people', that is, a cultural entity..." and "...a set of institutions through which a public authority is exercised within a particular territory..." (1998:85). This appears to be a restatement or extension of Walker Connor's (1987) conceptualising the combination of a sense of peoplehood and a political institution. We therefore see two concepts of security and culture; two separate but interlinked facets of national identity. The former might be viewed as why individuals need to see themselves as part of any nation/state group and the latter as to why a specific nation/state.

The individual's need for personal security as an inherent, and often unconscious, behavioural imperative is given an excellent explanation in the psychosocial analysis of the part played by national identity by Bloom (1990). In his comprehensive explanation Bloom's purpose appears to be to support a realist view of international relations. When stressing the need to provide the security demanded by individuals coming together in the form of a nation/state, he first highlights the manner and importance to the individual of self-identification. To do this he analyses identification theory and draws on the two main schools of psychology; the psychoanalytic and the behaviouralist that have led to the two general approaches to political analysis. The former mode has been used in attempts to explain political action and the latter to explain political attitude. The sometimes contrasting and competing work and ideas of Sigmund Freud, George Herbert Mead, Eric Ericson, Talbot Parsons and Jürgen Habermas are cited to evidence that, even when not agreeing on other aspects, there is unity in their seeing the commodity of national identity's importance for psychosocial personality security and emotional wellbeing. This expresses itself in the way individuals subsequently '... act as one psychosocialogical group when there is a threat...' (p.52) and '...act together to protect group form , defend and enhance their common identity...' (p.26). In this way the individual both supports and feeds the state as well as being fed and supported by the state.

As suggested, whilst economic and physical security can be secured by subscribing to the political institution, it does not answer the question of why that particular national group came together and stays together; where does that sense of peoplehood, that cultural identity, arise. Many analysts seeking subjective meaning in the nation agree, and have identified, the importance of a combination of commonality of language, territory, social structure, customs and beliefs (e.g. Sefton Watson 1977). Institutionalised as the nation-state, it extends further to provide the source of law, social order, a sense of corporate identity and even of morality. Some of these features are clearly visible, but the 'nationalist thesis' extends to more abstract areas and has even been described as a somewhat mythical way of thinking. Black (1988:77-89) examined this mythical aspect and, whilst admitting his initial scepticism, ultimately concluded there was considerable validity in the notion. This mythical contribution was earlier identified by the American political scientist, Karl W. Deutsch when he talked of nationalism as "...a state of mind..." with "... 'national' messages, memories, and images..." (1967:208). Deutsch's view reflects social psychology's analysis of self-concept where national identity, as a social differentiation, is argued as being transmitted as almost a cultural gene in a string of DNA made up of several different mutually reinforcing elements (Geertz 1973:92). Of course, Geertz is not purporting it as a truly physiological attribute, but the comparison does emphasise his belief that the development of national identity does go beyond a single generation. With national messages memories and images passed on from generation to generation it is hardly surprising to read the state described as embodiment of a group in which the individual's personal identity is anchored and constitutes a genuine emotional commitment; latent but emerging in salient situations (Kelman 1967:280-281). In effect, Kellman provides endorsement, across the boundaries of academic disciplines, of Gilpin's contention that the nation-state is "...the most powerful object of man's loyalty and affection...".

However, views such as those from Kelman to Gilpin are now challenged by those who regard globalisation as a social force weakening the role of nations, nation states and identity with those entities. Writers such as Lester Thurow (1996:115) tell us that "...Sentimental attachment to some geographic part of the world is not part of the system...". Although Thurow provides no justification for this assertion the notion rests on nations being a product of modernity, at least on a socio-political level, and, whilst drawing on a pre-modern era for cultural-psychological aspects, they are only up to a couple of hundred years old in the way we now understand them (Anthony Smith 1991: Ch. 4). They are therefore representative of a particular stage of the development of world order. We then see commentators such as Hobsbawn (1994) viewing nationalism as contingent on changing circumstances and contend that globalisation involves the institutionalised construction of the individual (Robertson 1992: 104). Thus global culture becomes as meaningful as national-societal or local culture. Collectivity is argued as prior to the individual, whose identity shifts and exhibits less fixity and more fluidity with new forms of cosmopolitanness, adulthood and scepticism (P.W.Preston 1997:186). This would mean Kelman's nationalism, as a powerful force in the world, is apparently subsumed by the overriding dynamics of globalisation, and indeed it has been argued that the increasing analytical skills of citizens that is integral to globalisation will reduce the emotional and psychological pull of the nation (Rosenau 1992:286-8). Yet contemporary events in Yugoslavia and Ireland suggest such views are hypothetical and reports of the death of nationalism have been greatly exaggerated (Calhoun 1994:304). That notion is reinforced by the perceived need of the European Union's president designate to commit himself to developing a common European soul (Shrimley 1999:1); an admission of the absence of a super nation transcending the nation-state in Europe as identified by Schlesinger (1992:320). European or global identity and citizenship start to appear as more an aspiration that existing reality and "...the dominant culture remains the pursuit of short-term national issues..." (Roy Smith 1996:212). Indeed, as the German ethnologist Wolfgang Kaschuba has argued "...national stereotypes may well seem anachronistic to us...", but a "...perhaps even increasing need to conform with 'national identity..." arises "...out of a deep-rooted need for a particular kind of communal identity that is felt by all of us." (1993:190). Even those who want to see nationalism weakened (e.g. Charles Maier 1994 and Ernst Haas 1997) appear to accept this as an aspiration rather than a developing phenomenon.

Perhaps then globalisation and supra-national regionalism act as catalysts to nationalism's growth by accentuating the individuals need for it. Whilst Mann (1997) looks more towards the impact of emerging and developing global networks, he concludes that patterns are too complex to argue simply that the nation state is either weakening or strengthening. However Charles Handy (1997:22) informs us, "...The world may be too large a playing field for people to comprehend...", to which may be added the convincing contention of Calhoun (1994:339) that nationalism provides shelter in a world grown too frightening, or one immediately satisfying identity with which to confront the globalisation of capital. Arguably this constructs what is understood as the concept of habitus, introduced by Bourdieu (1984), and described as modes of conduct, taste and feeling predominating among group members; closely related but differing from identity in its reduced conscious perception by group members (Mennell 1994:177). In turn this develops a sense of national or ethnic identity much stronger, both emotionally and in its consequence for actual conduct, than any felt for supranational groupings (Mennell 1994:178). The psychologist Salazar endorses this view with his layers, or concentric circles of identity and the four elements of commonality in territory, culture, ethnicity and state (resonant with Sefton Watson), with the dominant circle dependent upon the frame within which the individual is placed. Globalisation creates consciousness of similarities and differences, but the almost religious desire for eternity that the national group can satisfy is not eliminated (Salazar 1998:178-182). Accepting the view that psychology should be at the core of the discipline of international politics (Holsti 1962:543), Salazar's endorsement of Kellman's views some thirty later might suggest identification with the global is, as suggested, more hope than reality. Indeed, opening a thorough review of the psychological analysis of personal identity, national identity and international relations, Bloom (1990:1) describes actors other than nation-states as complementary, subservient and out of the limelight in this context; or as Wallerstein (1997:92) puts it "...nationalism is the quintessential (albeit not the only) particularism, the one with the widest appeal, the longest staying power, the most political clout...". And it is this observation by Wallerstein that carries us towards the next section of this chapter, in that if we view nationalism as having 'the most political clout' amongst particularisms, it would need to be accommodated by contesting schools of political thought; schools that inform approaches to IPE.

2.2. NATIONAL IDENTITY IN MAINSTREAM POLITICAL THEORY

In the previous section we evidenced the wide body of opinion across academic disciplines that national identity is inherent and has persisted in individuals. As political schools of thought make assumptions regarding the nature of man and use them to explain man's actions, it would appear to be reasonable to expect them to accommodate this characteristic. But let us take an everyday example provided by Mathew Horsman and Andrew Marshall (1995:200); an everyday example that illustrates national identity in action. They cite the story of the town of Greece in New York State wanting to purchase an excavator, but also wishing to 'buy American' and thus keep Americans in jobs. Initially the town rejected a machine from the Japanese company Komatsu, preferring one from what it saw as the quintessential emblem of American agricultural life, John Deere. On further investigation they found both machines were the products of American-Japanese joint ventures and the Komatsu was made in the US, whereas the John Deere was made in Japan. The global economy is indeed very complicated and it is very difficult to place the national interest within that economy. As the writers sought to illustrate the complexity of the global economy and what they believe to be the virtual impossibility of defining the national interest within that economy, they have made their point. Yet what they failed to explain was the town's desire to buy American. It had difficulty implementing its desire, but buying American was the basic starting point; not a machine that was the cheapest, the most efficient or showed the greatest cost effectiveness. The priority was that it should be American, but how would this be understood or explained in contrasting schools of political thought?

Locating such national identity in political philosophy will also facilitate the identification of underlying assumptions of some of the theoretical concepts subsequently discussed in later sections. Additionally it is intended to unearth a means of conceptualising structure that can both accommodate and explain the continuing strength of national identity and loyalty. Of the traditions considered, liberalism recognises these traits, but does so only as transient *phenomena, secondary to and in pursuance of rational self-interest.* conservatism regards them as part of a heritance passing from generation to generation and cornerstones of its philosophy. Those latter claims as to its durability and permanence will be emphasised by the criticisms of classical Marxism by respected commentators in its failure to provide an answer to the 'national question'; a strength and failure that, in part, generated strands of Marxist thought which do address the 'national question'. The contributions of Bauer and Gramsci will be cited and work of the latter argued as offering a way of conceptualising the state that helps us understand continuing loyalty to the home state. However, this conceptualisation will depart from a strictly Marxist understanding by regarding the firm as part of civil society underpinning government. In shorthand this may be seen as conservative ideology using a mode of analysis grounded in Marxism.

2.2.1. Liberalism

The regard for the nation illustrated in Greece might be dismissed as simply anecdotal but such sentiments are well grounded and have a long-standing place in liberal political and economic consideration (although strictly speaking the following example predates the invention of the term 'economics' and should be placed in the foundations of political economy). As Robert Heilbroner asserts that "No economist's name is more frequently invoked than that of Adam Smith...", there is little reason for this paper not to follow the practice of seeking justification in Smith's "...aura of venerable respectability..."(1986:1). Even as champion of liberalism and the free market, in 1776 he felt the need to explain how man's rational self-interest would be expressed in his endeavours "...to employ his capital in support of domestic industry..." and "...intend only his own security..." by ensuring "...the annual revenue of the society be as great as it can..." (1910:400). By intending his own gain man thus promoted an end that was not part of his intention, but was guided by that now famous invisible hand. Admittedly, whilst Smith appeared to understand the individual's wish to support domestic industry, he also contended it should not influence the nation in artificially supporting industries in international competition. His argument was that if

"...a foreign country can supply us with a commodity cheaper than we ourselves can make it, better buy it of them..." (Smith 1910:401). Seemingly the wish to support the nation might be laudable, but not a sound basis on which to develop national policy. As he said "...I have never known much good done by those who affected to trade for the public good ..." (1910:400). So whilst Smith recognised mans' feeling towards the nation, it was not a feeling to be pandered to in economic matters.

However if Smith understands Greece's desires without endorsing them in an economic context, it can also be contended liberalism provides some legitimation of these feelings in terms of physical security of the individual and his property. John Locke, the man often reputed to provide the finest modern justifications for limited government (e.g. Gray 1986), listed the first of the ends of political society and government as "...the mutual preservation of their lives, liberties and estates..." that makes "...men willing to quit their state of freedom in nature..." and "...willing to join in society with others...". Individuals needed protection from a foreign enemy and each other, as "...in the state of nature..." they were "...constantly exposed to the invasion of others..." (Locke 1993:178). National identity becomes a commitment to a bargain where limitations on individual freedom are exchanged for improved security. Nationalism, the variety where people feel for a country to which they are contented to belong (Goobwin, 1992:200), becomes justified in liberal theory, but with one large caveat; that the nation in the form of the state continues to be regarded as the necessary and effective institution in continuing to provide and maintain the individual's security, both physical and economic, to the extent that the contract and consent is perpetuated. However on this basis Greece would only have chosen to buy American providing all other factors were equal; it would be a final input into their decision not a prerequisite.

So we can conclude that liberalism accommodates natural identity, but only that brand or aspect concerned with personal security; the aspect that, in the previously cited words of Bloom, causes citizens to "...act as one psychosocialogical group when there is a threat...". However, it does not seem to accommodate any cultural aspect of national identity or explain the practice of "...defend*ing* and enhanc*ing* their common identity...". It is therefore perhaps unsurprising that, when liberal philosophy informs IPE's neoliberalism, the strength of cultural aspects of nationalism is overlooked or minimised.

2.2.2. Conservatism

If security can be identified in the liberal tradition, it is even more evident in conservatism. The influence of Thomas Hobbes, when he described security as a condition "...men desire should last all the time of their life..." (1985:225), can be clearly seen in the writings of Edmund Burke, paradoxically the whig most associated with the foundations of modern conservatism. However, Burke's reference to it being "...the business of the speculative philosopher to mark the proper ends of government..." , whereas he clearly saw himself as the politician, "...the philosopher in action..." (1852:170). There are also parallels with Locke when Burke describes how to achieve this security "...men should frequently be thwarted, their will controlled and their passions bought into subjection..." (1986:151). But the extent of that which Burke sees the need to secure as more enduring and extending to more than the economic and the physical. His description starts to match the more abstract and emotional calls associated with patriotism when he writes of our "...*inheritance* derived to us from our forefathers, and to be transmitted to our posterity...". In enlarging on his vision of inheritance he includes our "...dearest domestic ties...the warmth of all their combined and mutually reflected charities, our state, our hearths, our sepulchres, and our altars..." (1986:119-120) . Again "...Society is, indeed, a contract...", but a contract of a very different contract; one where we see "...eternal society, linking the lower with the higher natures, connecting the visible and the invisible world..." (1986:194-5). The individual's need for the nation-state ceases to be some utilitarian cloak, to be disposed of as and when another cloak may rationally be needed in furthering the individual's self interest. It is not some static institution as Burke made clear when he observed, "...A state without the means of some change is without the means to conservation..." (1986:106). This organic conception of the state as enduring but changing, with the future building on the foundation of the past, and can be seen as central to most writings on conservatism throughout the twentieth century from the likes of Cecil, Balfour, Hogg and Oakeshott. Yet sometimes one is concerned when citing writings composed over two centuries ago that they relate to a world or a society that no longer exists. It is interesting then to compare Burke's words with those of the twentieth century psychologists and social psychologists to whom we have previously referred. Words and phrases such as 'forefathers', 'transmitted to our posterity', 'inheritance', 'eternal society' etc. would fit as comfortably into their writings as they do in those of Burke.

2.2.3. Classical Marxism

In the current context it is not proposed to give space to the third mainstream tradition, Marxism, in all its forms from the isms of Lenin, Trotsky and Stalin to the revisionist debate from Bernstein at the end of the nineteenth century to neo-Marxists such as Manchuse, Adorno and Horkheimer of the first half of the twentieth century. Indeed by the time we reach the structuralist interpretation of Althuser in the 1960s/70s and Habermas's post structuralist analysis of the 1970s/80s some commentators argued Marxism was limited by material conditions, existing beliefs and disbeliefs, and needed to be supplemented by reformist incrementalism (Seliger, 1977:168). Others saw these supplements as moving further away from Marx to the extent they could not properly be called Marxists (Adams, 1993:216). Otto Bauer and Antonio Gramsci may well come into that category and, for that reason are considered in a separate section below. However, before looking at their strands or revision of classical Marxism it is proposed to offer a brief overview of the classical stance towards the nation and nationalism. In general it makes no concession to conservatism's more abstract and emotional ties to the state and is much more akin to liberalism's instrumental view; but instrumental to capital and its interests, not those of individuals at large, and summed up in that famous description of the executive of the modern state as "...a committee for managing the affairs of the whole bourgeoisie..." (Marx and

Engels 1967:82). The nationalist ties of its citizens to the capitalist state are nothing more than what is perceived in Engels conceptual terminology as false consciousness. As the state is a major part of the political superstructure, its role is to maintain the consciousness of individuals in a condition of alienation and ideology (in Marx's pejorative sense) as the system of beliefs produced by false consciousness (Bottomore & Rubel 1963:21); nationalism determined by economics and class. The dream becomes the proletariat seizing control of the organs of the state as the instrument to bring back true consciousness before itself withering away. This vision of only the believers in the word according to Marx seeing the truth is in part almost religious and in part seemingly vain. As Patrick Dunleavy and Brendon O'Leary (1987:221) observe, "...it is unclear how certain individuals, namely Marxists, transcend false consciousness...". Yet, whether one supports or denies the word of Marxism, its failure to convincingly answer the national question is a continuing contention. The French Marxist writer Regis Debray (1977) argued that "...In this small gap (*the national question*), everything not said in Marxism is concentrated and crystallised. And when the unsaid is said, it explodes all the rest...", and the Scottish Marxist Tom Nairn (1981:329) described it as Marxism's "...greatest historical failure...". More recently this weakness caused Ephraim Nimni to conclude the Marxist tradition "...must attempt to conceptualise the elusive and recurrent national phenomenon firmly outside the parameters of analysis which informed the European classical Marxist debates on the national question." (1994:195). The importance and nature of the national question becomes clear when reading the comments of Robert Holton (1998:136) that "...the appeal to nation as a source of cultural identity and political security, on most occasions, proved more powerful than the claims of social class...". In citing contemporary examples from all over the world, Holton therefore effectively endorses Greenfield's description of "...the lines of status and class as superficial..." (1992:7), compared to national identity. Marx engenders powerful sentiment, but seemingly less powerful than those toward the nation.

2.2.4. Bauer and Gramsci

The conviction of Marx and Engels that the capitalist mode of production, even without ruling class policy, systematically engenders false consciousness amongst individuals within specific class locations has not therefore proved universally convincing (Dunleavy and O'Leary 1987). Indeed the notion of the nation as a temporary phenomenon located at a precise stage of the development of the forces of production did nothing to contribute to constructing solutions to acute nationalities conflict such as those existing in the turn of the century Habsburg empire that influenced the writings of the Austrian, Otto Bauer. His solution was that the culture of the nation would need to be embraced and fused with the "...new element of spiritual culture..." (Bauer quoted in Nimni 1991:142). Envisaging the compatibility of socialism and national existence was clearly a move away from the classical Marxist position by permitting the conceptualisation of the national question outside the paradigmatic field of class reductionism. To Bauer the national community was a discrete unit and, whilst acknowledging the solidarity uniting workers from different nations, differentiates it from national character, a historically modifiable characteristic culturally linking members of the national community over a given historical period (Nimni 1991:148). But this national character, this historical construct, "...is not an explanation, but rather something to be explained..." and "...has not solved the problem of the nation, it has merely formulated it..." (Bauer quoted in Nimni 1991:149). However if his views are accepted they offer Marxism a means by which rejecting the bourgeois state does not per se lead to the rejection of the nation.

Reading the words of Gramsci one can observe similarities in the view of the national community as a historically particular synthesis, with "...the internal relations of any nation ...(*being*)... the result of a combination which is 'original' and (in a certain sense) unique..." (Gramsci 1971:240). But quoting that view is to leap in without placing it the context of his other developments of, or detractions from, the more classical interpretations of Marx. Each commentator highlights their own vision of his major contributions, but there seems little doubt they usually revolve around his concept of hegemony and its role in creating and maintaining social order (Johnston 1986:59). With this concept he seeks to explain how a powerful mechanism of consolidation exists within the social and political superstucture that interweaved consent with the coercive power of the state. This notion of dual perspectives or oppositional couple of consent and coercion was not new. Its roots were acknowledged by Gramsci (1971:135-6) and can be clearly seen 400 years previous in the work of Machiavelli who argued "...a prince can never secure himself against a hostile people ... and one who becomes a prince through favour of the people ought to keep them friendly..." (1908:74-75). In the capitalist state 'bourgeoisie' might be substituted for 'prince', although that would lean towards a class reductionist reading of Gramsci as argued by the likes of Perry Anderson (1976) in contrast to the more frequent non-class reductionist interpretations such as that offered by Laclau and Mouffe (1985). These differing interpretations are to a large extent reflective in the ambiguities that are at times ambiguous and not reconcilable with one another (Seliger 1977:114); a view admirably exemplified in his definition of the state equating to political society (1971:12) and elsewhere the "...State = political society + civil society, in other words hegemony protected by the armour of coercion..." (1971:262-3). That latter and extended, or integral, concept is more often considered dominant in his work (Sassoon 1987:112) and is the one that may be useful in this current context of nationalism. It allows him to describe the coercive organs and functionality of the state as "...only an outer ditch behind which there stood a powerful system of fortresses and earthworks ..." (1971:238) in the form of civil society. Hegemony may therefore be perceived as a development of the Marxist theory of ideology but at the same time more concessionary. It promotes the interests of the dominant group, but "...is coordinated concretely with the general interests of the subordinate groups...stopping short of narrowly corporate economic interests..." (1971:182) and recognising ethical and cultural imperatives (1971: 151&258) in creating the conditions under which the dominant mode of production can exist.

Translating this extended definition of the state into concrete terms means the inclusion of the church, the education system, the press and all the institutions which help create in people certain modes of behaviour and expectations consistent with hegemonic social order (Robert Cox 1983:164). This presents a significant departure from classical Marxism's schema of political and ideological levels of superstructure occupying different theoretical spaces, whereas Gramsci has positioned elements such as the education system into two spaces simultaneously (Johnston 1986:60). Moreover, this complex overlapping extends beyond superstructure and across the structure/base in the case of the press in Cox's words and the case of the printing industry presented by Gramsci, who at no time rejects Marx's basic division between the base and superstructure. Yet both cases simultaneously present a property/class division and an element in the production of ideology; base and superstructure (Johnston 1986:78). This then raises the question as to whether we accept the blurred boundaries between base and superstructure or can transpose individual firms into Cox's institutions helping to create modes of behaviour, leaving the base as the more intangible mode of production. Certainly this is the view of some analysts where firms are scenes of what Miliband (1973:234-5) refers to as 'political socialisation', participating in the process of legitimating the hegemony of capitalism, along with the other "...innumerable agencies of civil society..." (1973:187). If firms are conceptualised in this way, either wholly or partially a constituent of civil society, then, in a Gramscian perspective, they will interrelate and overlap with other levels of superstructure in producing and *perpetuating* the hegemony of the dominant group within society.

However the society in question is the national, as can be seen by returning to our opening comments on Gramsci's writing and his perception of the uniqueness of internal relations in individual nations; a uniqueness where human identity emerges out of the process of historical development that is the key to his concept of hegemony and which class enjoys it in exercising moral and political leadership. The point is emphasised by his recurring notion of the 'national popular', or 'popular national' as he occasionally refers to it (e.g. 1971:130&421). He describes this as a collective will "...operative awareness of historical necessity, as protagonist of a real and effective historical drama..." (1971:130). It is a will that is latent or dormant, but when awakened "...founded the modern States..." (1971:131), and a will that must be harnessed by any revolutionary party seeking to realise "...a superior, total form of modern civilisation..." (1971:133). The influence of this aspect of Gramsci's work has been considerable and in the work of many post-war political scientists, of which examples from Rosenau, Mouffe and Miliband are useful in the current context. The first provides a more contemporary parlance than Gramsci's coercion and consent in distinguishing between government and governance where the former suggests formal authority and the latter "...subsumes informal, non-governmental mechanisms...*(and is)*...dependent on inter-subjective meanings..." (Rosenau 1992a:4). The second, a respected neo-Gramscian scholar, suggests the argument for the importance of the 'national popular' in those 'inter-subjective meanings' by reaffirming that the "...decisive elements in ideological struggle are of a non-class nature (e.g. national and popular elements)..." (Mouffe 1979:195). The national has effectively been given a separate theoretical space to the ideology of the dominant group, but a space that dominant group will seek to adopt in establishing and perpetuating its hegemony. The third contends this is more than abstract theory and reflects reality, evident when reading his commentary on the way in which conservative parties exploit national sentiment (Miliband 1973:187). He is later even more explicit in describing how "...the enduring strength of social values drawn from a pre-capitalist age...or from other historical and cultural values...may help...fuse its *(business's)* values with more ancient and hallowed ones..." (1973:193). And, when we arrive at 'ancient and hallowed' values from a political scientist such as this, it becomes resonant with comments when earlier discussing the nature of national identity. Deutch's 'mythical' and Geertz's 'DNA' passing from 'generation to generation' are direct parallels and Salazar's view of feelings towards the national as 'almost religious' are even strengthened by Miliband's reference to them as the "...most powerful of all secular religions of the twentieth century..." (1973:185); and lest it be contended Miliband's description applies to the first half of that century, consider Stuart Hall's description of the way Margaret Thatcher played the national card as 'instinctive Gramsci-ism' (1997:66-7).

2.2.5. Summary

So feelings towards the capitalist state are dismissed as false consciousness by classical Marxism, instrumental and transient by liberalism and deep and enduring by conservatism; a complete range of two extremes and a centre position. But, in Gramsci, Marxism has found someone who provides a means of conceptualising most of the problems it previously faced in accommodating the national question. However, in doing so, his non-reductionist theoretical framework that moves away from economism appears to envisage national identity in much the same way as conservatism. The two extremes may be in direct contrast in their desires to alternatively transform or conserve prevailing capitalist societies, but Gramsci brings them into close proximity in their understanding of feelings and sentiment towards the national. Neither see it as some static and unchanging characteristic, rather something distinct and separate from any specific mode of production in predating and perhaps outliving capitalism. Of the two schools, it is also Gramsci's re-working of Marxism that provides the analytical framework to explain how these national feelings are mobilised by way of the state's 'powerful system of fortresses and earthworks' and thus the firm becomes a non-governmental mechanism implicitly and explicitly propagating national values.

This then provides us with an understanding of the interrelationship of the state and the persisting strength of embedded nationalism in an individual's identity. We now need to consider whether any existing theories of the firm accommodate such an understanding and this will be examined in the following section.

2.3. THEORIES OF THE FIRM

The chapter's final section will look to bring together the preferred understandings of national identity, political framework and theories of the firm into a single holistic theoretical package. That package will show how Rankin's fictional perception of the 'sentimental' influence of factors such as national identity and home loyalty can claim academic legitimacy, a perception and legitimacy that may be equally applicable to the three plant closures in North East England and the wider behaviour of firms operating transnationally.

However, if there is a persuasive theoretical case to legitimate claims for the continuing strength of national identity and loyalty that the traditional schools of political thought have, over many years, sought to accommodate, have theoretical understandings of the firm, particularly the transnational firm, tried to make similar accommodations and to what extent? In seeking to integrate the firm into its understandings of world order the academic discipline of IPE has either failed, or not felt it necessary, to develop its own discrete understandings of the firm, but has borrowed heavily from business management and its associated disciplines. The next section will therefore examine whether and how those disciplines have handled the issue of national identity when producing theories explaining the firm. It will examine those theories divided for convenience under the categories of market power, internalisation and eclecticism and reach the interim conclusion that not only does each theory have explanatory weaknesses, a view sometimes conceded even by former champions of individual approaches, but that in general these approaches fail to engage with national identity, accepting it almost as a given in their terminology with words such as home, host and foreign pervading their discussions. It will highlight the manner in which these theories are inextricably linked with either liberal or Marxist schools of thought and their reliance upon rational economic man in a capitalist world, before challenging the validity of that basic proposition and suggesting various behavioural theories of the firm offer more convincing explanations by accepting man is not always a rational profit maximiser. Within these behavioural approaches, realism will be argued as offering the most persuasive case in recognising the impact of both structure and agency in shaping the nature and actions of the firm. It will further argue that, in accepting the impact of agency, it implicitly accepts all the social characteristics those agents bring to the firm, including national identity.

The foregoing sections examined and offered support to the perception that individuals still identify with the national as an almost genetic characteristic, then placed the firm in a theoretical political context, whereby adopting conservative ideology and using a Gramscian mode of analysis, the firm is conceptualised as having a significant role in maintaining and furthering national identity. But 'the firm' in the world of Burke or Gramsci can be contended to be a very different entity to that currently existing as international production increases beyond their recognition. Moreover it might be argued the domestic firm could still resemble those perceived by conservative and Gramscian scholars. But it is the transnational firm with production in various territorial jurisdictions that we are seeking to understand in the manner it interrelates with other actors in the international political economy, particularly its home state. Therefore this section will seek to examine whether the argument so far can find any legitimation in contrasting theoretical explanations of the firm operating internationally. Theories are numerous, diverse, and, dependent on the issues addressed/questions asked, draw upon different branches of economics including theories of international capital movements, trade, location, industrial organisation, innovation and the firm, whether from a macroeconomic, mesoeconomic or microeconomic perspective. However such analyses revolve around two main theoretical themes of market power and internalisation and we will examine these mainline approaches, together with a third group of more eclectic approaches, particularly that offered by Dunning. However it will be contended that these approaches cannot explain how and why firms depart from pure economism or produce idiosyncratic decisions on location strategy.

2.3.1. Market Power

Theories and explanations under this heading have historically been rooted in the Marxist tradition and school of thought in focussing on the international nature of capital. In the words of Marx when describing the behaviour of the bourgeoisie, "...over the whole surface of the globe...", "...It must nestle everywhere, settle everywhere, establish connections everywhere..." (1967:83). Since his work was first published in 1867, these words have inspired many politically sympathetic authors in their search to provide models and explanations for the manner in which capital and firms spread from their territorial base into other locations. However, for many years these analyses focussed on the global development from core to periphery, from north to south and from the developed to the less developed parts of the world. A frequently cited example of such appraisals was the work of Baran and Sweezy (1966) who provided a logical explanation of the stronger currency, lower interest rates and higher costs of the home base, encouraging firms to invest and operate in host states where these features were reversed. Their approach fits snugly with, or parallels approaches, from other disciplines such as what has come to be known as Wallerstein's world-systems approach (1974 and subsequent works). Yet, in explaining the move of firms from purely domestically located production to being internationally sited, all such approaches had one major weakness. They provided explanations for the movement to low cost locations in less developed nations following World War II, but not the subsequent slow down, or indeed why the trend was not even more pronounced. A full empirical analysis of these limitations was subsequently provided by Gordon Cohen (1988).

To correct this situation required the old master to be revisited and a reversion to Marx's original argument. Whilst, with Engels, he did give consideration to "...the cheap prices of its commodities..." (1967:84), this was secondary in the internationalisation of capital to "...the need of a constantly expanding market for its products..." (1967:83). This need for markets could explain expansion within the developed world and Stephen Hymer's 1960 PhD dissertation (1976) provided a base for others to follow. Adopting Marx's original stance he explained the firm's raison d'etre as to maximise their share of the market, initially in their domestic sphere but thereafter looking to repeat the process abroad by investing in foreign operations. Exploiting windows of opportunity for reduced costs did not disappear, but it was the drive to exploit foreign markets that was predominant. Hymer had maintained the focus on the dynamics of capital whilst accommodating the move away from FDI predominantly aimed at the third world. His untimely death at an early age prevented him from further developing his ideas and it was left to others to add more sophistication to his treatment because, as stated, the theme of unequal states had not disappeared. To accommodate this some analysts turned to product life cycles that had been seen as influential in the move from domestic to international production and models accounting for this influence were revitalised and reintroduced. They focussed on the idea that firms would look to exporting the later stages of the cycle from home states to lesser economies (Vernon 1966). But even this did not explain all situations and it was necessary to also examine aspects of oligopoly and economies of scale that could be regarded as alternatives to technological leadership (Vernon 1971). These then generated further debate as to the effects on the home and host states and whether the activity of international production is import subsidising, or an export-platform. Analysts such as Kojima (1978), and with Ozawa (1985), labelled the former, with claimed welfare detriment, as American and the latter, with claimed benefits, as Japanese.

However, whilst these explanations grounded in market power abounded in the 1960s and early 1970s, they were structurally based and generally failed to explain how foreign firms could successfully compete with their indigenous competitors. They had tackled why, but not how.

2.3.2 Internalisation

The above failure of approaches grounded in market power inspired the search for alternative explanations. Whereas Hymer had gone back to the previous century in search of Marx's legitimation for his market based thesis, this group of explanations did not need to retreat as far into history.

Nonetheless they did look to the pre-war work of Ronald Coase (1937) for their inspiration. At that time Coase was seeking to provide a theoretical model for firms in general and contended they should be conceptualised as vehicles that improved efficiency by internalising markets and minimising, or eliminating what he referred to as marketing costs and which are more generally referred to as transaction costs (e.g. Williamson 1985:1). Whilst spawning a distinct set of approaches it is worth noting that even Hymer dabbled with the notion. It describes the costs of buying in every single aspect of the production/marketing process and the efficiency gained by internalising all or part of that process. However the term 'transaction costs' is a somewhat vague generality that seeks precise definition; an omission surprising in view of Coase's own assertion that "...economic theory has suffered in the past from its failure to state clearly its assumptions..." (Hodgson 1993:77). Coase and his followers were therefore criticised for both this "...catch-all phrase for unspecified interferences with the price mechanism..." (Dahlman 1979:144) and their assumptions as to pre-existing markets (see also Fischer 1977:322).

Nonetheless the concept became attractive in explaining the success of foreign firms. By displacing intermediate product markets during international production, firms maximised the benefits accruing from ownership-specific assets or advantages, which were home produced and transported/utilised abroad in host states. This utilisation of firm-specific assets, predominantly by FDI, contrasted and frequently held sway over indigenous location-specific factors (Hood and Young, 1978:68). Prominent amongst those who developed internalisation explanations of TNCs are Alan Rugman, who embraced it wholeheartedly and considered it as "...a general theory of FDI and a unifying paradigm for the theory of the MNE..." (1981:51). Other analysts, such as Peter Buckley and Mark Casson (1976), initially adopted internalisation as the idea that would explain the movement of firms from domestic to foreign production, but later appeared to accept its limitations. Casson (1987: 251-2) argued internalisation provided a partial explanation, but called for fairly broad-based synthesis of ideas from different intellectual traditions, including theories of entrepreneurship, public choice, social and cultural issues. Buckley (1995: 47-59) called for more attention to the theory of management and agreed the widening of concepts as essential to encompass changing realities of the world economy (1992: 9). That his certainty was wavering was previously signposted in his earlier description of *internalisation as a concept in search of a theory* (1989: 12) and an acceptance of its ability methodologically to explain FDI, but not why and where firms pursue international operations.

2.3.3 Eclecticism

Neither market power nor internalisation could offer a convincing comprehensive explanation for all situations and therefore other theoretical approaches developed, seeking to plug gaps in the explanatory power of those themes. Yet these supposedly comprehensive explanations can usually be viewed as a cocktail of market power and internalisation in varying proportions. It is not proposed to offer a full examination of each individual mix, but the work of John Dunning (1977 and 1981) in producing what is known as his eclectic approach is both the most widely cited example and typical of the approaches that mix and match market power and internalisation. In his case a synthesis is produced drawing on the concepts of internalisation and adding location and ownership specific advantages in trying to extend the why answers provided by market power approaches and the how answers of internalisation to where and when solutions. It is an interesting though tautological approach, lacking decisiveness as to which factor is dominant, and is almost a case of listing alternative explanations whereby one will provide an explanation if others do not.

But whilst discussing his work it interesting to sidetrack a little and note that more recently Dunning (1997) has focused on what many consider one of the most important developments in the way international firms operate; what has been referred to as the 'network corporation', 'network society' and 'alliance capitalism' (Yeung 1998:4). These terms are used to describe the claimed proliferation of strategic alliances between firms creating inter-firm networks on both equity and non-equity bases, particularly in international subcontracting and R&D. The issue of strategic alliances was touched upon in the case studies referred to in the introduction and will be returned to in the main body of this work.

2.3.4. Behavioural Theories of the Firm

In our quest to identify the role of national identity in theoretical explanations of the firm producing internationally, not one of the above focuses on that characteristic. Yet equally, and without exception, they accept the national almost as a given, with international being defined by what McGrane described as "...the authoritative paradigm fro interpreting and explaining the difference of the other..." (1989:x). Their terminology becomes domestic/foreign, home/host, import/export and even that pivotal expression of FDI (foreign direct investment) becomes meaningless without identifying the firm as appertaining to another nation or state. In other words the theoretical explanations have been unable to ignore the territorial base of these institutions. Moreover, whilst Hymer's original thesis and other Marxist explanations can claim to respond to the why question, most of the explanations are how firms export their ability to produce, whilst all seemingly seem unable to justify one location in preference to another in anything but the broadest terms. Perhaps this is due to their reliance upon two simple propositions. One is that firms will seek to maximise profits, the other that they operate with perfect knowledge, and this takes us back to our earlier failure to accommodate the strength of national identity in the liberalism of Adam Smith or its counterpoint of the socialism of Karl Marx. Yet analysts such as the geographers Doreen Massey and Richard Meegan (1985:126) make it perfectly clear they cannot "... believe the behaviour of individual firms can be explained in terms of the 'requirements of accumulation...". To them production is a social process and one particular factor to be considered is "...the social nature of the capital involved...". They are correct in asserting production as a social process, but there is not only the social nature of the capital, there is also the social nature of the firm. Their comments signal the reasons the approaches of market power, internalisation and eclecticism, whilst contributing towards understanding the structural context and the mechanism by which firms achieve the transition from domestic to international production, do not appear to be completely satisfying. It may well be that we need to look elsewhere to compete the explanations and perhaps Massey and Meegan provide the clue when referring to 'the **behaviour** of individual firms' (emphasis added).

If then we are to consider the behaviour of firms, we must also highlight again one of the guiding principles provided by Gilpin's realism, in that firms do not exist; a principle repeated by those propagating behavioural theories of the firm with such statements as "...People (i.e. individuals) have goals; collectives of people do not..." (Richard Cyert and James March 1992:30). But before considering the manner in which this conceptualisation of firms is developed it is necessary to return to and challenge what were earlier referred to as the two basic propositions upon which the above neo-classical theories are founded; that firms will seek to maximise profits and operate with perfect knowledge. These propositions have been repeatedly challenged and are now widely regarded as an over simplification. This view is not one that has only arisen recently and can be clearly seen in academic literature from the 1940s/50s onwards. The assertion by Rothschild (1947) of the importance of long term survival as a primary motive, the suggestion by Baumol (1959) that maximum sales must be accommodated, and the contention of Margolis (1958) that the concept of satisfactory profits more accurately reflects firms' aspirations, all seem to reflect the idea of the acceptable level goals with the limitations of bounded rationality assumptions provided by Simon (1952). Elsewhere Simon, with James March (1958), provided another nail in the coffin of perfect Knowledge by observing the importance of the assumptions made when developing and implementing both strategy and implementation of the search for knowledge; an aspect of particular relevance for this current project that will be returned to later and an aspect that integrates with the idea of firms' preferences being resultant of the influences exerted on them, both internal and external (Papandreou 1952). As a generalisation it could be claimed the theories of the firm as an international producer already considered respond to the external influences, but either disregard or do not recognise the internal. As Cyert and March (1992:215) relate, those theories of the firm are theories of "...unlimited, conflict-free rationality and efficient adaptation. The process of environmental matching *...(as)...*maximisation of utility...". Yet internal influences might well explain differences between firms and departures from standardised patterns of decisions and development and a good deal of those internal influences comes from those individuals who comprise the firm.

So not only have we returned to Gilpin, but also the influence of structure on agency. Which comes first, and which exerts the most influence is reflected in the different strands of behavioural theory and there are so many strands only the most frequently quoted will be reviewed in the present context, summarising the main ones before highlighting the realist approach. The first strand is action determinism where behaviour proceeds outwards from the action selection mechanisms of the actors themselves. These mechanisms derive either from what is presumed their innate human nature in the psychologistic accounts (e.g. Hollis and Nell 1975) or from their identities as shaped by the social pressures of capitalism in over-socialising accounts (e.g. Parsons 1951). Both approaches conceptualise people as 'economic men'. Such rational profit maximising propositions have previously been criticised for its contribution to other theories, but its implications here are that the agents' actions have little or no impact and are almost predetermined. On the other hand, the group of approaches that may be bought together as 'strategic choice' offers theories capable of supporting non-determinate outcomes and may be considered under the sub-groups of the 'Carnegie School' and 'Action Theory'. The Carnegie School finds its foundations in the work of Cyert and March originally published in 1956 and creating the key concepts of organisational slack and organisational coalitions. The former, referring to the firm's neglected opportunities for profit, is not as central to the current discussion as the latter conceptualisation of organisations as coalitions of individuals, each seeking to satisfy their own particular goals. That concept produced a means of understanding the possibility and origins of organisational idiosyncrasy, but that individualism abstracted actors from their social relations (Whitley 1977:173-4) and exaggerated the independence of actors from society. Nonetheless the approach recognised that, in providing programmes for response, the actors' internal states, functions of the individual's whole previous history, had a prime role (Simon 1983). But that history was limited to their experience so far as it had developed the individual into a reactive learning machine. Additionally, as those actors are detached from society, social identities or loyalties do not play a part in the actors' decisions, denying the tension between the psychological and the social and the actors' internal complexities (Martin et al. 1987:71). Indeed the Carnegie School has been accused of producing behavioural determinism (Machlup 1974:282).

This brings us to 'action theory', which allows for a much more active capacity in human agents and is grounded in the view that "...the human actor does not *react* to an environment; he *enacts* it..." as his frame of reference "...is constrained by the way he socially constructs his reality..." (Weick 1969:64). In denying that everything is environmentally determined they have almost gone to the other extreme; almost, but not quite, as that social reality is constructed in the work place creating actors with a shared stock of knowledge and shared expectations. Using the terms earlier referred to by Papandreou, the influence of structure is limited to internal pressures and external pressures viewed as constructed by the actors. Economic man has perished and company or organisational man is born. Therefore, these theories conceive of a subjective world of multiple realities that Smircich (1985) argued could only be studied by empathetic ethnography and, by privileging the actors own understanding, lean towards what Giddens (1976:37) referred to as 'phenomenological reductionism'. Whether or not their ideas were wholly convincing, in departing from the absolute determinism of many other theorists, they had taken a considerable step in opening up explanations of idiosyncrasy in firms' strategic choice. They also inspired much empirical work seeking to provide validation by studying firms in the same market sector under similar external pressures, yet developed differing strategies (e.g. Miles and Snow 1978, Snow and Hrebiniak 1980, etc.). However those case studies were more destructive of the theories built solely on absolute determinism than in justifying the case for the independence of agency. More convincing is the claim by Karpik (1978) that organisation man is as fictional as economic man, as it seems absurd to imply values arising from all other socially developed characteristics such as colour, gender, class or perhaps nationality are left at outside the door to the workplace.

2.3.5. A Realist behavioural theory of the firm

There is however a further approach to behaviourism that takes a more holistic view, in neither marginalizing values developed from identity outside the workplace, nor relegating structure to simply a construct of agency, and this is the approach provided by realism. It is an approach articulated amongst others by Richard Whittington (1989) and one strongly influenced by the philosophical foundations of Bhaskar, the social psychology of Harre and the sociology of Giddens. The realist understanding is grounded in a belief in the interrelationship and interdependence of structure and agency; the necessary and contingent relations described by Sayer (2000). The extent to which agents can act independently from structural determinants has featured in many if the above theoretical concepts of the firm and the academic debate as which is dominant is extensive and unresolved. For example Cox's previously quoted interpretation of Gramsci relies heavily on the priority of structure. More convincing to many, and in tune with the complex and dynamic nature of social development than blind devotion to solely structure or agency, is Alexander Wendt's suggestion that structure and agent are "... theoretically interdependent or mutually implicating entities ... " and are "... *both* relevant to explanation of social behaviour ..."(1987:338). Whittington's realism builds on this theme in envisaging an interrelationship and interdependence whereby agents bring some values to and take others from structure. Thus when Giddens (1976 and 1984) builds a concept of structuration and Bhaskar (1979:43) tells us "...All activity presupposes the prior existence of social forms...", the two are speaking in very similar terms although there are differences in emphasis and primacy. Nonetheless they both promote the way in which actors draw from society, reproduce it and occasionally transform it. But whether we refer to structure or society, realism does not perceive of them as a tidy set of stand alone relationships; the firm, the family, the state, all in inviolable shells. One does not create a hierarchy defining the rest (Bhaskar 1978:110-1) nor does it demand priority over others (Hindess 1982:507), as the relations between structures are complex and potentially contradictory, although the words of Gilpin and others previously cited may challenge these views in asserting the position of the nation in this multitude of relationships.

Nonetheless this realist perception denies the prospect of individuals choosing on the isolated basis of 'I am a manager/ a capitalist/ a parent/a woman/ etc...', as each carries different principles for action (Harre and Secord 1972:151), but understands decisions as a complex mix of structurally developed values. Unlike action theory, it does not presume actors have an understanding of the totality of structure that makes the consequences of their actions possible (Bhaskar 1979:55) and accepts that the influence of structure may be latent during periods of inactivity (Harre 1979:38). It could be argued this is nothing more than a more complex social determinism and this may be persuasive if it was possible to give a clear understanding as to which of the differing principles for action, became dominant in any situation (Harre and Secord 1972:151). Indeed realists see the requirement to exercise genuine choice between the plurality of social selves, developed within the diverse structural properties of all the social systems in which they participate, as an essential condition of agency and contend "...We are agents because we have turned from action according to one principle to action according to another..." (Harre 1979:254). Such a contention could even claim legitimation in Marx when he sees man as a capitalist "...only so far as ... he functions as a capitalist..." (1954:151).

But where does nationalism, or whatever other terminology we use to describe loyalty and sentiment towards the nation, fit into this picture? It is here that Whittington's realist perspective integrates with the political context previously discussed, by specifically identifying ethnicity as one of the factors that provide "...rules for action that are at the most only contingently supportive of capitalist logic; note 'capitalist logic' and not 'capitalism' as it is the logic of economic man's profit maximising to which he refers and not the mode of production. His treatment of what is and what is not an ethnic group is not extensive, but he does see ethnicity as not biological and "...a social identity, providing access to activities shared by other members of the ethnic grouping..." (1989:101). Whilst ethnicity and nationality can be contended to be distinct concepts, we have already seen Mennel using the two characteristics as interchangeable. Additionally, commentators such as Stuart Hall (1997) have made the case for the national as a very specific form of ethnicity, with its peculiar customs, rituals and myths. If, as Whittington maintains, the ethnic group is a social entity and is historically constructed, Halls definition is persuasive and it is logical to include the national within the ethnic 'rules for action' that limit compliance with capitalist logic. He is then able to extend his analysis by observing how actors within firms create local ideologies that then exploit such alternative strands of legitimacy in supporting their conduct.

Realist behavioural theories of the firm are therefore a complex interrelationship and interaction of structure and agency with individuals bringing elements of their identity to the firm, which in turn contributes to their identity.

2.3.6. Summary

The early parts of this section considered theories of the firm grounded in concepts of market power and internalisation and concluded they respectively presented approaches to why firms expanded into international production and how they managed to compete with their indigenous counterparts. However they were less successful in answering the where and when questions that more eclectic theories attempted to incorporate. But not all decisions by firms followed the patterns predicted by such stances and as such these theories must be judged as offering ideal models only partially explaining phenomena in the real world. If firms departed from these models there must be some ingredient missing from those mainline approaches and this was argued to be values other than the profit maximising characteristic so beloved of classical liberal and Marxist economists. It was contended that these missing values are those upon which behavioural theories of the firm focus. Whilst other strands were either determinist or concentrated on only parts of the individual's social-self, the realist approach considered the individual's complete, though complex, social-self comprising a multitude of selves, one of which is the ethnic/national. Therefore assessing the strength and nature of these other values, of which some are developed from national identity, is useful in considering the decisions of firms which are idiosyncratic in relation to the patterns suggested by mainline theories.

2.4 CONCLUSION – A HOLISTIC THEORETICAL PACKAGE

In reviewing part of the huge volume of literature concerning national identity, the national was identified as one of the strongest, if not the strongest, social sphere influencing the development of the individual self. Notwithstanding claims that globalisation is diminishing its importance, a large volume of respected academics maintain that the influence of the national has survived and perhaps prospered against those forces. Those academics are drawn from a variety of disciplines, social psychologists such as Bloom and Salazar, political scientists such as Gilpin and Wallerstein, sociologists such as Holton and ethnologists such as Kaschuba, to highlight but a few. It continues to command more loyalty than class and other social or cultural groupings. Yet two out of the three main traditions of political thought have dismissed it as either a transient expression of self-interest or false consciousness. The former liberal view appears questionable in the light of its already highlighted resilience to forces of globalisation. The latter, termed the 'national question', has proved one of the major shortcomings in relating Marxism's theoretical framework to events in the real world, but a shortcoming corrected by the work of Gramsci. Gramsci has taken the individual's widespread, enduring and almost religious form of identity with the nation and set it outside a political and economic framework as the 'national popular'; outside in the sense of existing independent to a framework that demands any group seeking to acquire and maintain dominance within society must harness and utilise the deep-seated feelings towards the nation. Within that framework the firm, conceptualised partly as economic base and partly as civil society fortifying the base has a role in harnessing and utilising the national popular, along with the other institutions that constitute civil society. Most mainline theories of the firm implicitly accept this aspect of the firm's identity almost as a given in their quest to produce ideal models grounded in the classical liberal economic view with individuals as rational, self-interested profit maximisers. In doing this they ignore the influence of national capitalisms identified by analysts such as John Zysman (1983), they ignore the national influence on corporate governance and control identified by analysts such as Stephen

Prowse (1994), they ignore variations in national innovation systems as identified by analysts such as Richard Nelson (1993), and they ignore the national context of corporate behaviour identified by Paul Doremus et al (1998: Summary 140-141). They fail to explain phenomena falling outside their models and this is left to behavioural theories that are built on foundations of liberalism's assessment of human nature as faulted. Of those approaches, realism offers an understanding of man as a complex mix of social selves, much in the same way as those considering national identity talked of value spheres seeking to assert priority. All of the values acquired in each social sphere will thus have a greater or lesser place in the individual's decision making and these values cannot be set aside when moving from one sphere to another. The generality of rational, self-interested profit maximising as one of the major values in the capitalist mode of production can be accepted, but other values will compete with it for dominance. One such set of values will be that deriving from the national. Therefore by integrating into realist behavioural theories of the firm Gramsci's ideas on the national popular, together with the assertions of those academics stressing the continuing strength of national identity, it would be expected that other parts of identity, in particular the national sphere, would interact and interrelate with 'economic man' and, in some situations contingent on the specific case, the national would attain supremacy over the purely economic.

To reach that conclusion would bring us full circle in this chapter, by contending this provides an academic and theoretical legitimacy for both Rankin's fictional account of events in Scotland and the non-fictional events in North East England. Yet, although we have the empirical support from those three cases to develop our hypothesis, we need to test it to provide either falsification or a deeper conviction of its validity. Therefore, in the next chapter, we will describe how this was to be performed and why this route was adopted.

CHAPTER 3 – EPISTEMOLOGY, METHODOLOGY AND METHOD

The main persuasive influence under this heading come from the world of natural science where Stone (1991:449) contends methodology is important only in terms of how well it enables the goals of the research to be reached and the goal in this research is to consider the following hypothesis, i.e. to a large extent methodology flows from the hypothesis.

All firms are, in essence, national constructs and should be conceptualised as such when producing models of world order in mainline theoretical approaches to the discipline of IPE.

Although we do not purport to excel, participate or compete in the philosophical discourse of method in social science, it is nonetheless recognised that its epistemology, methodology and method must be clearly stated and an attempt made to place and identify these characteristics as recognised approaches to research such as this. In doing this it is first necessary to define our terms as literature often uses such terminology interchangeably in dealing with research's philosophical concepts (Stone's use of the word 'methodology' is itself just one such example as his discussion is much more wide ranging than would be justified by a strict understanding of the term). Blaikie (1993: 6-7) expressed this view when offering a series of questions to provide an understanding of what we mean by epistemology, methodology and method; an understanding that is adopted in the approach to this research. He perceives the first of these concepts, epistemology as asking how we know what we know; what assumptions do we make about the ways in which it is possible to gain knowledge of reality; or as Stoker (1995:13) expresses it, what constitutes an adequate explanation of a political event or process? Next, and in the light of our specific and individual answer to these questions, what methodology will we adopt: or how should research proceed to enable theory to be generated or tested? Then finally, and again in response to answers to the preceding questions, what method(s) of research is/are to be used: or which actual techniques or procedures are to be used to gather and analyse data? This chapter will therefore follow these questions in establishing the epistemology that underlies this research, the methodology to be adopted and the methods subsequently used, before examining the manner in which information will be analysed and the ethical issues involved.

3.1. EPISTEMOLOGY

Blaikie (1993:201-2) also contends that epistemological choice often reflects the researcher's conscious or unconscious personality factors. His words ring true to this research, which is entered into with a background of epistemological preferences whose foundations lie in a secondary and professional education in the 1960s, when the characteristics of objectivity and empiricism were highlighted and when, in the main, positivism was the unchallenged epistemology in both the natural and social sciences. Blaikie goes on to imply that reviewing and critique of these preferences and the alternatives may produce a desire to break with old habits. Therefore, although, as will become apparent, some adjustment of inbred methodological preferences has occurred in following Blaikie's advice to review and critique, objectivity and empiricism are still the foundation stones of the epistemology adopted.

At the beginning of the twentieth century an epistemological tone for social science researchers was set by Weber when publishing his essay "'Objectivity' in Social Science and Social Policy". In this he stressed the need to distinguish between *analytical understanding and the author's own* sentiment (1949:60); a position he maintained throughout his career in emphasising the need to establish empirical facts (1949a:10). He regarded the difficulty in being objective as an ethical problem for the researcher; a problem whose solution was difficult to achieve, but nonetheless one where ethical neutrality would bring rewards. By 1949 Shils contended the techniques of observation and analysis available to the social scientist had so advanced since Weber's time that "...we are no longer concerned to refute the errors of "objectivism"...." (1949:vi). In the post war years, positivism ruled. This dominance in no small way reflected the desire within academic circles for research to influence policy makers, who found 'facts and figures' more useful and persuasive than what Weber would have termed 'value judgements'. Roger Tooze concedes that positivism's claims for neutrality contribute to its status, universality and usability in policy concerns, predisposing the use of positivist knowledge of society over other forms of knowledge (1994:58).

The main criticism of positivism and other positions demanding objectivity is that one cannot cast off, or deny, long held opinions and past experience to achieve this god-like out of body observation of society. Moreover the researcher and the researched are claimed to be be interdependent in the social process of research. This is termed the reflective character of research, or reflectivity (see Hammersley and Atkinson 1983 and Henwood and Pidgeon1993). Yet it has often been the ability to try to enter the research process with sentiment well shielded that has produced quality and widely admired academic work. Christopher Hill, whilst admitting a concern for political realities and change is bound to be one foundation of our activity as political scientists, reminds us how the writings of such giants as Bertrand Russell, E.P.Thompson and A.J.P.Taylor, became "...amateurish by comparison..." when they strayed from objectivity and pursued their passion for nuclear disarmament (1994:19-20). The art for those seeking objectivity would therefore seem to be in, as far as possible, recognising one's value judgements before undertaking any research and setting aside those judgements for the duration. As Doyle and Harris (1986:2) wrote, "...you must begin by ridding yourself of all preconceptions about what you are going to study...". Critics of positivism would counter this by arguing that objectivity is just another unobtainable grail when recognising ones value judgements is qualified by the words, 'as far as possible'. Objectivity cannot be a shade of grey. The phrase suggests it is not possible to approach a subject in a value free manner and 'knowledge' produced by such an approach will inevitably be tainted by that failure, even if only to the extent of decisions as to what is being researched and what questions are asked. But it can also be argued that objectivity and the much-vaunted 'academic independence' are inextricably linked. Interpretation of 'independence' becomes much more limited if the need to be objective is removed or cast aside.

Much of the claims as to the shortcomings of positivism come from those whose own work is labelled post-positivist. A good example is the critique of positivism provided by George and Campbell (1990) that might appear persuasive, yet the real test is whether the alternatives approaches are more convincing when used in a research project. Campbell's work on Bosnia provides such a test, where, he recognises the need to justify his epistemological base. Early in the work, he engages Krasner's (1996) views on postmodernism as failing to provide a methodology for adjudicating among competing claims (1998:7). To those with post positivist sympathies his approach may be persuasive, whereas positivists may find it journalistic rather than academic and offer encouragement for readers to question how widespread or representative was the 'spin' and anecdotal evidence provided. Clearly Campbell's post positivist epistemology helped him make sense of the world but was less than influential with Krasner. George and Campbell may have voiced justifiable concerns, yet there is a danger that the baby may well have been thrown out with the bathwater in seeking an epistemology without the shortcomings they attribute to more classical, and arguably 'mainstream', positivist approaches.

It is the above word 'mainstream that brings us back to the positivist epistemology. Mainstream IPE has historically been dominated by positivist epistemology as pointed out by Roger Tooze (1988:287) when he writes '...Most work in IPE is produced within the mainstream theory of knowledge shared by most social sciences. This theory combines positivism and empiricism...' This view is expressed in Tooze's plea for a less restrictive view of epistemology within the discipline and himself prefers '...the articulation of practice based on a realist epistemology...' (1988:292); an epistemology that sounds very close to what others have referred to as grounded theory or '...empirically 'grounded' theory obtained from social research...' (H. W. Smith 1975:29). Yet the research currently being undertaken concerns itself with conceptualisation of TNCs in mainstream IPE theory and adopting a non-positivist epistemology would limit its recognition, credibility and relevance to mainstream theory. Objectivity and empiricism do not in themselves provide an epistemology, but they are distinctive components of positivism that does provide a good starting point in seeking to explain this project's epistemology. Although Sayer (1992:7) tells of the tiresome digressions on 'the real meaning of positivism', this holds true only when seeking to pursue the philosophical discourses already rejected in the context of this research. It is less relevant if one agrees and identifies with the more straightforward view of Marsh and Stoker (1995:14) that positivists '...hold that it is possible to know the world through experience and observations; the truth or otherwise of a statement can be determined through systematic empirical observation.' This is the vision of positivism and positivists that forms the core of the epistemology adopted here, even though there might perhaps be a contradiction in a believer in objectivity making such a subjective choice. Nonetheless, if we are studying and researching matters in the field of social science with the intention of helping us to make sense of the world, the epistemology we adopt must be that which is most convincing to the individual student, researcher or analyst. Moreover it must be one that may be persuasive to the audience at which the research is directed.

3.2. METHODOLOGY

Yet positivism is a very broad school with many strands. Halfpenny (1982) suggested it is possible to identify twelve varieties and Outhwaite (1987) felt able to distil these into three brands. Another epistemology, realism, led Arthur Fine (1987:359) to refer to the "...diverse array of philosophical positions..." seeking that label and bemoan "...it may be hopeless to try, even, to capture *(its)* essential features...". The problem of attaching labels to epistemology is highlighted as the work of Karl Popper is influential in the epistemology, and hence methodology adopted in this project, although labelling him as a positivist might not be accepted by everyone. He is more widely labelled as a critical rationalist, whereby he challenges positivism's traditional base that only theory from past observations can be logically justified. The claim was that method should not be theory formed after observation, as positivists had previously maintained, but "...trying out tentative solutions..." which must be "...open to pertinent criticism..." (1976:89). It was the inability of old theoretical frameworks to explain those observations that necessitated the invention of a hypothesis to be tested to breaking by more observations. If the solution "...withstands criticism, we accept it temporarily: and we accept it, above all, as worthy of being further discussed and criticised..." (Popper, 1976:90). But, it is the 'tested to breaking by more observations' that must be highlighted. If one accepts Marsh and Stoker's view that positivists believe the truth or otherwise of a statement can be determined by systematic empirical observation then it seems acceptable to view Popper's critical rationalism as one of positivism's many strings or brands. Others have classified him differently, even to the extent of describing him as "...one of the major postpositivists..." (Phillips 1990:41). Yet whatever label is attached, Popper's argument is persuasive - to an extent.

It is the generality of coming to 'tentative solutions' then seeking to falsify those solutions by objective empirical observations that is persuasive and the deductive methodology that Popper proposes in reaching those solutions that is less persuasive. On first reading, it does appear that his 'tentative solutions' could not miraculously materialise in the mind of the researcher, but that they inevitably were influenced by past observation, whether by others or in a non formulated/casual manner. He faced this criticism in later work by maintaining those observations themselves required a "...frame of reference: a frame of expectations: a frame of theories..." (1972:47). Nonetheless, the process by which hypotheses come into being has been a continued criticism of the exclusively deductivist methodology required by Popper. More recently, others have highlighted that deduction and induction are not mutually exclusive methodologies. For example, Walter Wallace (1971 and 1983) looks to combine inductive and deductive strategies in conceiving a cycle formed by stages of inductive research, inductive theorising, deductive theorising and deductive research. The idea of mixing the two strategies is furthered by Rubenstein *et al* (1984) where support is given to a systematic alternation between induction and deduction as an iterative process for refining and testing ideas.

The methodology adopted in this research therefore rejects Popper's deduction in reaching a tentative solution or hypothesis, preferring induction from observations described in Chapter 1 whereby plants in North East of England were closed by so called transnational corporations (TNCs) in the form of Siemens, Fujitsu and Coles. The idea of testing that hypothesis by seeking to falsify it is attractive, as it is likely that any research will be able to access or reach only a limited number of firms. If the hypothesis is not falsified by this research it will not be validated but it will present it '...as worthy of being further discussed and criticised...'.

3.3 METHODS

The chosen methodology of seeking to falsify a hypothesis is open ended in that it does not produce an end product, rather a temporary conclusion. If the hypothesis is shown to be falsified a revision will probably be generated and attempts to falsify recommence. This is not be seen as totally true to Popper's view which changed from initially rejecting the idea of ad hoc adjustments to arguing the irrationality of abandoning a falsified theory until a better one had been found (1972:49). On the other hand, if the hypothesis is not shown to be faulted it is not proven but shown as worthy of consideration, and probably further attempts to seek falsification. However, the wider and more extensive the research without falsification, the more credibility the hypothesis will acquire. Yet, as with all research in both the natural and social sciences French (1993: 9), available resources in terms of time and money will play not only a role, but also probably the major role in shaping the research methods package to be adopted. With this limitation the methods strategy of this research progressed along the following lines.

3.3.1. Sample

The UN, defining a TNC as a firm controlling production facilities in more than one state, in 2004 cited there being 61,582 TNCs around the world with 926,948 foreign affiliates (UNCTAD 2004:274). We needed to consider an accessible but manageable and relevant sample of that number. The first task was to decide the parameters by which the firms comprising our sample would be chosen. There were many alternatives available including size, market sector, geographical spread, home base etc. But we were seeking to test a hypothesis that is non-specific to any one of these parameters and to limit our sample this way would limit the effectiveness of testing to that parameter. Results would, or would not, falsify the hypothesis for firms of that size, or that sector, or that spread, or that home base. It appeared preferable to seek a more inclusive sample and one that could not be criticised as too heavily influenced by the researcher choosing one firm rather than another. With these considerations in mind, and of course resource availability, it was decided to return to our starting point of the activities of firms operating in the North East of England; a geographic area we defined as that covered by the regional development agency, One North East (ONE). If, in that region, the number of TNCs as defined by the UN was manageable within available resources that would be the sample.

The next task was to identify which firms there were in the region that did conform to the UN definition of a TNC. No comprehensive listing was seemingly available. The list of international firms compiled by ONE provided a good starting point, but notable omissions indicated it was less than complete. To ONE's list were added other firms identified from personal knowledge, colleague's knowledge and other research. This produced 462 firms but it is not possible to say categorically that even that list was complete, only that it was the most complete currently available. It did produce a sample of firms of varying sizes, across market sectors and with varying spreads and home bases. On the other hand the list is too large to utilize intensive research methods across the whole sample and it was therefore decided to adopt a strategy to produce a '...synthesis...' of extensive and intensive research methods that are '...complementary rather than competing...' (Andrew Sayer 2000 and 1992:246). The list of firms is not reproduced here for reasons of confidentiality, discussed in Section 3.4.

3.3.2. Questionnaire

We needed to initially obtain a general picture of the activities of the firms operating in the sample area and then more specific information on the behaviour and attitudes of those firms. Some on the list were already in the public eye, but many were less well known. In principle three means of obtaining this information were available; collecting information from public sources, interviews and/or questionnaires, either by telephone, post or as part of an interview. There is a huge volume of literature outlining and discussing the advantages and disadvantages of these techniques (see for example David Gray (2004) and Alan Bryman (2004)). Different researchers appear to have different preferences and there is no definitive 'best' method. However available resources also plays a major role in deciding which tool, or tools, will be used and this influenced our decision to use a postal questionnaire in the initial stage of an integrated methods package, constituting the intensive stage of the synthesis referred to above. Gray and Bryman also provide useful summaries and some of the specific points taken into account in the design and procedures for the questionnaire. These included.

- The questionnaire (Appendix A) was designed and printed to have an attractive and open layout as recommended by Dillman (1983).
- Open questions were minimised
- Covering letters (Specimen as Appendix B) were individually printed and signed to include a prepaid addressed envelope for return.
- Individually printed and signed reminders (Specimen as Appendix C) together with a second copy of the questionnaire and envelope were sent to non-respondents approximately three weeks after initial contact.

The last of these points warrants further comment. Saunders et al (2000) suggest two reminders with the first only a week after the initial posting and even a third reminder should be considered. Gillham (2000) suggests best results are achieved by posting to organisations on Mondays or Tuesdays so they can be completed 'at work'. Personal experience, confirmed by subsequent discussions with interviewees, suggests such views do not accurately reflect attitudes and working practices in the UK at the start of the 21st century. To potential respondents in this research, the completion of questionnaires is what might be termed an optional extra. Most managers are under pressure and they see their time as a limited and valuable commodity that necessitates prioritisation. Ignoring such requests has no adverse effect on their managerial performance within their firm and anyone needing their cooperation in this way is reliant on their goodwill. They take into account such matters as respect for the organisation and/or individual making the request and whether the request sparks their interest. Many of those interviewed confirmed they did not complete the questionnaire 'at work' but at home. The task was not work specific and was slipped in when catching up with paperwork. Moreover most of the interviewees remarked on the number of questionnaires they received from various sources and that most were dispatched to the waste bin. They were not able to specify exactly which and why, although clarity and ease of completion were mentioned. It was a matter outside the control of the researcher and there appeared to be a large element of serendipity as to when the questionnaire hit the respondents' desks, relative to their workload and other pressures at that point in time.

Moving then to the focus of the questionnaire, the first point to make is the effort to make it neutral as far as out hypothesis is concerned. The potential respondents were, by and large, managers and, by and large, with limited interest in or knowledge of IPE theory. The questionnaire needed to ask business and management questions, and the implications from the data obtained were a matter for subsequent analysis, as discussed latter under 3.3.4. Therefore the questionnaire commenced by seeking information as to how and when the firm came into the region and the geographic characteristics of its business activities. It then sought details of its location strategy for both production and research and development, before moving on to cultural attitudes relative to staff numbers and management locational background. The questionnaire closed by considering the structure and national influence on the firm's decision making. Again the relevance of these areas will be discussed in 3.3.4.

It should be noted that the questionnaire was designed, printed and distributed well before the expansion of the EU in 2004. In many ways this was useful in that, with one or two exceptions, the description of elsewhere in Europe identified mainly those lower cost locations of the former Eastern Bloc states.

3.3.3. Interviews

The 'extensive' part of the synthesis of methods was provided by the questionnaire and it was decided to provide the 'intensive' ingredient by way of semi-structured interviews of a more limited number of the respondents who had indicated they would be prepared to provide further information. In this way the subtle manifestations of nationality in the firms' behaviour might be best identified. To supplement and assist in these interviews we performed an in depth study of information available from the selected firms both on the Internet and in documents published elsewhere. It was believed, and subsequently proved to be the case, that these studies would make the interviews more productive from the researcher's viewpoint. Moreover, displaying a degree of knowledge to the interviewees might persuade them to go beyond the preformed public representations of their firms. A combination of the completed questionnaires and these studies provided the base for developing the framework of the semi-structured interviews to discuss the expansion of information, explanation of possible contradictions and generally develop the information to hand. Whilst it has previously been observed that the respondents were not IPE theorists, each interview closed by seeking the interviewee's insight as to whether they viewed their firm as national but operating on foreign soil or a firm without national loyalties or characteristics. It was felt necessary to ask this question with care and in a face-to-face situation, as the words 'global' or 'transnational' are widely used in commerce in an even more indiscriminate manner than in academic circles.

The selection of firms to be included in those to be interviewed was made subsequent to the return of completed questionnaires and the first parameter was the respondent's agreement to provide additional information if necessary, as indicated on the questionnaire. The old homily regarding volunteers and pressed men was very influential. It would have been pleasing to investigate and interview all those 67 firms of the 130 responding that had agreed to further contact. However, by adopting a methodology that seeks to falsify a hypothesis, we needed no ideal or minimum numbers. The hypothesis could be falsified by one firm evidencing its credentials as conceptually transnational, yet the more firms that could be considered in detail without falsification, the more confident we would feel about our hypothesis. So, as in the case of other tools, we needed to shape the size of our interview sample to available resources. This resulted in a realisation that it would be possible to carry out interviews at around a dozen firms, although the other question was which dozen. Having analysed the responses in four main groups/regions (US, EU, Scandinavia and East Asia) it was decided to select three firms from each group. Some of the firms in the total sample of respondents had smaller operations in the North East; 63 with less than 50 staff. In seeking to identify a firm or firms to falsify the hypothesis that firms were national structures, it appeared likely that the larger firms would provide a sterner test, particularly those with large market shares and would be often publicly identified as TNCs. This was therefore another of the parameters used in making the selections. The next selection consideration was if possible to include a firm, or firms, where responses to the questionnaire seemingly included inconsistencies and/or inaccuracies. As mentioned above, an interview would be an appropriate tool to challenge some of the responses in order to consider whether there was really a wider problem, propose an explanation and consider the extent to which the consolidated results from the questionnaire can be relied upon.

But the focus of the research is the extent to which firms display national attitudes rather than a state neutral business attitude, and three sections of the questionnaire are particularly relevant. The first is the question of location strategy; the next is that relating to corporate culture and the third, those questions relating to corporate management and mobility. Selection took into account the desire to achieve a mix of responses to these area, although, it has already been established that, within the third of these sections, all of the firms responding had a predominance of directors from its home state.

3.3.4. Analysis

The advantages of testing a wide variety of firms to seek falsification of the hypothesis as referred to earlier presented difficulties in providing a meaningful quantitative analysis of all the returned questionnaires as a whole. A firm with, for example, 10 employees at a single host production facility would influence the analysis to the same extent as one with 100,000 employees in 80 states. It would be possible to weight certain factors, although which factors and to what extent would be pure guesswork. Not only would it be guesswork, it would be a technique that opened the door to shaping the data so as to prove what was to be proved, dependent upon how weighting was applied. Even if weighting were applied to such aspects as jobs, spread, turnover or the firm's age, aspects such as product or market sector would prove more resistant. Prior to receiving completed questionnaires, thought was being given to attempting and examining this type of analysis, but this was with the perhaps naïve belief that the questionnaires would provide a reliable database. This did not turn out to be a valid belief.

In the next chapter various references will be made to seeming inconsistencies and inaccuracies, including subjective responses on location strategy, corporate culture, structure and decision-making as well as the more empirical constitution of the parents' boards of directors. These instances created doubts as to both the care taken by the respondents in completing the questionnaire and, in some cases, perhaps the depth of their knowledge. Such views were heightened by the content of an accidental duplicate response by one firm. Its UK Operations Director returned the initial form at the same time as the reminder with the second form was being despatched. Rather than saying he had already completed a form, he completed and despatched the second form. On comparing the two, he had responded with different answers to Questions A3, A4, A5, B2, B3, B6, B7, D1, D3, D4, E6 and E8, some of which required factual responses and others required subjective opinions. Without interviewing each respondent, it is not possible to say the extent to which this type of response infects the rest of the data obtained. Sampling might give some help and the interviews carried out with selected firms did reveal answers that, when reconsidered, the respondent would revise. Therefore, whilst we believe that reliance can be put on the data gathered tested and refined by way of the questionnaires, studies and subsequent interviews, it would be unwise to rely heavily on the consolidated data from just the questionnaires in reaching conclusions. On the other hand the volume is such that it is useful in creating an overall picture or framework to be dressed by the more detailed and reliable data obtained from interviews, where inconsistencies could be pursued or challenged.

The data obtained from the questionnaires was therefore consolidated and analysed in a very broad manner and reliance placed more heavily on the data obtained by way of the more intensive technique of interviews. To some extent this could be argued to translate the research into a series of small case studies. The advisability of drawing conclusions from case studies is questioned within the scientific community with the likes of Cohen and Mannion (1985) prepared to establish generalisations and Currier (1990) emphasising that each case study is unique and the danger of making generalisations. Currier may well be right and, if we were seeking to build a hypothesis from the data, his view could be critical. However, as previously stated, we are not attempting to make generalisations but to falsify, and need only one of the case studies to show that the firm has displayed transnational credentials, thus dictating it should no longer be considered conceptually as a part of the structure of a home state. Every time a case study, if this is what each firm is considered, fails to falsify the hypothesis the proposition appears to increase in credibility. But such a claim of increasing credibility could be challenged as being faulted. If it takes the findings at only one firm to falsify it, then the findings at twelve firms out of the claimed 61,582 around the world has no significant statistical impact on the likelihood of none of the claimed transnationals providing falsification. Therefore perhaps we should only claim an increase in our confidence in the hypothesis and our belief that examining twelve firms in this way provides a significant test.

We then needed to develop questions against which we could assess whether the information obtained placed any of the firms as conceptually autonomous and outside of the state structure, as discussed further in Chapters 5 and 6. The information obtained from both extensive and intensive research methods was therefore fed into the following question areas or channels.

- Do firms with their base in one region or state behave differently in some respects to those with their base in another region or state and can these differences be attributed to national and regional social and cultural histories?
- Is, and in what manner, the state of origin embedded in the firm and the firm historically embedded in that state?
- Does, and to what extent, the firm display a level of support to a home state over and above that offered to others?
- Does, and to what extent, the home state display support for its firms over and above that offered to foreign firms?
- Have notions such as 'home' and 'nationality' disappeared subsequent to the firm starting to produce outside the geographical limitations of its state of origin?

It would be easy to say that 'yes' answers to all these questions would place the firm within the state structure and 'no' answers would place it as autonomous from the state, thereby falsifying the hypothesis. That is a fair summary, yet we also had to consider the prospect that we would see a variety of 'yes' and 'no' answers. Therefore we needed to then assess whether this was indicative of a firm metamorphosing and at what point that firm became an autonomous actor. If it was 'metamorphosing', it could be suggested we consider the extent or degree of transnationalism, but this does not appear to be conceptually satisfactory. We have no evidence or knowledge of claims of firms emerging from anything other than a national base. Indigenous firms as national constructs is the starting point and therefore we are seeking to discover whether they are no longer national constructs, with national identity and national loyalty. We do not accept that a firm can be conceptually 'a little bit', or say 5%, transnational, in the same way we do not accept that an individual can be conceptually 'a little bit', or say 5%, criminal. Returning then to the framework for analysis, although we have described 'questions', they can equally be perceived as providing a means of classifying information and translating it into areas that are appropriate to theory in IPE that it seeks to inform. It is for this reason we have described them as questions or channels. The 'questions' are interdependent and interrelated. It was anticipated that culture could inform the extent and manner in which the firm and the state were mutually embedded and this would inform the extent and manner of mutual support, which in turn would generate notions of home and nationality. To falsify the hypothesis there would need to be evidence that this process had never existed or, if it had, that it had now disappeared.

3.4 ETHICS

Patton (1990) provides a summary and discussion of the ways in which the researcher can encounter ethical issues whilst engaged in their operations, and by ethical we mean the appropriateness of the researcher's behaviour in relation to the subjects of the research or those who are affected by it. The nature of the research in hand is such that the main ethical considerations are the questions of informed consent and confidentiality. In the case of the former, all potential participants were advised of the nature of the research being undertaken in the letter accompanying the questionnaires (Appendix C) and it was then open to them as to whether or not they participated. Similarly they were given the opportunity within the questionnaire to decide as to whether they participated to any greater extent. Therefore, as indicated earlier, all interviewees were volunteers. On the latter issue of confidentiality, this was offered in the same letter, as it was believed that many of those receiving questionnaires would be more prepared to supply information (and participate further) if it was not to be specifically publicly attributed to them. In most cases it was not anticipated that the information supplied would be commercially or personally sensitive, but that is a decision for the firms and individuals providing the information, not the researcher. For this reason a list of firms that returned the questionnaires is not being provided within this document, and web sites of the firm's where interviews took place are not cited in the bibliography. Specific acknowledgements and thanks to those who responded to the questionnaire and those who were interviewed are not made within the document, but were made individually during the research process.

Nevertheless, although they are anonymous, let us consider in the next chapter what they had to say.

CHAPTER 4 - RESULTS

4.1 THE QUESTIONNAIRES

4.1.1. General

The quantitative level of response to the questionnaires saw the return of 130 completed forms from the 462 firms to which questionnaires were despatched (28%). This level of response was considered adequate for our purpose, particularly in the light of our subsequent comments on the qualitative limitations of the data. Whether the level of response was above or below the norm is open to debate as views vary as to what should be expected. For example, Mangione (1995:60-61) proposed bands that would classify the quality of response rates and suggested that below 50% was not acceptable. Yet what becomes clear is that, unless the nature of the research and the sample are comparable, response rates will inevitably vary considerably. Even when these can be compared, issues such as timing, prior contact, use of conduit and particularly what constitutes the sample, can impact on response rates. Stuart Dawley (2003:147) quotes the results from five questionnaires by different researchers during the 1990s on post-closure labour market studies that show response rates of 9.2%, 36%, 50%, 75% and 100%. In the case of the 100% response this was a telephone questionnaire, on which the researchers did not disclose whether any of those subjects on their initial list failed to answer the phone, were on holiday, sick or otherwise unavailable. Their sample was those subjects contacted. The range of responses shown by Dawley indicates that all the researcher can do is to adopt what is regarded as best practice and, once response can be determined, decide whether this is adequate for their purpose. This was the attitude adopted in the current research although one point in 'good practice' should be highlighted, and this is the effectiveness of the reminder, with a second copy of the questionnaire and pre-paid envelope. This generated 53 (41%) of the replies.

For the purpose of analysis, and with a view to considering whether firms from the one region tended to behave in a similar way, but distinct from those with a home base in other regions, it was decided to divide the sample into five groups/regions; Scandinavia, the rest of the European Union, Asia, the United States and catch-all of 'Other'. The first of these was thought to justify a separate classification/grouping due to its both its historic links with the sample region of the North East of England and its direct sea links with the region. The next three groupings are self-explanatory. The last is an eclectic grouping where there are insufficient numbers of firms from any one state or wider area to justify a more specific grouping. For example, four firms with their home base in Australia and one in New Zealand have host operations in the North East. A grouping of Australasia could have been constructed, but it was felt this would be more in the interests of some administrative bureaucracy than any real cultural, regional or historic relationship. Similar problems arose with classifying small numbers of firms from such states as Israel, Dubai, South Africa etc. The number of firms contacted, the number responding and the relative percentages are shown in Figure 1 below.

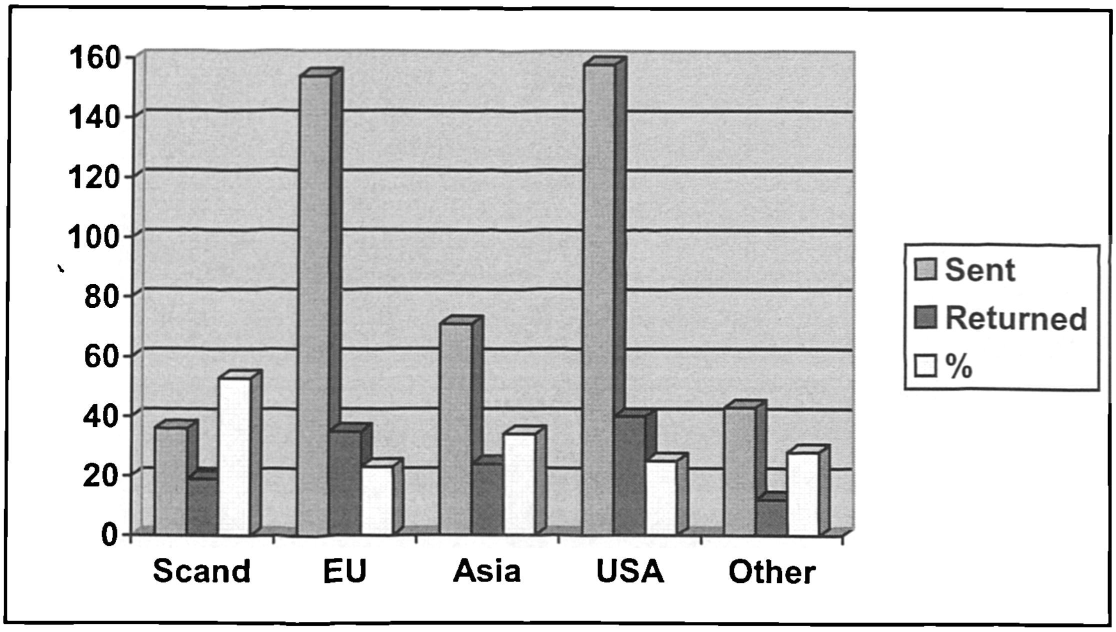

Figure 1 - Response by Region

The main feature of this graphic is the predominance of firms from the EU (154) and the US (158) that together account for nearly 68% of all those firms in the region with home bases outside the UK. We considered whether this displayed the sample as representative or too heavily biased against the average or norm, but this in itself raised questions as to what is the average or norm, or perhaps the average or norm of what. We could consider numbers of firms operating, turnover, new investment, new projects, jobs etc. and we could consider these parameters in the UK, the EU, globally, or any other specified area. A search for the average or norm may be ultimately unsatisfying and, more fruitful, might be a brief review as to whether the sample is not representative.

It does appear to follow the general trend of investment into the UK as a whole. For example, Invest UK (2004) show 65% of inward investment projects in the 2001/2 tax year were from the US and countries then in the EU. Also worthy of note is the similarity of the rate of response, with the exception of Scandinavia. Although it varies specifically from 23% to 34%, there is an approximation of one in four replying, whereas the Scandinavian firms replied at a rate of one in two (53%). It could be suggested that this willingness to respond, or cooperate in academic pursuits, relates to some regional cultural characteristic that has become embedded in firms from that region. Certainly the difference in response rate is too great simply to dismiss as chance.

It must be noted that in subsequent sections the total number of firms may be cited as less than the total of 130 firms returning questionnaires. This is accounted for by some firms failing to complete the relevant part of the questionnaire to allow its inclusion for analysis in that section or part thereof.

4.1.2. Company History in the Region

The first section of the questionnaire focused on how and when the firm commenced its operations in the region, and whether this was then, or at any time subsequently, with grant support. A marginal majority of firms (70 = 54%) entered the region by establishing a new operation and almost 50% (64 firms) entering the region already had operations elsewhere in the UK. More surprising was that 53% of the firms entering the region had received no grant support. There appeared to be no correlation between grant support and whether entry was by acquisition or a new operation. Moreover, this lack of correlation appears consistent over the period of time during which the sample of responding firms established their operations in the region. This process is illustrated in Figure 2 below.

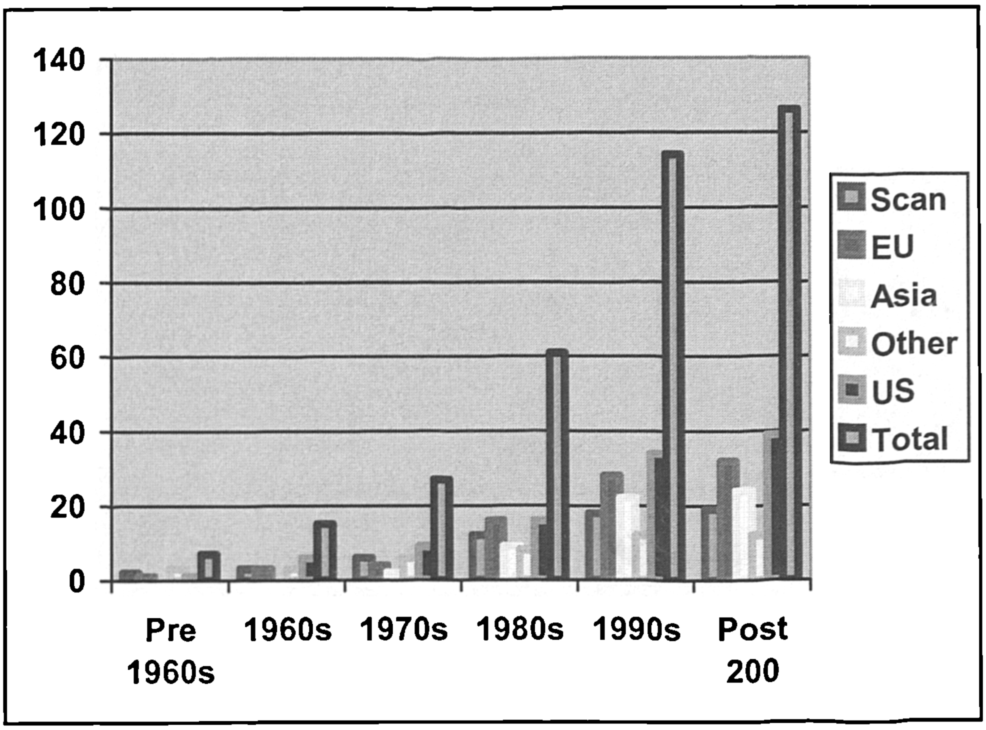

Figure 2 - Firms Entering the Region

The major growth period appears to have been the 1980s and 90s, a period when firms were responding to the potential but possible limitations of trading in the Single European Market. The attraction of the UK was then enhanced by the deregulation and more flexible labour market resultant from the Thatcher Government's opt out of the Social Chapter. However, having observed the claimed attraction of the UK with the EU in this period, it is interesting to note the location of the sample's major market discussed in the following section. The EU market is only marginally greater than that in the North East and substantially less than that in the rest of the UK. Our research did not reveal whether this represented a lessening of the attraction of the UK as a European base or an exaggeration of that attraction. Nonetheless, during these decades the previously existing total of 27 firms was increased to 61 and then to 114. Analysing each decade since the 1960s, the percentage benefiting from grant support remains consistent at around 50%. But of course the growth is not as spectacular as these figures might initially imply, as 55 of the 126 firms included in this section's analysis came into the region by acquiring an existing operation. Moreover, the figures do not reflect the firms coming to the North East but subsequently leaving the region. Within these overall figures there are some interesting regional/group variations. For example, whereas firms from the EU entered the region mainly by way of acquisition (57%), Asian firms more often entered via establishment of a new operation (71%). In the other regions/groups the method of entry was more balanced. The variation might reflect a regional preference, but equally could be accounted for by the nature of the businesses concerned, with Asian firms being more centred on newer industries such as IT related electronics and motor components that necessitate new plant. Firms from other regions/groups included many more traditional production processes where existing plant could be adapted. This could also provide the explanation for the higher number of Asian firms receiving grant support (62%).

4.1.3. Trading and Location Strategy

Whilst the next section of the questionnaire sought details of the firms' business, it was mainly geared towards ascertaining their strategy in locating production outside the home state. Figure 3 illustrates the predominant market of the 116 firms that provided this information.

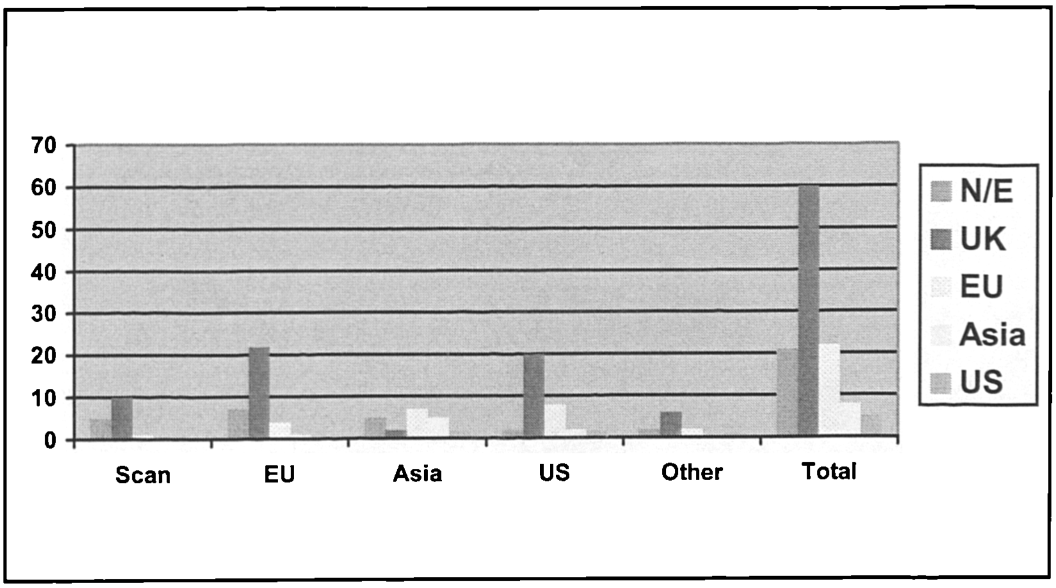

Figure 3 - Firms' Major Market

With almost 70% of the firms seeing their major market in either the North East or elsewhere in the UK, it would have been logical to expect that the majority of them had located so as to bring production closer to the market. However their responses on location strategy suggested otherwise, as can be seen in Figure 4 below.

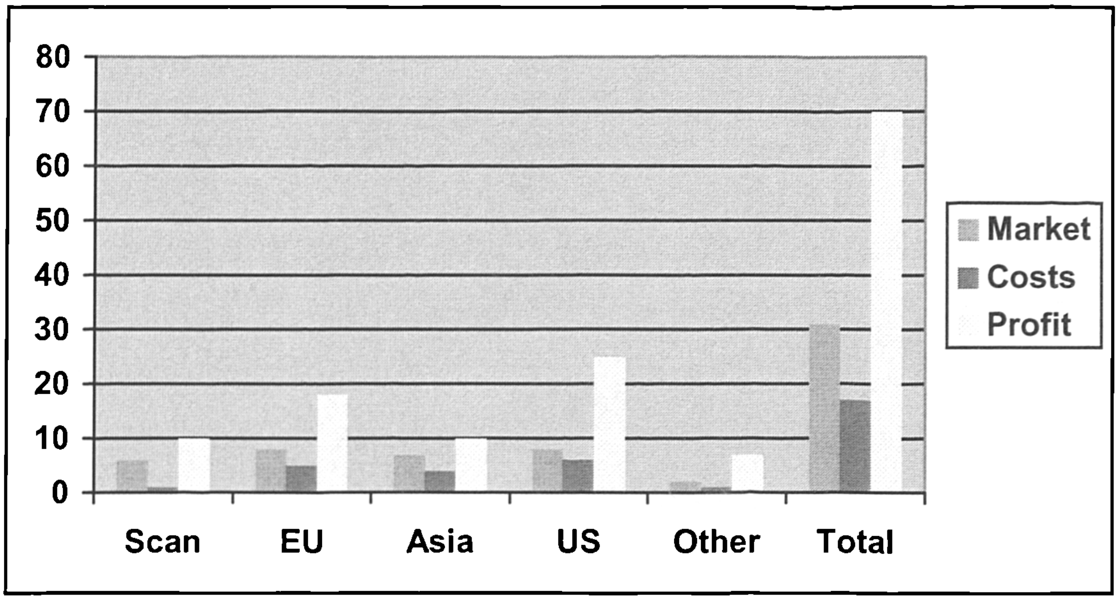

Figure 4 – Location Strategy

So only 25% of the 121 people responding to this question believed their firm's strategy was to bring production closer to the market for their products, whereas 58% believed their firm was locating production solely to maximise profitability. It could be argued that bringing production closer to the market is simply a means of maximising profitability, but the question was phased to exclude geographic market constraints. Closer examination of individual responses casts doubt on the reliability of responses to this question. For example, The Managing Director of one firm's local operations with 100% of its business being plant maintenance in the North East identified the statement closest to his firm's strategy being to maximise profitability. Such response was far from isolated. 13 firms whose major market was in the North East, together with 31 others whose major market was in the rest of the UK, all chose strategy statements other than bringing production closer to the market.

4.1.4. Research and Development

The picture that has traditionally been painted is of foreign firms establishing production facilities in host states to take advantage of lower production costs and/or greater market opportunities, whilst still retaining core home functions such as research and development (Held et al 1999:269-270). Held's view that this is a false generalisation is, to an extent, supported by the responses to the questionnaire as can be seen from Figure 5 below.

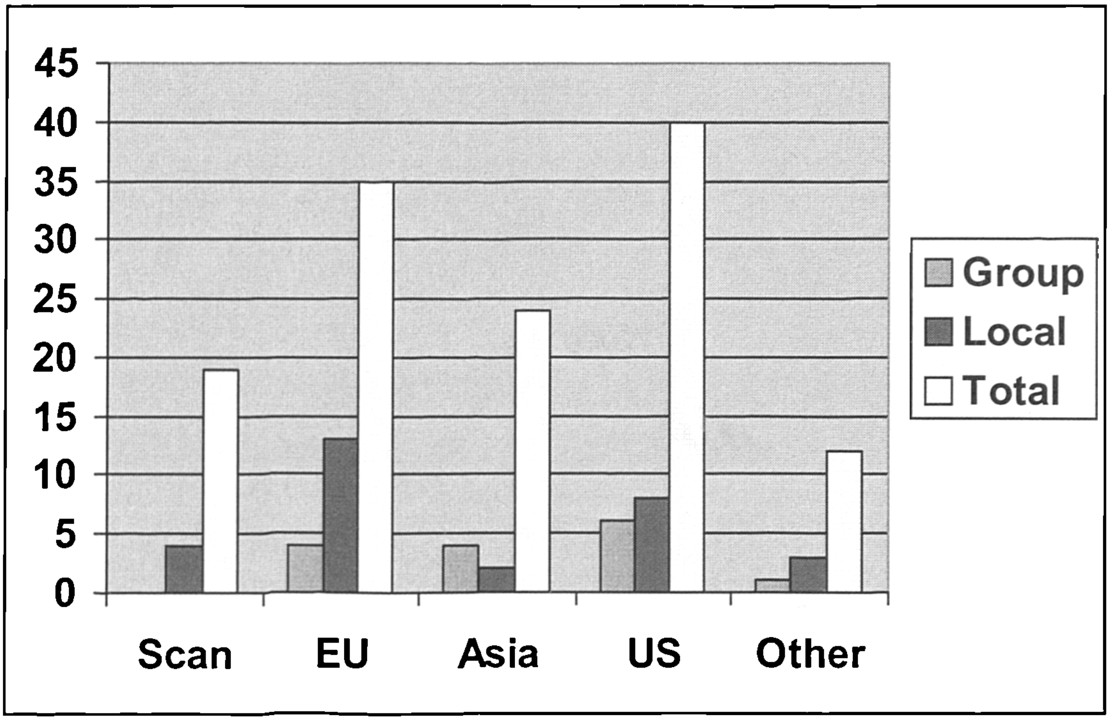

Figure 5 – Research Facilities

At 45 of the 130 firms (35%) there are research and development facilities and at 15 of those facilities their operation is geared towards products to be made and marketed throughout the group. Our results could therefore be interpreted as suggesting that research is not retained quite so preciously as anecdotally suggested. It could be argued to show that research expertise is becoming another globally located resource to be exploited with globalised networks to tap expertise in the way suggested by Howells and Wood (1993). Certainly the one firm whose facilities within the North East that were solely research and development would point in that direction. However 115 firms (88.5%) in the sample retained their main research facilities in their home state, reinforcing a view that the spread of research facilities is not generally becoming broader. This was similar to the conclusion of Archibugi and Michie (1997) when studying the period 1970-1990. Moreover Hirst and Thompson (1999:90) estimated that, at most, only between 10% and 30% of technological activity of multinationals is likely to be located in foreign subsidiaries. In terms of the number of firms, our results of between 11.5% and 35%, dependent on how we define research, are very much in line with that estimation. It could suggest that there has been little change since Patel and Pavitt (1991) found that most firms centralise core research in the home base, whilst research orientated towards customisation and foreign production support is conducted locally. We might therefore suggest our results as indicating that, in the main there has not been a blurring of R & D and innovation, but a continuing distinction between research (or innovation) and development. The former, the creation of new products/techniques, remain in the home base of 115 of our sample firms, and the development, modification of existing products for the host market, being pursued in the North East in 15 of our sample firms. In the terms used by Ghoshal and Bartlett (1998:132) only those latter firms might be claimed as showing a 'multinational mentality' in the location of their R & D as opposed to the 'global mentality' displayed by the rest of the sample.

Globally located research may well be a phenomenon that must be recognised, but our results in the North East are indicative that, in the main, the traditional view of home-based research still holds true. As Doremus et al (1999:85) write "MNCs move R&D abroad far more slowly than production...".

4.1.5. Corporate Culture and Personnel

Whilst the personnel levels together with the trends for individual firms is of general interest in itself, the information was intended more towards creating a general understanding of the size and nature of the North East operations. In the context of the current research the manner and extent to which home culture impacted on host operations was of more import. Bearing in mind that all these operations in the North East are satellites of firms with their base in other states, it might have been expected that most of them would be heavily impacted on by the culture of those firms operations at home and around the world. As it is, almost half of the respondents (47%) perceived their local corporate culture as similar to any other business in their field in the UK or around the world. An equal number did perceive their culture as shaped and/or influenced by the parents operations at home and around the world. Figure 6 below summarises these responses received in showing the major influence on the corporate culture existing in the various operations in the North East.

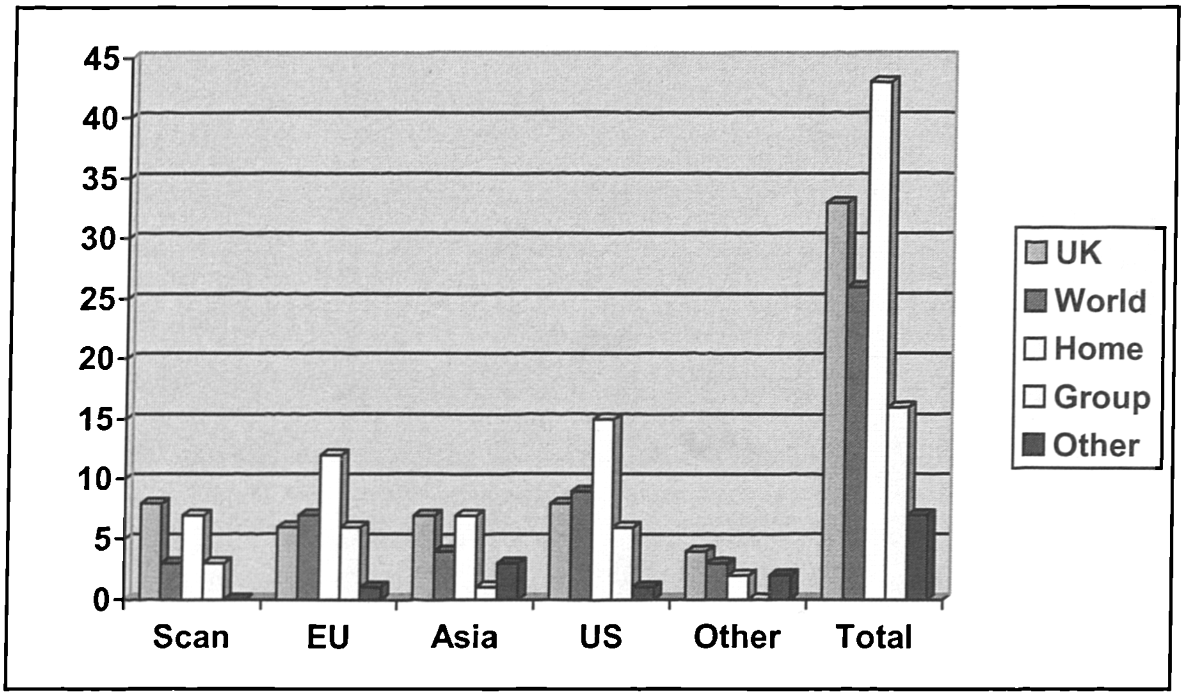

Figure 6 – Influences on Local Culture

The figure clearly shows the importance of home culture in influencing that of many of the host operations. However, if the figures are accepted at face value, another implication could be that the desire by firms to export their home state corporate culture to their host satellites is far from universal. More than half the sample indicated no such desire or, if the desire was there, no such fulfilled desire. However, perhaps the home base of many firms would not be satisfied to hear that their corporate culture was indistinct from others in their field. One therefore must look a little closer at the responses and reluctantly question the reliability of the data obtained. Considering those answering that their local corporate culture was similar to other businesses in their field around the world proves fruitful. Amongst the 26 firms offering this response, 19 had no management recruited from outside the UK, and this raises the question as to how they can compare their own culture with others around the world. Moreover there were examples of more than one firm in a specific field and responses to this question differing. If firm A says its culture is similar to others around the world and firm B says its culture is similar to its home base, does this mean that firm A's culture is being influenced by or similar to firm B's home base. The logic is ridiculous and if one accepts one set of responses as reliable, the other set of responses is per se unreliable.

Having touched on the matter of the managers' background, it might also be thought that recruitment from group operations in other states, particularly the home state, would be more likely to lead to corporate culture developing towards that of the home state or group operations. Of the 115 firms responding to this part of the section, 13 had imported some of their local management from their home state, 9 had imported from other parts of their group outside the UK, and 3 more had used both sources. When the responses of this smaller sample are analysed, the percentages are almost identical to those outlined previously for all respondents and seemed to do nothing to change the picture of corporate culture outlined previously. However, the small presence of home state management does point to the need for the firms to ensure their structure, decision-making and systems of control are adequate to manage at a distance.

4.1.6. Structure and Decision Making

It was hoped that this section of the questionnaire would provide a greater understanding of the corporate structure of the firms responding, and the extent of the participation therein of nationals of the home state. However the forms returned provided a somewhat confused picture. This can only be explained by limitations in the respondents knowledge; limitations that many were obviously either unaware of, or unwilling to acknowledge. In some cases these limitations were clearly identifiable but unfortunately it was not possible to define the further extent (if any) of these limitations. Those clearly identifiable included not being able to identify the ultimate parent and its home location, not being able to give part or full details of the directors of the UK operations, incorrectly identifying UK nationals as directors of the ultimate parent and erroneously denying there was a predominance of directors from one state in their ultimate parent. Moreover some of the responses regarding local decision-making and business plans also raised doubts. Nonetheless, with spot checks on some of the information obtained, it is possible to draw some broad brush-strokes.

Of the 130 firms responding, 117 confirmed that their ultimate parent's board contained a predominance of directors who were nationals of the firm's home state. One of the other 13 admitted that he did not know the nationality of the directors and, when checked on that firm's web site, it was found that home state directors were predominant. A similar check on the web sites of the other 12 revealed a similar situation leaving all 130 firms with the board of their ultimate parent dominated by home state nationals. Of those 12 responses, all but one suggested there was dominance by directors of no single nationality. The exception was a statement that their ultimate parent's board was dominated by directors from Israel, despite its home base in the US. The firms web site suggested otherwise and providing a little more detail here might help to emphasise the problem of limited knowledge referred to in the previous paragraph. There was an obviously Jewish influence from the firm's founders when they created the business in the US in 1967. However its former CEO (for 25 years from 1977) and now Chairman was cited by *Businessweek* as having a '...southern Indiana drawl...' that '...brings to mind quiet afternoon on the farm...'. The new CEO graduated from Wisconsin and came to the firm via Rockwell and Intel. The biographies of the other directors follow mostly in a similar vein of embedded 'Americaness'.

However, it was clear that home boards generally exercise control of their foreign operations by ensuring business plans live up to their expectations. Of the 128 responses 114 prepared business plans for approval or within parameters dictated by the parent. Eleven stated they prepared their own plans with no reference to the parent and four can be categorised as 'Other'. In this residual group, three were subject to business plans prepared remotely by the parent, and one did not think they had a business plan. But it is the eleven that are difficult to understand and, without further individual contact with those firms, it is only possible to hypothesise as to how the parent exercises any management control. Imported management from the home state could have provided the answer, yet that exists in only one of this group.

Unfortunately it is more likely that most, if not all, of this group is comprised of responses that are subject to the limitations and/or inaccuracies commented upon in the following section. Three of the group also gave erroneous answers to the question of directors of the ultimate parent and five stated that decisions on new investment were mainly taken at local level; difficult to believe when most of the group were subject to parental control in appointment of senior staff and materials used. Another respondent's parent firm had another subsidiary operation in the North East whose business plan required approval by the parent.

4.1.7. Data Limitations

In Section 4.1.1. comment was made on the acceptable level of quantitative response to the questionnaire, but the qualitative level of the response was more disappointing. Subsequent sections have outlined the seeming inconsistencies and inaccuracies, including subjective responses on location strategy, corporate culture, structure and decision-making as well as the more empirical constitution of the parents' boards of directors. These instances created doubts as to both the care taken by the respondents in completing the questionnaire and, in some cases, perhaps the depth of their knowledge. The example of the duplicate questionnaire with 12 contrasting answers was cited in Chapter 3 and, without interviewing each respondent, it is not possible to say the extent to which this type of response infects the rest of the data obtained. Sampling might give some help and the interviews carried out with selected firms did reveal answers that, when reconsidered, the respondent would revise.

These doubts suggest it would be unwise to rely too heavily on the consolidated data in reaching conclusions. On the other hand the volume is such that it is useful in creating an overall picture or framework to be dressed by the more detailed and reliable data obtained from interviews, where inconsistencies could be pursued or challenged.

4.2. INTERVIEWS

The ideal would have been to investigate and interview all those 67 firms of the 130 responding that had agreed to be contacted with a view to further elaboration and discussion. Unfortunately as only a single researcher was available it was not feasible to pursue that volume and available time would stretch to only around a dozen. The question was which dozen. Having analysed the responses in four main groups/regions with a smaller catch-all group, it was decided to select three firms from each of the main groups.

Some of the firms in the total sample of respondents had smaller operations in the North East; 63 with less than 50 staff. In seeking to identify a firm or firms to test the hypothesis that firms were essentially national structures, it appeared likely that the larger firms would provide a sterner test, particularly those with large market shares and would be often publicly identified as TNCs. This was therefore another of the parameters used in making the selections. The next selection consideration was if possible to include a firm or firms where responses to the questionnaire seemingly included inconsistencies and/or inaccuracies. As mentioned above, an interview would be an appropriate tool to challenge some of the responses in order to consider whether there was really a wider problem, propose an explanation and consider the extent to which the consolidated results from the questionnaire can be relied upon.

But the focus of the research is the extent to which firms display national attitudes rather than a state-neutral business attitude, and three sections of the questionnaire are particularly relevant. The first is the question of location strategy; the next is that relating to corporate culture and the third, those questions relating to corporate management and mobility. Selection took into account the desire to achieve a mix of responses to these area, although, it has already been established that, within the third of these sections, all of the firms responding had a predominance of directors from its home state.

Having made selections using the above parameters, each of the firms will be presented as a mini case study, after first outlining how each firm matched those parameters. In Section 3.3 we outlined the areas or channels under which the information gathered would be analysed and it would have been possible to present each firm under these headings. However this would deprive the reader of an overall picture of each firm and these channels are therefore reserved for use in the subsequent discussion. In this chapter each case study will open with an outline of the nature and history of firm in question and this is felt to be important in later consideration of the manner and extent to which national identity is embedded in the firm and the firm embedded in the state. The plant operating in the North East of England will then be described followed by the outcome of the interviews. During those interviews clarification of some of the statistical information was frequently sought and discussed, and this may be included in the description of the plant where appropriate. Interviews then focussed on those questions from the questionnaire that might throw more light on any embedded national loyalty or lack of it.

Each interview closed in seeking the respondent's personal perception of their firm in terms of whether they considered it a national firm operating within a global market, or a state-neutral international concern operating within that market.

4.3. THE SCANDINAVIAN FIRMS

4.3.1. A Danish Drug Company

The Selection

To avoid identifying characteristics and behaviour applicable to firms in a single state, it was decided to further consider one firm from three Scandinavian countries. This firm, with its home base in Denmark, is a world market leader although, being in a specialist field, it is not what may be generally considered to be a household name. The respondent provided a combination of maximising profitability and home influenced culture to the two highlighted questions and had no management recruited from outside the UK or from other of the group's operations.

The Firm

The stated goal and vision of this firm, whose head office is based in Copenhagen, is to be the world pharmacological leader in psychiatry and neurology and with this in mind their business and research focuses on depression, anxiety, psychoses, neurodegenerative disorders, epilepsy and sleep disorders; its mission, to improve the quality of life for those suffering from psychiatric and neurological disorders. Whilst this appears to be an extremely focussed strategy, this has not always been the case.

The founder returned home to Denmark in 1912 to commence trading butter. However, the early years of the Great War provided a huge opportunity for traders in neutral states and his company began supplying the Danes with anything from synthetic sugar to silver paper. Yet, although some processing was involved in mixing colours and essences, most of the founder's work was done at his desk with goods being delivered directly to customers from abroad. Even when moving into pharmaceuticals in 1924, most products were imported, until government restrictions on foreign currency were introduced in the 1930s with the aim of introducing more jobs in Denmark.

These restrictions were effective in that the founder commenced indigenous production and introduced its first original medicine in 1937.

The subsequent war had a mixed impact on the firm by initially stifling its trading following the German invasion of Denmark in 1940, but then offering it huge opportunities when reparations handed the firm patent rights to some drugs previously held by German firms. Production and marketing of these products provided the base from which to develop the firm's research and development, that by 1960 had registered patents for many new drugs particularly for the mentally ill. Production took place exclusively at sites in Denmark and the foreign sales, accounting for some three quarters of the firm's turnover, were mostly based on agency agreements until the 1960s when direct sales offices were opened in the United States, France and, in 1972, England.

Although development of the firm's product portfolio of drugs related to the central nervous system was very impressive, when a new Chief Executive was installed in 1987 he found the complete product portfolio ranged from cow-teat salves to house slippers and, although the firm was still profitable, its return on turnover was falling rapidly. Marketing was poor as management believed their products sold themselves and there was a need to achieve some focus. The number of research projects was greatly reduced, microbiological research was eliminated and cosmetic manufacturing was discarded, as were agencies for essences and oils for the confectionery industry, industrial aluminium foil and machines for producing soap. The focus would be research, production and marketing of pharmaceutical products related to the central nervous system. At the same time the firm's global presence in that core business was increased with subsidiary companies enabling its growth in Asia, Australia, South Africa, Russia and Eastern Europe, Canada and Western Europe. In the US it has moved to a partner alliance with an indigenous US firm and has used this strategy to expand into South America, Africa and some other individual states.

Most of this expansion was as a privately owned company and it was not until 1999 that it became a public company when its shares were listed on the Copenhagen Stock Exchange. The listing was not motivated by any lack of money for then existing operations, but to provide new capital for further acquisitions should the opportunity arise. The strategy appears to have been successful with 30 such acquisitions in 2000 alone and both revenue and profit continuing to grow. Revenue of around Danish Kroner 5.6 billion in 2000 produced profit from operations of around DKK 1 billion with a 17.9% operating margin and this had increased to around DKK 9.5 billion and DKK 2.3 billion with a 24.9% operating margin in 2002. The corporate governance is also grounded in Denmark in that it complies with the Nørby Committee's report and recommendations as to how corporate governance of Danish companies should be shaped. All directors of the firm's supervisory board are Danish nationals including three who are elected by the employees. The firm's main research and development facilities are in Denmark, although it has extended this capacity by extensive international collaborations with leading academic and institutional research centre and industry partners. Core beliefs, values and image are also formulated in Denmark and all operations are expected to be complied with by all of its operations no matter where they are located.

The Plant

The firm acquired its plant on Teesside in 1993 and prior to this had only its sales operation in the UK that still continues independent from the production facilities. Another Danish company who bought products from the firm previously owned the plant and this hints at the way many drugs are produced in a stepped progress procedure. In 1993 the firm commenced production by processing tablets along the first four steps of production with the final steps being completed in its Denmark plants. Now all seven steps are carried out in Teesside and the finished product sold throughout the world. Production and sales are increasing year on year and this has been reflected in the number of employees that now stands at 137, but these employees have no franchise in the election of the firm's supervisory board.

The Interview

The questionnaire was completed by the plant's Operations Director who is in overall charge of the site and has worked in the local chemical industry since the 1980s. When interviewed he explained that the plant was one of three in Europe that reported directly to the groups vice-president in Copenhagen responsible for chemical production. The other European plants are in Denmark and Italy but do not duplicate the activities of Teesside. In this industry equipment must be multi purpose to enable changes in production to take place as and when new products are developed. However each product is unique and each stage of production is distinct. In the context of this research it is not necessary to either fully understand or discuss APIs, intermediates, organic chemical batch synthesis, SMB continuous chromatography or other specialist terms within the production process. It is however necessary to accept the specialist nature of the processes, the plants, the equipment and the expertise required of the labour force. Teesside at present produces high volumes of the chemicals for the firms highest selling product but these volumes have increased over a period of some years as the drugs efficacy has become increasingly recognised by the medical profession. The Italian site focuses on small to medium scale production reflecting demand for a specific product aimed at more specific ailments. Denmark is geared more towards the development and launch of new products, with development being interpreted as translating the research process into the optimum means of production.

Accepting the specialist nature of production was a prerequisite to understanding why the interviewee had selected maximising profitability with no geographic constraints as most closely resembling the firm's strategy towards operating outside its own country. The interviewee had some difficulty choosing which of the three alternatives offered was closest to his firm's approach. As the product was sold globally, the alternative of bringing production closer to the market was not appropriate and a similar argument would reject the alternative of maximising home trading. The firm was concerned to maximise profitability and so this was selected even though it did not really explain why it had production facilities on Teesside. The actual reason for location was that they had acquired another firm that happened to have a plant on Teesside. He did not know why that firm had chosen to locate in Teesside or the UK, but suspected it could have been connected to the availability of low cost land and labour, together with host state financial assistance at the time. However he stressed that low cost was not the only consideration. A background of chemical production in the area had produced a labour pool and support services with expertise grounded in the chemical industry. His was not an industry where a plant could simply be moved to a low cost location in for example Asia. Such a notion would ignore the high cost of capital investment already existing and the lack of available labour expertise elsewhere to ensure the level of quality essential in drug manufacturing. New facilities are currently being added to the Teesside plant for large-scale production of chemicals for the firm's newer drugs and this supports the interviewee's contention that location of production is only dependent on cost issues once quality concerns are satisfied. However, the interviewee agreed that 'cost effective geographic locations' might be a more appropriate description of his firm's search for low cost/high expertise location.

Production was therefore quite a tight and controlled triangle between Denmark, Italy and the UK and it was this control that caused the interviewee to describe the local corporate culture as similar to, or influenced by, the corporate culture of the parents home based operations. New products and means of production are developed in Denmark by the firm's Quality Production Division and then exported to the overseas operations. That exportation is very much a hands-on procedure for the Danish staff that design, oversee construction or refurbishment and commissioning of both plant and procedures. It is essential that operations proceed in accord with their remit both from a safety and quality viewpoint. The firm's vision and mission statement were discussed and the interviewee outlined the way such matters were disseminated by way of management training from Denmark and corporate days. Whenever training was necessary Danish trainers provided it. There was no need to have any management from other parts of the group as systems of control were tight enough to ensure group practices and philosophy was adopted and maintained.

The interview closed by seeking the interviewee's opinion as to whether his firm was a transnational corporation without state loyalty or characteristics, or a Danish firm operating internationally and trading globally. In the light of his previous comments it was unsurprising that he undoubtedly saw it as the latter.

4.3.2. A Swedish Domestic Appliance Manufacturer

The Selection

This firm is not only a world leader in its field, but also a household name in many countries under its many trade names. The respondent provided a combination of maximising profitability and a culture similar to that of other businesses in the UK in their field to the two highlighted questions. With 90% of the North East plant's production finding its market in the UK, it appeared that bringing production closer to the market might more accurately reflect the firm's location strategy and this was one response that needed further consideration. No management had been recruited from outside the UK, although four had been bought in from other operations of the group in the UK.

The Firm

The firm is the world's largest household product company but its origins can be found in the incorporation of a company in 1901 to manufacture kerosene lamps and, by the end of that decade, was looking for other products due to the competition from electric lights. It identified the potential of the vacuum cleaner introduced into Europe by a US firm and set itself the objective of making one that was both lighter and cheaper than its US competitor. By 1912 the firm was selling these cleaners domestically and also in Germany, France and the UK; and by 1919 in Denmark, Norway, Switzerland and the Netherlands. Yet the following year the forecast sales estimate was 20,000 against the production capacity of 4,700 units. Floor polishers and fridges had also been added to the product range and the need to expand production capabilities resulted in new plants being opened in the UK, France, Germany, the US and Australia by 1931. This growth also enabled the public listing of the firm, initially on the London Stock Exchange in 1928 and on the Stockholm Stock Exchange in 1930. Product development continued and although the war, during which most plants were retooled for other products, interrupted the firm's growth, production of domestic products was quickly re-established and the range continued to expand, partly from research (e.g. food mixers) and partly by acquisitions (e.g. washing machines).

This pattern of expansion from research and acquisitions continued in association with new plants in potential new markets such as South America. Many of the acquisitions were motivated by the desire to improve market share and, rather than re-brand the products, the former owners names were retained. By the second half of the 1990s a consumer visiting a domestic products retail outlet in the UK would see brands they might associate with French, German, Italian, US, or UK firms, without realising they were all manufactured by this one firm with its roots in Sweden. Indeed, it was such an acquisition that bought the Spennymoor plant considered below into the firms ownership.

Although this strategy for growth was successful in terms of increasing market share, the structure of the firm was not designed to successfully manage production of such a diverse product range, with such diverse locations of production and such diverse branding. Falling margins and profits meant that, when a new chief executive was appointed in 1997, a two-year restructuring programme was immediately instituted, aimed at achieving an operating margin of 6.5-7% and a 15% return on equity which that year had been 4% and 1.7% on a sales level of 113m SEK. It resulted in the loss of 12,000 employees, 25 factories and 50 warehouses. An independent company was established to improve direct sales and the group restructured into two business areas, consumer durables and professional products, to replace the three previous divisions. At the same time its head office of 80 years, that was stated to be incapable of alterations/rebuild to make it a modern and efficient office, was relocated to premises in Stockholm.

In terms of the two financial objectives cited the restructuring appears to have been successful. Margins increased to 6.5% in 2002 and 6.4% in the first half of 2003. Return on equity increased during those periods and was 18.6% and 20.5%, with average staff numbers decreasing to c80,000 in 2003 from the level of c112,000 before restructuring. But sales could well have peaked at the 136m SEK in 2001 that fell to 133m SEK in 2002 and sales of 65m SEK the first half of 2003 in comparison to 71m SEK for the first half of 2002. Examining the way in which these sales are distributed geographically, sales in the EU and the US (traditionally responsible for over 80% of the groups sales) appear to be falling and only a surge in sales in Australia makes the overall figures less disappointing. On the other hand, reductions in staff numbers would be more draconian were it not for the additional 4,000 staff employed in Australia during this period. Notwithstanding the rationalisation, over 8% of the firms staff are located in Sweden where only just over 3% of the firms products are sold. The Swedish Chief Executive has publicly stated his commitment to cost-efficiency and restructuring and it will be interesting to observe in the future whether the Swedish staff/sales ratio changes in any way.

Yet it is not only the staff/sales ratio that is heavy inclined towards Sweden but also the Board Directors, corporate governance and shareholders. The Board of Directors consists of eight members, without deputies, who are elected at the Annual general meeting, and three members with deputies who, in accordance with Swedish labour laws, are appointed by the Swedish employee organisations. Unsurprisingly the appointees are overwhelmingly Swedish. Moreover, Swedish institutions and private investors own 62% of the shares in the company, with all the A shares (that hold a 10 to 1 voting preference) being held by Swedish institutions. Each year the three largest shareholders who are all Swedish institutions, meet with the Chief Executive to evaluate Board performance and report to the Annual General Meeting. Shares were listed in Stockholm, London, New York, Paris and Zurich but in 2003 were de-listed from the last two of these stock exchanges.

The Plant

As already stated, the firm bought the plant at Spennymoor into the group as part of a company acquisition in 1987. In this instance the firm did not acquire the whole of the previous owner, only its fridge, floor cleaner and cooker divisions; the Spennymoor plant being part of the last of these. The local fridge plant and the floor cleaner plant at Luton were closed in 1997/8 and production moved to Italy and Spain due to excess production capacity within the group and as part of the restructuring referred to earlier. However the head office of the UK operation is still based at Luton. Interestingly the closure of the fridge plant has created some staffing problems in adjusting to seasonal production demands. More fridges were manufactured during the winter and vice versa for cookers. This meant that temporary staff moved to and fro quite happily between the two plants and in effect provided a trained excess labour force for both plants. Removal of the summer base for employment has forced some of those potential temporary employees to look elsewhere. When the questionnaire was completed the plant employed 840 permanent staff and 151 temporary operators, none of whom have a franchise in elections to the supervisory board, as mentioned later.

There is a difference in national preferences for cooking equipment with the UK and Scandinavia providing the majority of the market for the double oven/grill/hob combinations and mainland Europe the majority of the market for single oven/hob combinations. This plant therefore concentrates on production for the former market with UK sales accounting for 90% of the plant's production and the other 10% going to Ireland. Consumers might be surprised to find that the brands of cooker they clearly associate with Italy, France or Germany in fact being now manufactured in Co. Durham.

The Interview

Whilst the Financial Controller completed the questionnaire, the interview took place with the Management Accountant, whose career had started with the previous owners of the plant and after a short break had continued with the current owners.

The Financial Controller had selected maximising profitability as being the firm's strategy towards location of production but, having discussed the nature and market for the plant's products, it appeared their current location was more akin to bringing production geographically closer to the market. The interviewee suggested there were three separate location justifications/strategies in play; past, present and future. In the past the firm had located at Spennymoor because that was where the plant was when they acquired the company. At present there has been no justification to move the plant and the production strategy is that it serves the local market. In the future justification for locating production will/would be to maximise profitability. Therefore the interviewee suggested the real answer would be close to market but moving towards maximum profitability. He pointed out that this was not simply hypothetical as local management were under increasing pressure to improve productivity and match or better the lower cost or larger plants elsewhere. Although the firm had plants in lower cost locations such as India and China, he did not see them as currently being the major threat to Spennymoor. There was still concern as to whether Asian plants could consistently deliver goods at the quality levels demanded. Moreover, his products were large items to transport and he felt that costs of delivery and storage would offset much of the savings in production made by moving to those plants. He could however envisage some components possibly being outsourced to Asia. He thought the former Eastern Bloc plants slightly more of a threat as they could service mainland Europe as well as the UK. His main concern however was the large plants in Italy, Germany, Sweden and, to a lesser extent, Spain. The closure of the UK fridge and floor cleaner plants set the precedent with moving of production to the higher output and lower unit cost plants in Italy and Spain respectively. Already around 30% of the firm's European workforce was operating in Italy due initially to the size of one of its acquisition's plants in that country. How long the Spennymoor plant could continue to be viable against these super plants was therefore open to debate. The only saving grace was the need for products designed for the UK market but he noted the other area showing preference for this type of product was Scandinavia. If there came a choice between Sweden and Spennymoor he did not think Spennymoor would prevail. He knew of factories the firm had closed, but not one in Sweden.

Moving on to the question of corporate culture of the Spennymoor plant, the questionnaire showed it as similar to that of any other business in the UK in the firm's field. The interviewee confirmed his colleagues view in that there was little input from either Sweden or elsewhere as to how the staff behaved or acted. Reporting systems were geared to a standard format but they did not regard that as anything different to elsewhere in UK industry. Asked how his answer related to the firm's mission statement of having 'A commitment to the (*firm's*) way of doing things', he did not see anything distinctive about their way. They were committed to quality, cost-efficiency, low complexity, added value and profitability but most UK plants would hold those values and objectives. Additionally, if we were talking of plant culture then few of the workforce of nearly 800, particularly the temporary employees, had any contact with any other culture than the UK workplace. Some of the 15 management staff had contact with the firm's staff outside the UK as they now reported to Brussels, where the firm had based its purchasing centre, but contact was more about the adequacy of performance than adopting a standard way of operating.

The interview closed in seeking the interviewee's opinion as to whether he saw the firm as a transnational corporation without state loyalty or characteristics or a Swedish company operating internationally. His initial reaction was to lean towards it being transnational, although to this he repeated that he had not yet seen a Swedish factory close. His conclusion was that it was transnational, 'but now and then is loyal to Sweden', or perhaps it was a national company in transition. His response was interesting in that it reflected our own deliberations as to whether there could be degrees of transnationalism as discussed in Chapters 1 and 3. Asked how this was reflected in three directors of the main board being elected by the employees, he was surprised by the question, being unaware that the employees elected directors. He suggested this must be something that only applied to Sweden as certainly he and, as far as he knew, other UK employees had no input into the election process. It is interesting to note that this firm was very high on the United Nations transnationality index in 1997 referred to in the opening chapter - 88.3, compared to a firm such as Shell that was only ranked 73. Yet still the firm was still seen as 'now and then is loyal to Sweden' and pursued corporate government practices specific to Sweden.

4.3.3. A Norwegian Engineering Group

<u>The Selection</u>

This firm has a major market share in many of its activities and, whist it might not be considered a household name, its acquisition policy in the 1990s bought it into the public limelight. Separate questionnaires were sent to the firm's two operations in the North East and returned by directors of those operations. Both selected the maximising profitability option as most closely resembling their firm's location strategy, notwithstanding one having 99% of its market in the UK and the other 90%. On the culture question one director described it as influenced by home-based operations and the other by operations in various locations. Moreover one maintained business plans were prepared locally with no reference to the parent, whereas the other advised that approval by the parent was required. These inconsistencies or inaccuracies needed further clarification. In both cases no management had been recruited from outside the UK or other parts of the group.

<u>The Firm</u>

This firm, with its head office now in Oslo had 2002 operating revenues of over NOK 43 billion although in 1998 they had been as high as NOK 82 billion. It describes itself as a leading global provider of engineering and construction services, technology products and integrated solutions

Its long, and recently turbulent, history starts with the close cooperation of several Norwegian companies that were major contributors to the industrial revolution in Norway in the mid-19th century. The lead firm in this cooperation was founded in 1853 and by the early 20th century the firms main operations were concerned with hydropower and pulping product area. Growth was steady if not spectacular but by 1967 when it was listed on the Oslo Stock Exchange the firm comprised 10 Norwegian Companies employing 3,200 people and with operating revenues of NOK 385 million. It had acquired its first shipyard two years earlier and by 1992 had purchased additional yards in Norway, Scotland, Finland and Germany. Over these years the firm also entered the offshore construction industry for oil and gas and was becoming a significant ship-owner with a large fleet of mostly gas carriers and reefers. The increasing drive for growth motivated the acquisition in 1996 of a UK based conglomerate and made the firm an international player in shipbuilding, oil and gas, pulp and paper and engineering and construction. That year also saw it moving its international headquarters to London.

But this was growth through debt and a broad business portfolio without a corresponding management capacity. The imagined synergies did not materialise and both financial and operating difficulties developed culminating in an acute liquidity crisis in 2001 despite major divestments to raise capital in the interim. The rescue came from a Norwegian-based offshore products, technology and services provider that, whilst being privately owned, had significant backing from a Norwegian investment group. It employed nearly 8,000, of whom only around 900 were employed outside of Norway. It was a complex deal, taking 18months to finalise before agreement in November 2001, and involved the merger of the two companies, an injection of NOK 8.6 billion in net assets, NOK 3.5 billion from two direct issues and a renegotiation of NOK 8.6 billion of the firm's debt. The group's head office is now in Oslo again and all of the board directors are Norwegian nationals, including three members elected by the employees in accord with the usual practice in Scandinavia.

From January 2003 it has organised itself so that services are provided by way of three divisions, Oil and Gas, Engineering and Construction (E & C) and Shipbuilding, although the way in which the organisational chart is drawn appears to make the last of these divisions easily separable should the firm decide to divest itself of this activity at a future date. No information is available to substantiate this suggestion, only the stand-alone nature of the division as opposed to the apparently integrated structure of the other divisions.

The Plant

The firm's Stockton plant is now the head office of the firms UK and European Engineering Services (part of its E & C operations), although previously it had housed three separate divisions in the form of subsidiary companies. The European operations overseen from Stockton now also include bases at Warrington and West Lakes in the UK, and Antwerp, Rotterdam, Maastricht and Cologne on mainland Europe. In addition the firm has staff based permanently at many of their current customers' sites. The Stockton office itself was originally established in 1905 with associated manufacturing facilities and came into the firm's operations when the UK based conglomerate was acquired in 1996. 'Engineering Services' is a phrase designated as including the provision of the full lifecycle of services required to design, operate, maintain, modify and decommission existing industrial plants. Its client base is extensive and includes major players in processing (particularly oil and gas), the nuclear industry, water, energy and pharmaceuticals. Historically the firm had looked to become involved in the creation and development of new plants in these industries but, with the possible exception of pharmaceutical, there is virtually no new-build in the process industry in Europe, which in the main is going to the Far East where the cost base is cheaper. At the same time customers are looking to drive costs down on existing plant and maximise/extend its life expectancy. The firm expects this to result in the outsourced share of maintenance in Western Europe to grow from 42% in 2000 to 62% in 2005 within process industries and this will amount to around NOK 58 billion. Moreover, although (or perhaps because) in the past the firm has participated in developing the UK nuclear industry, it believes it is well placed to be involved in the decommissioning for which £60 billion is available over the next 50 years. This is hoped to result in the growth of turnover for the operations centred at Stockton from the anticipated NOK 1,572 million in 2003 to NOK 2500 in 2005, with the resultant growth in employees from 2,300 to 3,000.

Whereas the 1996 conglomerate acquisition had seemingly resulted in an inability to focus and create synergies, the new brooms in Oslo appear to have every intention of reversing that situation with an extremely focussed strategy so far as its Stockton centred operations are concerned.

The Interview

The questionnaires were completed in the first half of 2003 by the then Managing Director of one the subsidiaries and a Director of one of the others based at Stockton but, when the interview was to take place in the second half of the year, one had retired and much of the information supplied was out of date. The Regional Business Development Manager, who had worked at Stockton since prior to the conglomerate buy-out, agreed to be interviewed.

Many of the differences from the time of the questionnaire were factual in terms of different numbers for what essentially was a larger, and slightly different, section of the firm's business. However the first major fundamental difference was in the answer to Question B6 regarding the firm's strategy towards locating the operation outside its home base. Whereas the questionnaire showed it as being to maximise profitability without geographic, the interviewee made it quite clear they located production in order to bring it geographically closed to their customers and potential customer, i.e. the market. Stockton was central to a major part of the UK process industry in and around Teesside. Its satellites were similarly well positioned to be accessible to customers and potential customers both in the UK and mainland Europe. To an extent the firm's location of the operation was, if not an accident, an unintended choice in that it had been a small part of a considerably larger deal. Even though the original siting in the 19th century for metal processing and forming may have been motivated by the availability of materials, its move into servicing rather than manufacturing meant that different factors needed to be considered when considering location. In the 21st century its geographic closeness to customers of this part of the firm's business was paramount, but it was also relevant that operating costs in this part of the UK were relatively low and over the years body of experience had been built in the Stockton area, both inside and outside the firm. Similar points applied also to the satellite locations. He could not understand the reference to business plans being approved without reference to the parent and could only suggest it was 'a slip of the pen'.

Moving on to the corporate culture of the firms operations, the interviewee agreed with the answer given in the one questionnaire that it was influenced by the parent's corporate culture. He felt it was even truer now than when the questionnaire was completed six months earlier. As part of the restructuring the firm had bought in a Norwegian firm of business consultants to advise and assist. The proposals are being implemented in the manner and style required by Oslo and reinforced by personal visits from the firm's Group President and CEO. 'Town Hall' style meetings are held to disseminate such issues as purpose, vision, values, strategy and business improvement plans. The latter, for example, details critical success factors that need to be achieved and also 'how we will achieve our strategic goals'. Prompt cards similar in design to credit cards have been issued to all staff and show in diagrammatic form how the firm will 'Turn Values Into Actions'. The pocket sized values booklet reinforces the cards' message and the extent to which the message has been assimilated is measured with their peoples' surveys to assess attitudes. Oslo is quite clear as to what it requires as the prevailing culture and refers in its values booklet to 'our distinctive quality culture'. The Group President and CEO makes it clear there is no discussion or departure from what is required when he writes 'achieving this culture is not negotiable'.

Yet all this work on positively focussing on success and the way forward also had a less positive side for some individuals. The synergies envisaged under the restructuring will initially mean the loss of 80 jobs from Stockton's payroll but, as stated earlier, it is hoped to quickly make good that loss as a result of increased business levels. The interviewee did not give the impression that this had caused any fall in staff morale and seemed to feel the positive points had pushed this aspect into the shadows. To suggest that this might reflect the fact that he was not one of the 80 may be cynical. Indeed it appeared more likely there was a large element of relief that the firm's difficulties at the turn of the century had not resulted in personal difficulties for a much larger number.

Having experienced such a recent attitudinal blitz from Oslo it was not surprising that the interviewee definitely saw the firm as a Norwegian company operating overseas. When asked to consider whether it might be described as a transnational company without ties to a specific home state the interview referred back to the rescue plan so recently implemented. Whilst it came in the form of another Norwegian firm and a Norwegian investment group, he found it hard to believe that there had been no involvement of the Norwegian Government. He had no evidence to support this view, but suspected there had been a guiding and encouraging hand, bearing in mind the impact on certain areas of Norwegian society had the firm been allowed to fail.

The final point concerned the three directors of the main board elected by the employees. The interviewee did not participate in this and, as far as he knew, other UK employees had no input into the election that he believed to be an exclusively Norwegian process.

4.4. THE EUROPEAN FIRMS

4.4.1. A French Construction Group

The Selection

This firm is undoubtedly a market leader in many areas of its activities, although its name would probably mean little to most members of the public. The respondent gave a combination of maximising production and similar culture to other businesses in the UK in answering the two questions highlighted; the former despite claiming to have 100% of its market for products of the North East operations in the UK. One of the lesser inconsistencies or inadequacies to also be investigated was the claim that decision making on new investment was mainly made at local level.

The Firm

'Construction Group' is shorthand for what the firm claims is the largest company in construction and related services worldwide and the world leader in concessions, construction and related services. It is divided into four divisions; Concessions, Energies, Routes and Construction. Concessions, now over 100 years old, trades in outsourced infrastructure management specialising in design, turnkey construction, financing and operation of facilities. Energies trades in information and energy technologies specialising in optimisation of manufacturing equipment, communication infrastructure, networks and services for businesses, local authorities and operators, and equipment for living in working areas. Routes is the European leader in the road industry and in recycled materials with three complementary businesses of roadworks, materials production and environment related activities. Construction operates in building, civil engineering, hydraulics and facilities management.

The firm traces its history back to an embryo French company founded in 1817 although the two companies that merged in December 2000 to give the firm the shape it has today were formed in France in 1899 and 1891. In all there were 38 smaller companies that came into the fold of these two firms in the 19th and first half of the 20th centuries and, like the umbrella firms, were generally French, in that they initially were formed and traded in France which they still did at the time of their assimilation. The firms are proud of the innovations they have brought to their sphere of operations, from the first drinking water distribution pipes to 50 cities in France in 1878, to constructing the first modern roads in France in 1923, to the first electric road lighting tests in 1936 to the various advances in cantilever bridges and developments in transport infrastructure from the 1960s onwards. With that base the firm grew until it operated in over 80 states and in 2002 had a turnover of some £11billion. To achieve this it employed 130,000 people worldwide and in 2003 operated on 100,000 sites in some 2,500 locations. In 2003 the turnover increased again to over £13 billion and, in some of the divisions nearly 50% of the income was accounted for by operations outside France. However, viewed from the other perspective 50% of those divisions income comes from operations in the one home state, whereas it needed operations in up to another 79 states to produce a similar level of revenue. Therefore, whilst the firms published update of major contracts includes schemes in the port of Antwerp, conference centre in Abu Dhabi, Heathrow's fifth terminal etc., these are more than balanced by the number of major schemes cited in France. Overall about 40% of the firm's income comes from non-French operations and it is interesting to note that the last three available year's figures, ending in 2003, show levels of 41.2%, 40.8% and 39.7%. Arguably, with increasing overall turnover, these figures suggest the firm is becoming more reliant and dependent on the home state economy. One must be careful of such assumptions as the size of individual contracts means that one or two more abroad or one or two less at home can easily alter this apparent trend.

However, the French influence and presence is more wide spread, starting with the head office in Paris and continuing to the main board of directors and Executive Committee that are predominantly constituted of French citizens. Extending and perpetuating this national bias, it is interesting that the firm's web site is published in French, English and German, except for its careers portal and that is only published in French to reflect that it is 'dedicated mostly to recruitment in France'. It is interesting to note that not only does that portal cover careers; it also is the only place on its web site that it outlines its core values. But that is not the only way in which the French personnel are prioritised. The firm have a training academy with permanent facilities in France and geared to French employees and, only now, are the courses being '...upgraded to take into account the Group's European dimension.' The firm also operates share ownership schemes and the primary such ownership/saving scheme was introduced in 1995 and, at the time was only available to employees in France. The scheme has been successful in developing employee ownership, to the extent that in 2003 employees owned just over 9% of the firms shares, with 50% of all employees being owners. It was not until 2001 that the scheme was extended to staff in the UK, Germany, Morocco, Austria and the Netherlands, where 20% now own shares. If staff in 74 remaining states do not own shares and only 20% in these latter five states, it can be seen the 50% overall figure represents a much larger dominance of home state employees in terms of share ownership. Moreover, other schemes such as the leveraged employees saving scheme are still limited to employees of the group's French subsidiaries.

Share ownership is another area where there is a strong western, European and specifically French influence. In addition to the 9% employee ownership, 23% is in the possession of French institutional investors and, of the 44% owned by foreign institutional investors, only 17% is listed as outside Europe. That 17% is shown as being owned by US investors and share ownership outside these areas is seemingly not large enough to warrant individual listing. Having said this, the firm did extend its investors' road shows for the first time to Singapore, Hong Kong, Taipei and Tokyo in 2002, suggesting things may be changing. However the previous programme of such trips around the major French, European and US cities continued, as did the meetings with shareholders at the Paris Bourse Mondays, designed to help individual investors improve management of their choice of investments. Such meetings are unsurprising as the firm's financial and reporting systems are designed to comply with the Paris Bourse Regulatory Authority and its Annual Report acts as its reference document. The French influence is also apparent in the 5% of the firm's shares that are held in the form of 'Treasury Stock' and, of course, it is French Treasury stock. This reflects the previously larger state interest in the firm.

The theme of the firm being 'global' but showing a French bias keeps returning and can also be identified under what it refers to as its social responsibility. As in the case of many other firms, it is proud to proclaim the way in which it participates in good and needy causes around the world, such as raising $20,000 in a walk against want in Hong Kong, providing expertise and fundraising for a dispensary following an earthquake and a container of equipment for a school in Africa. However on closer examination these are mainly instances of facilitating the participation of local staff. Its headline project is the funding and execution of the 10 million euros restoration of the Hall of Mirrors in the Chateaux of Versailles, that involves '...applying their expertise for the conservation of France's heritage.' Comparison of this figure from the firm's coffers and that raised by employees in Hong Kong relative to the causes concerned appears to clearly position the firm's home nation priority. Similarly the container of equipment for a school in Africa is dwarfed by the firm's Foundation, established in 1994, that in 2003 alone awarded 135 scholarships to French employees' children to pursue their educational studies at a cost of 107,000 euros.

The Plant

The firm's plant in the region is located at Billingham and has been part of a French company since a controlling stake in what was formerly a UK firm was purchased in 1989, with the residue of the shareholding acquired in 1991. At that time the acquiring firm was owned by the French state and was one of the two firms coming together to form the current firm after it gained its 'independent status. The plant provides electrical, mechanical and telemetry installations and maintenance works, primarily in the water and sewerage treatment industries, claiming that 15% of that business is in the North East with the remaining 85% elsewhere in the UK. To do this it employs 55 part time and full time staff, all of whom were recruited from the North East.

The Interview

The plant's Commercial Manager, who agreed to be subsequently interviewed, completed the questionnaire. He had been with the firm in its various guises for eight years and was responsible for a £15 million annual turnover. Although the eight years and various guises gave him a good knowledge of the plant, its operations and trading, all his time there was as part of a French firm; albeit one whose shape had changed in that time.

The first matter to clarify was a couple of responses to the questionnaire. Whilst the respondent had indicated 15% of his business was in the North East and the remaining 85% elsewhere in the UK, he had also indicated his firm duplicated these activities with other facilities in the North East and elsewhere in the UK, as well as the other world wide locations listed on the questionnaire. This raised the question as to why the firm had duplicate sites in the UK. The interviewee advised that his operations were not duplicated in the UK and his answer reflected the firm having 'related' activities elsewhere in the UK. The issue was not pressed, as it was clear he had not read the question. Instead he had assumed we were interested in where the firm as a whole had other activities. The point is worthy of note in repeating the problem of collating, analysing and putting too much faith in the information gathered in this way, other than in a very generalised manner, as we have done above. The second point of clarification was as to the UK director on the main board and the extent, if any, of that director's contact with, or knowledge of, the UK operations. In the event, although there is a UK main board director, the person referred to by the respondent was not a director but on the Management and Coordination Committee; a committee that includes most Chairmen/CEOs of foreign operations. The interviewee had not heard of the person who is actually a main board director and this suggested the way many such host operations are remote from the home base in more ways than location.

The question of location was discussed in the light of his selected option of maximising profitability. The interviewee was asked how this strategy related to a plant where 100% of the business was in the UK. His response was that he had chosen this alternative as representative of his firm's current strategy, rather than the strategy adopted in the past so far as the Billingham operation was concerned. He outlined the history of the acquisition of the site as a going concern and felt that it was, at the time, irrelevant to the firm where the operation was located. Even the previous owners had not made the decision to locate at Billingham, but another firm they had acquired. He had no personal knowledge as to why that firm had chosen the site, although he thought it was at a time when availability of suitable labour and low costs would be the main concern; an era when the North East had an expertise in heavy engineering in its labour pool. Whilst accepting that his firm had not made the decision on location, the point was pursued as to whether location of their services, of necessity, had to be close to the market. On consideration he conceded that, whilst this was true, his firm would locate near to the market only as a means to maximise profitability. His focus on the motivation of profit became clearer when the interview moved on to a discussion of corporate culture.

The response in the questionnaire that culture was similar to that of other businesses in the field in the UK was one that could be understood in the light of all management being recruited from the North East. It was therefore within the respondent's experience to comment in this way. However, in the light of information gleaned from the firm's web site it appeared to run contrary to the stated intent of the firm's home base. The firm promotes its 'Welcome' programme for new staff, its 'Academy', its 'Management Forums', its regular interview programme and its 'Club Pivots' "...for disseminating best practices and developing Group Culture...". An outsider might speculate that some of the areas mentioned were aimed at promoting 'Group Culture', but the specific reference in the last of those listed above makes it clear that this is the intent. The interviewee agreed that it did appear that the home base wished to engender a group culture and indeed that base had told all operations of its intent to encourage synergies within the overall business. However he also drew attention to the gap between representation and reality in that he was not aware of any of the areas mentioned, from the Academy to the Club Pivots, being organised so as to benefit or apply to UK employees. They were in France and intended for French employees who produced the major part of the firm's business. He was aware of the share ownership schemes but not aware of any of his colleagues who took advantage of it, feeling that most UK staff saw this as a French perk. As far as his operation was concerned he felt the bottom line was the home base's main interest and that, "...all the French are interested in is their little cut...". This conclusion seemed to heavily influence his views and particularly his response to the location strategy section in the questionnaire. Whilst not stated specifically, he gave the impression of his firm as accepting his UK operation as an accidental acquisition, that would be continued so long as it contributed to a bottom line profit, but an operation into which the firm would provide little input. A local turnover of £15 million might in some circumstances be a good deal of money but within the context of the firm it is not hugely significant and it is more than likely the firm has far greater priorities elsewhere within the overall corporate body.

The interviewee saw his firm as definitively one that was French and operating internationally.

4.4.2. A French Specialist in Energy and Transport Infrastructure

The Selection

Notwithstanding 100% of the market for the products of North East operation being in the UK (15% in the North East), the respondent did not select a location strategy of bringing production closer to the market. Instead he opted for maximising profitability. As he also indicated the firm had duplicate facilities elsewhere in the North East, the UK and around the world, his choice of location strategy needed some clarification. Clarification was also needed on how management recruited in the North East identified corporate culture as similar to other businesses in their field around the world. If a valid answer, it would be interesting to ascertain whether the home base had tried to exercise influence on culture and, if so, why it had failed.

The Firm

The shorthand of 'Specialist in Energy and Transport Infrastructure' includes such activities as provision of power generation equipment, turnkey power plants, power transmission and distribution systems, passenger rolling stock, freight rolling stock, turnkey rail systems and infrastructure, ships and marine systems, engineering and construction and associated services in parts, maintenance, operation, design, consulting, support and training. It has been divided into four main divisions of Power, Transmission and Distribution, Transport and Marine. Together these divisions produced sales of over Euro 17 billion in the firm's financial year ended 31st March 2003 and, although internal growth has played its part in building a firm of this size, much of the growth has come from acquisitions over many years, an example of which is provided by the North East plant considered below.

The company in its present form was incorporated in 1992 in France with its head office in Paris and was listed on both the Paris and London Stock Exchanges until November 2002, when it was de-listed on the latter, supposedly, and according to the press release of 26th September 2003, due to it being costly and over complex for the low volume of shares traded there.

This reflects only 11% of the firms share capital being held by UK/Ireland institutional investors, whilst French and North American institutional investors hold 32% and 22% respectively. When completing the research questionnaire, the respondent indicated there was a predominance of English/French directors. However, whilst three of the Board are UK nationals, the six French nationals outnumber them. The French leaning is further emphasised when studying the employment opportunities of the firm's web site. The rest of the site is available in both French and English language versions. When one comes to the employment opportunities section in the English language version, you are referred to the French version. Seemingly employment and career opportunities with the firm are, in the main, limited to French speakers.

The firm's turnover of Euro 17 billion in sales for 2003 is substantially less than the Euro 25 billion in 2001 and Euro 22 billion in 2002. Similarly the number of employees has fallen from a high of 143,000 in 2001 to a low of 109,000 in 2003, with no dividend being paid in either 2002 or 2003. The firm was in trouble in 2002 when it announced a loss of Euro 211 million and in desperate trouble in 2003 after announcing a loss of Euro 1.3 billion. Drastic action was needed and part of this is the sale of the Transport and Distribution division that had in 2003 produced 20% of the firm's sales. It has also decided to sell its Industrial Turbines business. This will leave two major divisions in terms of turnover, Transport (34% in 2003) and Power (44% in 2003). But the proceeds from this trimming of the firm's activities were not enough in themselves. Even steps to make Euro 500 million annual savings by 'restructuring' and 'overhead reduction programmes' would make limited impact to the firm's total debt that stood at Euro 5.3 billion in March 2002. 'Restructuring' and 'overhead reduction programmes' may well be euphemisms for further staff reductions, but it is too early to say for sure as implementation of the recovery plan is not due to be complete until 2006. At that time it will be evident how many staff have been lost by disposals and how many through 'restructuring' and 'overhead reduction programmes'.

Refinancing was needed but the private sector was reluctant to support a firm that had attracted adverse headlines concerning its activities and projects. The Marine division may point to the publicly recognisable names of ships it had produced, but in 2003 it had contributed only 1% of the firms sales. The events of 11th September had impacted on the cruise market and many plans for new build had been delayed or cancelled. It's heavy-duty gas turbines that had been inherited from one of its previous acquisitions were experiencing technical problems that placed huge costs for remedial work without corresponding income. Its new trains had failed to perform to specification, again resulting in considerable costs to the firm. And, if this was not enough of a dent to confidence in the firm, in August 2003 the Securities and Exchange Commission deepened its probe into accounting irregularities at a US unit where the parent was forced to suspend the senior vice president and vice president of finance of its US transportation subsidiary.

The state moved in, in the form of the French Government and, although the full terms and size of the bailout are not in the public domain, the firm announced on 22nd September 2003 that the state was purchasing Euro 3 billion in 20 year convertible bonds it was issuing. It was also suggested that the French Government was giving guarantees of Euro 2.275 billion of contracts for the firm's products. This was another example of the EU's uphill battle to police government led bailouts to rescue favoured companies without gaining Brussels' approval in advance. Paris argued that it had been forced to act fast as 80,000 people work for the firm across Europe, without specifying the numbers in France

<u>The Plant</u>

The operations in Wallsend commenced in 1990 to build power stations as part of what was known in the business as the 'dash for gas'; the desire to move away from coal and towards gas fired power stations. A new company was formed, owned 50% by a Swiss company and 50% by a UK company with other plants on Tyneside. Both parents had considerable experience in producing generators for the electricity industry and, although much of the construction and installation would be subcontracted, the parent's expertise and products would form an integral part of the design package provided by this new company. Tyneside was the chosen location due to the indigenous pool of labour experienced in power engineering, and an area where salaries and other operating costs were comparatively low. The enterprise prospered and completed 13 power station projects in the UK and the EU (Ireland), although the ownership of the Company varied with the success and/or failure from time to time of its part owners. Through this succession of changes in the part ownership of Wallsend, the operation eventually ended up in the firm's ownership in 2000, when it acquired the Swiss company that by then owned it. By that time the 'dash to gas' in the UK and most of Western Europe had ended, leaving no major projects with the Wallsend operation. This change in demand had also changed the shape of the engineering industry in power generating globally, with now only four firms capable of undertaking power station projects if and when they arose.

The problems of the group in general had led to all aspects of the firms operations being subject to scrutiny and the intimation had been that this would lead to the closure of Wallsend. Local management had accepted that there was no longer a market for its previous product, but thought the expertise and experience could be applied profitably elsewhere and this was in the maintenance of plant. All its previous customers were concerned with efficiency, effectiveness and economy in their continued plant operation and particularly in prolonging the life of their existing equipment. They therefore made a successful bid to move the Wallsend operation from the firm's construction division and into power services from January 2003. However the move was not without pain. When completing the questionnaire staffing levels were at 119 people, having been reduced from an earlier level of around 170. Following the move and at the time interviews for this research were taking place it was reduced to 60. This did however retain the key staff needed to manage and implement plant maintenance and, should the opportunity arise, bid for any plant provision and/or renewal, should the opportunity arise. Wallsend is now the firm's main base of expertise for this service in its Division 5 that encompasses Scandinavia, the UK (plus Ireland), Australia and NE/SE Asia. The division's eclectic geographic mix is explained by the similarity in the technology used in these locations.

The Interview

The questionnaire was completed by the then General Manager of Construction whom, when interviewed, was the Director of Plant Engineering for the UK. He had previously had experience with companies on Tyneside with companies specialising in power generators, before joining the joint venture when it was originally launched.

Having covered the background to the firm's operation in the North East, his answer to the location question was discussed, in that the firm would utilise the most cost effective geographic location. He pointed out that Wallsend was originally a joint Swiss/UK venture, aimed primarily at the UK market. Both partners bought expertise to the venture but the target market pointed to the UK as the better location. In that sense the location strategy was bringing production closer to the market. Tyneside was initially chosen due to the availability of labour, talented, grounded and experienced in this specialist area of engineering. Staff and other operating costs were generally lower in the North East than many other areas of the UK and thus the strategy could be said to be the most cost effective. Its current strategy is simply that the operation is in Wallsend. There is nothing to be gained in moving and probably something to be lost in terms of specialist staff that might not move nor easily be replaced elsewhere.

The local corporate culture was also complex, even to the extent that the interviewee had shown the parent company as Swiss, not French, when he completed the questionnaire. He explained that this was the head office of the power division and he instinctively regarded it as the firm's head office, although he realised that had he thought a little more he would have specified it as Paris. However, for ten years it had been predominantly Swiss led and for most of that period the Managing Director had been a Swiss national. He personally had been heavily influenced by the Swiss and their management style that he had found to be 'open, team orientated, entrepreneurial and geared towards finding win/win solutions'. He also found they appeared to have less committees and levels of decision making than he had seen elsewhere and that they followed what he described as an 80/20 rule; accepting that decisions would not always be right but expecting that they would be in at least 80% of the cases. On the other hand their organisational skills were not good. His experience of the French to date was that they were more slow and pedantic, but better organisers; more akin to the style of management he had experienced prior to his association with the Swiss. When questioned, he was unable to say with any certainty whether perhaps this difference was a reflection of the overall health of the parent company at different periods of time, but leaned heavily towards a national characteristic. However the interviewee also noted the French were less concerned with how profitable the plant was and more on it not making a loss. This also appeared to reflect more on the economic plight of the group but the interviewee labelled it with national adjectives, emphasising the difficulty in attributing cause at a time when economic and parent change almost coincided. On the questionnaire he had selected two spheres of influence. The first was influence by the corporate culture of the parent's home-based operations and this is obvious from the above explanation. The second was from the group's operations in various national locations. In explaining this second influence it became clear this was more of an influence on technical knowledge and expertise than culture, in that there had previously been machinery for disseminating knowledge and expertise throughout the group before the recent changes and uncertainty.

The machinery for disseminating expertise and culture was then discussed and the interviewee could not produce any examples of systems or procedures for this. It was more of an ad hoc arrangement where, if one knew someone from another location, one would willingly exchange information and expertise. To the interviewee, this was how he interpreted the firm's commitment on its web site to a multi cultural environment. He did however feel that the French did not promote and adopt as strong a multi cultural environment as the Swiss and he felt this reflected the wider societies of the respective countries with Switzerland being extremely multi cultural. The interviewee had not had any involvement with the firms Learning Institute in France that had objectives of identifying and sharing best development and training practices, initiating and monitoring company-wide training, developing and deploying new transverse programmes and developing personal development paths. He was however keen, when questioned as to what extent the web site reflected France only, to stress that Wallsend did have succession planning, but that this office was 'a bit different'. It became clear that not only was it difficult to separate results of the change in ownership from the economic plight but that the latter had both delayed the proper integration of Wallsend and become the sole focus of the interviewees attention. At one point he suggested that they had a 'Geordie culture' more than anything as almost all the employees had a North East background and were recruited from the area. Such a conclusion was not unreasonable as the proposal for the continued life of the plant had come from them and it was almost a situation of 'us' against the rest in proving their ability to achieve continued viability.

As to the question of whether the firm was transnational or displayed national characteristics and loyalty, he suggested the rescue operation by the French Government said it all.

4.4.3. A German Chemical Company

The Selection

With only three European firms being considered in detail, it was decided to concentrate on those from France and Germany from whence the largest number of European firms originated. Having already examined two French firms we needed to then turn to a German firm. This specific firm was chosen as an well known name trading around the world, albeit the name is publicly identified more from some of its commercially less important products, rather than its mainline business. The respondent selected maximising profitability as reflecting the firm's location strategy. As the products from the North East plant were mainly sold to other parts of the EU, this did not explain the commercial logic of having other plants in 'most countries' in the EU. With such diverse locations, an explanation would also be needed as to why corporate culture was similar to other similar businesses in the UK and not led by home based operations.

The Firm

This firm, the seeds of which were sown in Ludwigshafen in 1865, proclaims itself as the world's leading chemical company. The term 'leading' is undefined, but it is certainly a large undertaking with over 350 plants in 39 countries around the world, employing over 89,000 people and having a turnover in 2002 of Euro 34.10 billion. It has five separate business segments with twelve operating divisions encompassing chemicals, plastics and fibres, performance products, agricultural products and nutrition and oil and gas. Yet it is a firm that, having built itself into a major producer, was forced to rebuild after the events of 1939-45.

In the 19th century the firm initially produced coal tar dyes and subsequently took a leading position in the world dyes market. This base enabled it to diversify into synthetic nitrogen fertilisers in the first two decades of the twentieth century and, in the next two decades, into synthetic gasoline and rubber and products from acetylene. The war years saw the firm's structure destroyed; production was initially switched to focus on to the war effort, experienced workers were called up for military service and replaced by conscripted women and forced labour, and, by the end of the war, most of the firm's plants in Germany were either badly damaged or reduced to rubble. Reconstruction after 1945 was under Allied supervision and the firm was finally entered into Germany's Commercial Register in 1952 shortly before administration by the French sequestrator ended. The firm's growth in the next ten years paralleled the development and growth in the ever-increasing demand for plastics and, by 1964, oil began to be used as the raw material instead of coal. A successful post war domestic company thereafter spread its wings by initially opening plants in Brazil, France, India, Japan, the US, Australia, Mexico, Argentina, Spain, Belgium, Italy and the UK. An expanded product line of high value-added lines accompanied the physical expansion. More plants and more products followed and of particular note is the firm's expansion of its operations in Asia in the 1980s and 90s. First focusing on South Korea, it moved this focus onto China in the early 90s and has since made considerable capital investment there often as joint ventures with local partners.

Notwithstanding this geographical diversification, between 1992 and 2002 the firm claims to have divested itself of businesses corresponding to approximately one third of its current sales, believing these activities were unlikely to show long-term profitability as part of its own product portfolio. During the same period it acquired what it considered to be future orientated businesses with about the same amount of sales and would fit more properly into its portfolio. This might hide the difficulties the firm faced around the turn of the century when the 'first dark clouds appeared on the business horizon' and it 'started an extensive program of restructuring measures that took effect in 2002'. A sales turnover of around EURO 36 billion in 2000 fell to around EURO 32 million in 2001 and 2002. Employee levels that had been between 106,000 and 103,000 in the second half of the 1990s fell to 92,000 and 89,000 in the next two years. However, despite this geographical diversification, honing of the firm's product focus and restructuring, its base is still in Europe where over 62,000 of its employees are located. Of those, over

50,000 are still located in Germany. This relates to nearly 9,000 in Asia, the Pacific and Africa regions.

The phrase 'separate business segments' was used earlier, yet, throughout its life since 1865 one word has central to the firm's philosophy; *verbund* – the idea. The founder wanted to bring production under one roof with each production facility linked to other plants so that products and leftover material from one plant could serve as raw materials for the next. Over the years, the *verbund* philosophy has been extended into production, energy usage, employee skills, research, purchasing, relations with society and many other areas. The firm insists 'Our Verbund is unique' and 'an integral part of our corporate philosophy'. The idea may have been before its time in 1865, but whether it is unique in anything other than name at the beginning of the twenty first century is another matter. Re-using by-products, pooling ideas and knowledge, worldwide purchasing etc might be the type of activities now considered as good management. Nonetheless the firm has branded this approach with its founder's terminology and continue to use it as a major part of its corporate philosophy throughout the group; whether in Germany or more far-flung and distinct cultures thousands of miles away.

Corporate structure and governance is also firmly grounded in Germany with its head office still in Ludwigshafen. All the eight directors are German. Even one whose name appears more English, and was educated in the US, was born in Germany where he started his career. In December 2002 the firm elected to adopt the recommendations of the German Corporate Governance Code published earlier that year by the Federal Ministry of Justice. As the firm says, it represents 'for us a general basis for our entrepreneurial activity'. Similarly values and principles flow from Germany and it is interesting, bearing in mind the composition of the board, to see declarations that the firm will 'foster intercultural diversity', 'not tolerate discrimination based on nationality' and 'seek employees from all cultures and nationalities who possess the appropriate skills and competencies'. Shareholders are also predominantly German, around 90%. This figure has fluctuated between a minimum of 87% and a maximum of 93% over the last forty years with the increase in the share capital over that period. Even a listing on the New York Stock Exchange in 2000, that slightly increased the percentage of US investors, did not increase the overall proportion of share capital held by foreign investors.

The Plant

In the UK the firm have a subsidiary and wholly owned plc with sales and technology centre in Cheshire, production facilities for plastic intermediates on Teesside and pharmaceutical active ingredients in Northumberland. It is the former plant that is considered here and that came into existence in the late 1960s when it was built by another international corporation. Further expansion occurred in the 1970s at a cost of around £170 million before the firm purchased the plant in 1985 for around £500 million. The purchase was motivated by the firm's wish to acquire one product and its production facilities to fit into its product portfolio. Although the 5% of the plant's products sold in the North East is increasing, this is small compared to the 55% exported for use in other parts of the EU and 27% is sold to other parts of the UK. Overall production levels are stable with staffing levels decreased over recent years to the present 420.

The Interview

The questionnaire was completed the Business Accounting Manager who also agreed to be interviewed to further discuss some of his responses. He is a Chartered Accountant who has been with the firm for 17years and is one of a team of six in the site management team that answer directly to the site director.

He had selected maximum profitability without geographic constraints in terms of markets or location of production as best describing his firm's strategy in operating outside its own country. Initially this appeared to match the firm's declared strategy of operating on 'sites where this offers a competitive advantage'. However, further discussion suggested a more complex and pragmatic attitude towards location, and an attitude that accommodated changes over a period of time. He understood that the originally locating the plant on Teesside was the result of a need for a plant in Europe where 89% of its current output is sold. The UK, and Teesside in particular, was chosen as a result of the relatively low cost land with readily available transport facilities, relatively low cost and plentiful labour, and financial help from the Department of Trade and Industry. Some of these conditions are no longer applicable, particularly land and labour in view of the availability of sites in the former Eastern Bloc and China. It is the latter where the interviewee saw the largest growth and the fiercest competition for Teesside, notwithstanding the increased transport costs. However even this disadvantage was only relevant so long as the user's of his plant's products maintained their own production facilities in Europe. Certainly there was no evident growth in European markets for his plant, but there was evidence of growth in demand for the product from plants in China.

The continued operation of the Teesside plant is currently dependent on two internal factors. The first is control of labour costs and this was why the questionnaire showed decreased staff levels for stable production levels. There is a constant need to work smarter and more effectively. With no requirement for more of the product, this means less staff, but even then there is no prospect of the plant being able to compete with the low level of operating costs existing in China or the Eastern Bloc. However it does mean the attractiveness and viability of alternative sites are reduced and this is where the second, and principal consideration comes into play. Plant condition is crucial. As illustrated by the figures quoted for extensions and acquisition, the capital cost of establishing a new production facility is considerable and plant/machinery is not transferable or mobile. Providing the plant is maintained at containable costs and other operating costs are limited then the plant will stay while the product is still in demand. If major plant renewal becomes necessary then question marks will arise. So location strategy had moved through the three alternatives given in the questionnaire.

The discussion moved to the question of plant and corporate culture that the interviewee described as similar to other businesses in the UK in their field. This seemed to be surprising in view of the effort to create a corporate culture evident in the firm's web site. The interviewee stated that this impacted on the management team and, had the question asked what that team's culture resembled, then he may have said it was similar to that of the parent's home-based operations. However he felt it impacted very little, if at all, on rest of the employees. This was particularly true for the 250 contracting staff on site who had no contact with the firm's home operations or culture. The direct employees of the firm intermixed with these contracting staff and had more effect than anything done or intended by the home country head office. This, at plant level, appeared to produce a culture similar to any other like production facility in the UK.

The interview ended in seeking the interviewee's perception of the firm. He had viewed it as a German company operating internationally but had the feeling that it was starting to change into one that 'had no bias to any country'. Asked to provide examples of this change, he cited the way more emphasis was being placed on Asia in general, and China in particular, whereas previously he had felt the emphasis was on Europe, and Germany in particular.

4.5. THE ASIAN FIRMS

4.5.1. A Korean Conglomerate

The Selection

Not only is this firm's name well known to the general public, the creation of its plant in the North East was widely heralded as indicative of the way in which the region had adapted to the new industries following the decline of such traditional industries as coal mining and ship building. The respondent had selected bringing production closer to the market as reflecting location strategy, notwithstanding the disclosure that only 21% of sales were in the UK (including 1% in the North East) and 59% of sales were elsewhere in the EU. As will be seen from the eventual outcome, his answer was indeed erroneous in describing the firm's current strategy.

The Firm

This firm with its head office in Seoul is described here as a 'conglomerate', as to describe it as an electronic giant would be to ignore the true range and extent of its business interests, even though it is in the field of electronic products that it is best known as a household name. The original firm was founded in 1938 and recreated in 1951 following the 1950 Communist invasion into the south of Korea, with its electronics arm incorporated in 1969. It produced its first black and white television in 1970 and, by 1978, four million had rolled off its production lines. Moving into colour, 10 million sets were produced by 1986 and 20 million by 1989. At the same time its production of microwave ovens was similarly impressive and by 1994 it had produced 30 million. This production and sales level have continued to develop until the firm now are ranked number one manufacturer with its 10% share of the world market in televisions and number one with its 25% share of the world market in microwave ovens.

However, whilst continuing to develop these core products, the firm has not only considerably expanded its electronic product range but also repeated its dominance in some of those products. It is the world number one manufacturer of computer monitors with 22% market share, number one in VCRs with 25% market share, number one in CDMA mobile phones with 23% market share and number one in both DRAM and SRAM with 32% and 27% market share respectively. The figures could be extended into their share of the world market in other computer/IT components, DVDs, camcorders, air conditioning, fridges and other electronic products. To describe their impact and growth since incorporation in 1969 as Impressive might be an understatement.

But, whilst initial growth in manufacturing of electronic products was based on exporting home produced goods, the second half of the 1980s saw moves towards adding overseas production facilities. Plants were established in Thailand, Malaysia, Mexico, and England, with research laboratories in California and Japan. This spread continued through the nineties and recent years have seen three new plants in China and one each in Vietnam, India and Slovakia. In parallel with this growth in the firms key/core sectors it has also diversified. Its financial services arm is one of the world's 100 largest financial companies. Its chemical industries arm consists of five subsidiaries and one of these is a partnership with BP, indicative of its impressive list of major strategic alliances with many of the worlds other corporate giants. Its heavy industries involvement includes shipbuilding, plant installation, construction, airplane engine manufacturing, defence, optical digital and semiconductor industries. Common parlance would certainly describe the firm as a transnational conglomerate.

A visit to the company's web site clearly indicates that the road to growth and profitability has not been built without publicly announced acceptance of social responsibility. It spells out its values and philosophy, condensed into one sentence – 'We will devote our human resources and technology to create superior products and services, thereby contributing to a better global society'. The intent is that this will be achieved ethically, within a specific code with which all employees must comply by maintaining their honour, integrity, self discipline and respect for customers and shareholders alike; all of which aimed at the stated objective 'to enhance the quality of life of humankind'.

That objective also motivates the 'greening' focus in the firm's environment, health and safety policy and practices with specified greening of management, products, processes, workplaces and communities. More specifically some of these social responsibilities are expressed through programmes aimed at employees and others at the community outside the workplace. The former include such areas as an employee community service volunteer programme and an academic and educational programme, including a 'Korean version of the Nobel Prizes' that 'recognises outstanding contributions to society or exceptional results in research in six areas that nurture human welfare'. The latter include social welfare programmes that encompasses building and operating day care centres for low-income children, plants for the physically disabled, free eyesight recovery for the poor, support programmes for the elderly and other similar schemes. The arts are not forgotten and the firm has contributed extensively to numerous museums and galleries to promote culture and 'bring more beauty to our lives'. Indeed most of this is handled by way of a foundation of culture that is one of the firms affiliated companies. Other affiliated companies are its medical centres, ranked as the best hospitals by the Korean Consumers' Association, and the human resources development centre, training and developing employees and promoting corporate culture.

There are six executive and seven non-executive directors on the firm's main board, all of whom are Korean citizens.

The Plant

As a result of the strategic decision to commence production overseas, the firm started production in the North East of England in 1987 with a diverse range of products including microwave ovens, fax machines, personal computers and, by 1992, colour televisions. However, by the mid 90s, the firm was looking to rationalise its European production and decided to construct a new plant on Teesside for the manufacture of ovens and televisions with financial assistance from the Department of Trade and Industry. This decision was taken despite 1994 losses of some £4.5m at the previous plant and was reputedly the influence and standing of the Korean

Managing Director of the UK operation had a significant part to play in the decision. The following year the Queen and Prince Phillip, who were personally welcomed by the firm's Chairman, opened the new plant.

Notwithstanding the rationalisation and new plant, the losses continued to the extent of £9m in 1995, £10m in 1996 and £11m in 1997. Since that time the plant has hit break even/profitability every year and accumulated losses have been reduced to £10m. This has not been achieved without a reduction in staffing levels to the present level of 1000, although this is mainly as a result of improved product design and working methods. Improved testing techniques, component quality and packing also figure prominently. The example of the number of screws used in a monitor is typical. In 1997 sixty screws were required and the home site was unconcerned by this due to the relatively low cost of labour in Asian plants. In the UK fixing these screws added considerably to unit costs and following redesign only 3 or 4 screws are used depending on the model. The cumulative effect of changes has meant that the production line for monitors produced 900,000 units with 408 staff whereas less than 400 staff were used in 2002 to produce 3.1m units.

Other changes have taken place since the firm came to the UK and monitors have now replaced televisions. These are assembled on site from components produced elsewhere and/or bought in. Similarly whilst the microwaves were previously mostly manufactured on site, the moulding shop has been closed and production of the cases has been outsourced. In both product ranges it is the manufacture of the core components that is retained by the firm.

The Interview

The Vice President and Deputy Managing Director of the UK subsidiary operating the firm's Teesside plant completed the questionnaire and also agreed to be interviewed. In his role he is responsible directly to the Managing Director who is Korean and resident at the plant, as was his predecessor.

His choice of description of his group's strategy in operating outside Korea (Question B6) was bringing production geographically closer to the market and, as previously observed, the UK operation was part of a wider movement within the group. It was explained that this was at a time when Asian firms were concerned about the possibility of developed states in the west limiting imports from that region. However he viewed the climate as having now changed and feared for the future of the Teesside plant. He sees the plant's competition not now from other firms but from other plants within his group. Those in Malaysia, Thailand, China, Vietnam and India were cited and the following figures from a recent presentation he gave to Bank of England staff were provided as evidence of his inability to compete.

> 'My production staff work 232 days a year, 8 hours each day and are paid the equivalent of $10 an hour. In contrast the firms staff in China work 300 days a year, 12 hours a day and are paid the equivalent of 50 cents an hour.'

He asked how he could be expected to compete on that basis as improvements in productivity previously referred to had already taken up almost all of any slack that existed. A sobering thought, particularly as firms with plants in multiple locations can export practices improving productivity to lower cost locations. Although lower cost Asian production servicing the European market involve increased transport costs offsetting at least some of the savings, this was less relevant to the Slovakian plant. This was where he saw the immediate threat to the future of his plant. Already all his production of CRT (cathode ray tube) products was being moved to Slovakia and this would be complete by the end of 2003, leaving Teesside with only totally flat screen monitors in the screen range. Currently the market for 79% of Teesside's products is in Europe but outside of the UK and transport to and from Slovakia would make little impact to differences in production costs.

The logical implicit question was therefore why the Teesside plant was still operating and this became a little clearer when the discussion moved to the question of from where local management was recruited, and particularly the nature and function of those bought in from Korea. As already mentioned, one is the Managing Director and the other three are the Finance Director, a manager on the microwave line and one on the monitor line. These latter three are Korean primarily due to the need to communicate with specialists in their area in Korea. Seemingly it is far easier to find Korean specialist managers with an ability to communicate rather than vice versa. But, from his dealings over the last seven years, the interviewee believed it was more than language that facilitated communication and that there were imbedded differences in the Koreans' 'mindset', probably resulting from their history and their culture. He saw them as extremely focussed although their priorities were what was happening today and not tomorrow. He also saw them as volatile individuals who would think nothing of physically 'clipping' another member of staff, having seen this happen when differences arose. Such differences would immediately be forgotten and accepted as nothing out of the ordinary.

He saw no attempt or trend toward the Korean managers moving toward some global corporate man lacking national identity. His experience was that they were 'extremely nationalistic' and he saw no possibility of a non-Korean ever being appointed to those posts currently filled by Koreans. To emphasise the different 'mindset' he cited the continued operations at Teesside. He had spoken to senior staff in Seoul, who could see no valid financial or business reason to retain the plant. However, the Chairman, who also is reputed to have a (or perhaps the) major equity stake in the firm, is reluctant to agree a closure. Again reputedly, the reason is that he does not wish to lose face when he had personally opened the plant with the UK's head of state and her husband.

Extending this discussion on the 'nationalistic' nature of the firm, its claims to social responsibility were raised. The interviewee saw these as 'all geared to Korea'. They have no medical facilities in the UK, no employee community service volunteer programme and no academic and educational programme. The 'Korean version of the Nobel Prizes' is for Koreans and there are day care centres for low-income children, plants for the physically disabled, free eyesight recovery for the poor, support programmes for the elderly or other similar schemes in the UK. They have an on-site training centre at Teesside but this provides only training for the job. He saw the foundation for culture as a foundation for Korean culture and such a view might be validated when seeing major art galleries financed by the firm in museums in New York, London and Paris, all prefixed with the word 'Korean'. Indeed he saw, and had experienced this, nationalistic streak running so deep that on occasion the firm preferred to do business with Korean competitors rather than European non-competitors.

Initially it seemed surprising that a manager at this level would express these views. However it became clear they were not an adverse criticism of the firm but a statement of the way things were. There was an underlying theme of 'they're *Korean, that's the way the firm is, and what's wrong with that?'* Unsurprisingly the interviewee viewed the firm as categorically a Korean Company trading internationally.

Postscript

On 15th January 2004 the firm announced it would be closing its plant on Teesside in April 2004 with the loss of jobs for the total workforce of 420 people. It justified this decision on the basis that it was impossible for the plant to compete with the cost of equivalent products manufactured in Eastern Europe and the Far East. On the same day as this announcement it unveiled a surge in profits of £860 million for the last quarter of 2003; an increase in profits of 24% on the previous quarter, with sales up 21%.

4.5.2. A Taiwanese Electronics Group

The Selection

In considering Asian firms it would have been possible to concentrate on Japan but this would not have reflected the rise of other Asian economies and the way in which firms from other Asian states had extended their operations to host states outside the region. It would also have possibly led to characterising all firms from the region in the same way as those that called Japan home. Having considered one firm from Korea, selecting this firm therefore extended the prospect of identifying national as well as regional characteristics. The two highlighted questions appeared to cause the respondent some deliberation. Having initially chosen bringing production closer to the market, this was deleted in favour of maximising profitability. On the question of corporate culture, he had selected two alternatives that could be seen as contradictory; similar to others in their field around the world and similar to/influenced by the firm's home based operations.

The Firm

In the twenty first century it is often difficult to provide a short but accurate description of a large firm and its activities, so the terminology is borrowed from the media's ranking of the firm as fifth in the worlds top ten of electronics groups; a huge step by a company established in Taiwan with 1 million NT dollars when it opened its first production plant in Chung-Ho City in 1975. Initially it specialised in production of clock-display LEDs, moving on to also produce LCD rubber pins, electric rubber keypads, infrared LEDs, photodiodes and phototransistors before becoming the first electronics corporation to appear on the Taiwan Stock Exchange in 1983. Until 1989 all production was located in Taiwan and overseas sales were largely based on the firm creating direct sales operations in the US, Europe, Japan and other parts of Asia. Its first overseas production facility was built and opened in Thailand, with another in Malaysia quickly following. By this time it was evident that growth could be accelerated by acquisitions of both production and research facilities, particularly in the US and Europe. One such acquisition was a UK company operating a switching power supply plant in Ashington and that is the plant referred to later.

In the following decade the firm's product range and market penetration grew considerably and by 1997 it had manufacturing facilities in 38 locations around the world, including four in mainland China. It now has substantial market share in production and sale of computer peripherals and components, IT image products such as scanners, printers and cameras, MP3s and modems, mobile phone handsets and PCs. This growth has meant that in 2003 the firm employs over 40,000 people around the world, 70% of whom work outside Taiwan. But of course this figure conversely means roughly 12,000 people work inside Taiwan and are mainly Taiwan nationals as is the seven man executive board. The firm's head office is still in Taiwan, as are the main research facilities. This base appears secure in that although it uses the prefix 'World-Class' in its vision, it is in the context of 'becoming one of the top ten foremost enterprises that are respected by people in greater China area', and 'one of the best corporations for the staff in greater China to choose'. For those staff that do choose this corporation the advertised benefits are impressive. Gift coupons/presents for the three traditional Chinese festivals and employee birthdays, subsidies for births, deaths, marriages and hospitalisation, scholarships for employees and their children, end of year company party, subsidized domestic and overseas travel plans and commuter cars to transport employees to and from work all feature. These are additional to more conventional matters such as health insurance, retirement plans and bonus/stock-purchase programmes.

Like the previously cited Korean Firm, this firm also highlights its 'Global Citizenship' in its web site and central to this is the establishment of its Cultural Foundation in 1993, to which the firm continues to donate $10 million NT annually. In Taiwan community colleges are supported by the government but managed by private corporations and one of the Foundation's functions and achievements has been to manage a Community College in Taipei; a college offering 110 courses to nearly 3000 students. Further focussing on the young, the Foundation also sponsors and manages preventative and educational counselling programme for 40 elementary schools in Taiwan. Its other major continuing operation is a daily radio programme dealing with community issues such as education, environmental issues, arts and life, healthy living and welfare matters.

The Plant

As mentioned previously the firm commenced production in the UK when, in 1991, it purchased a company with production facilities for equipment switching power supply in Ashington. Having already decided that it needed to have such facilities in Europe to service customers locally, the opportunity arose to make this acquisition at reasonably low cost. At that time the customers concerned were not the major players in the mass production of PCs; customers that also used the switching equipment but were largely based in the US. They were customers with specialist switching needs but at lower volumes in what might be seen as niche markets. Initially the plant was run by a Taiwanese manager but there was a lack of strategy as to where it fitted into the firms overall trading pattern as well as a poor east-west dialogue. Moreover the Taiwanese manager had difficulty dealing with the North East culture and this did not help productivity.

Once focus on the initial reason and strategy for acquiring the plant was regained, operations at the plant appear to have to have developed and in the latter half of the 1990s it was producing switching gear for both ATMs and networks. Both these products were initially thought of as low volume in niche markets and that perception was quickly proved to be false. The latter, network power switching was developed in association with 3Com and in 1996/7 the initial pricing was for 2000 pieces per month. In reality the production needed and eventually reached was 27000 pieces a month. A low volume niche market had become a high volume low cost product, and one more suitable for production in lower cost locations.

At the start of 2003 the plant, that was then the firm's only one in the UK and duplicated only by its facilities in the US, employed 126 people. But within the next year that number will reduce significantly with most of the production being transferred to other of the firm's plants in China and India. The plant will remain to provide a design facility for the UK and Europe with a sales and marketing function and a small production facility to handle warranty and repair issues; possibly around 20 people. A similar fate seems likely for plants in Holland and Germany, with the firm's most recent European plant in the Czech Republic being the only one in the continent to see growth. This growth will come from expanded assembly operations where specialist parts produced in Asia would be put together to reduce transportation costs and the possibility of resultant damage.

The Interview

The questionnaire was completed by the then Finance Director of the firm's UK subsidiary, but things had changed when the interview took place, at which time he was the Finance Director of the firm's European operations. The firm had previously had seven companies operating independently in Europe and the changes, whilst envisaging far lower levels of production, would lead to a more integrated European operation. He had joined the company when it purchased the Ashington plant and appointed to the UK board in 1996. There were obvious difficulties in bringing together the differing cultures of Taiwan and the UK as evidenced by the fate of their initial manager at Ashington. The interviewee explained that his experience of the Taiwanese was that they were slow to recognise and trust the skills and expertise of people who were new to them. Both he and the Managing Director of the European Operations (who now works from home) had found it had taken some years, but they had now reached the point that they felt they had this trust. The firm had tended towards positioning home state managers into host plants and this had been problematic. In Scotland the clash of cultures had created such difficulties that the firm had eventually closed the plant and, in Ashington, productivity had reached acceptable standards only once indigenous management had been introduced. To support the view of a level of trust being reached, he cited board meetings of the UK subsidiary that were held only when they needed to specifically minute some decision or action. The quorum was the two UK directors and as a matter of course the five Taiwanese directors did not attend.

When completing the questionnaire the respondent had initially indicated that the firms location strategy was based on bringing production closer to the market, before deleting and selecting the option of maximising profitability with no geographic constraints. It became clear that this also reflected the change from 1991 to 2004. Repeating the experience of the Korean Conglomerate the firm had found its UK plant could not be competitive with others in Asia and Eastern Europe in high volume production. Quality had previously been cited as an area where it could compete but the interviewee regarded this as a myth and cited the experience of his local production engineer. He had been most derisory about the comparative quality of goods produced in low cost plants in Asia until visiting them in 1997. He had returned to the UK converted and extolling the quality of such goods. The interviewee confirmed the assertions on the firm's web site that the emphasis was on quality, and this was one of the aspects of corporate culture that had been imported from Taiwan.

Moving further into the arena of corporate culture the interviewee had ticked two boxes in describing the prevailing culture of the local operations; both similar to other businesses in their field around the world and influenced by the culture of the parent's home-based operations. On being pressed he believed it was more the latter. He detailed other areas where the home-based culture was influential as being the open nature of policies and policy-making, a willingness to share information and actively engaging staff in the operation of the firm. This culture had been beneficial in encouraging and producing productivity but was creating problems in the current time of change. The Ashington employees had not been formally advised of the changing status of their plant and the impact it would have on employment levels. However he believed the staff knew what was in the wind in the light of openness within the firm and motivation was difficult. Asked whether this imported culture extended to such areas as training, terms of employment and involvement in the local community, the impact of Taiwan was less obvious. He found it difficult to provide specific examples of training and career development programmes similar to those in Taiwan suggesting that training tended to fall with downsizing. They had tried a computer based learning programme called Learn Direct and had been disappointed in the take-up even when thrown open to employees families and close friends. Asked whether any of the employment terms previously described as less conventional had found their way from Taiwan to Ashington, with a slight smile he said that they had not. Similarly, as far as he knew, the Foundation operated solely in Taiwan and there were no specific programmes aimed at the local community in the UK. His selection of two alternatives therefore reflected his belief in the need to carefully balance corporate culture. The Taiwanese culture could not be transplanted lock stock and barrel into the UK, as had been evidenced at Ashington and, more dramatically, in Scotland. Yet not transplanting any of that culture would be equally disastrous in not attaining the plant's potential.

The final question as to how the interviewee conceptualised the firm saw him coming down firmly on the side of a Taiwanese firm trading internationally. He saw it firmly embedded in Taiwan, but none the worse for that.

Postscript

On13th February 2004 the firm announced that it was moving production from Ashington to China in an effort to reduce costs, as it was 'being pushed to lower cost regions by the market. The majority of the 133 staff then employed would lose their jobs in June 2004, after which only design work would be carried out there.

4.5.3. The Japanese Automobile Component Manufacturer

The Selection

The firm was selected for further research due to a seeming contradiction in questionnaire answers regarding the location of its market and the firm's strategy on location of production. It reported 45% of its market being in North East England and a further 35% elsewhere in the UK. The remaining 20% was in Europe but outside the EU. As it had other operations in the EU and elsewhere in Europe that duplicated its North East activities, it might be expected location strategy would be to bring production closer to the market. However the respondent selected 'the most cost effective geographic location'. The respondent also provided interesting responses to the questions raised on personnel, in that 110 of the 230 staff employed locally were 'managerial', with 3 of them being transferred from the Group's home country. It was therefore not so surprising that the local culture was described as similar to, and/or influenced by the corporate culture of the parent's home-based operations.

The Firm

The current nature of the firm was shaped in the year 2000 when two of the larger Japanese suppliers of automobile components merged. One of these firms was established in 1938 as a radiator manufacturer and the other in 1956, primarily to manufacture speedometers. The radiator firm expanded first into exhaust systems and then into air conditioning, with the speedometer firm developing into the full range of automobile instrumentation. Together, their product range now encompasses air conditioning systems, heat exchangers, exhaust systems, instruments/meters and plastics; sometimes in isolation and sometimes in combination e.g. cockpit modules. In March 2001, when the new firm first produced consolidated accounts, it had sales of over 30,000 million yen and a head count of nearly 15,000 employees. Its list of major clients included most of the major automobile manufacturers around the world; from Ford to General Motors, from BMW to Volkswagen, from Honda to Suzuki, from Renault to Peugeot and, of particular import to the firm, Nissan.

The firm's production facilities are located in 16 countries across four continents, with five major plants employing over 7,000 people in Japan and, in the past, the growth in overseas production has been accounted for by the firm following their customers expansion into new markets; particularly Europe and North America. That growth has now progressed to the extent that more staff are employed in North America alone than in Japan, notwithstanding that in the firm's last published annual report overseas sales accounted for only 37.9% of the firm's overall turnover. This, and the renewed focus on pricing, will be commented upon further when considering the interview with the firm's local manager. However, the past growth was not only based on self-contained development and, to those who see capitalism at the start of the new Millennium as a network society, the firms may be seen as pioneers. Technical assistance agreements for speedometers were in existence with VDO in the then West Germany in 1960 and with Smiths in the UK in 1964, with many more collaborations in other countries in later years. The other firm followed a similar pattern although their arrangements started in the 1970s. At a distance of 30-40 years, it is difficult to assess whether such arrangements were a way to side step trade barriers, or a real sharing of expertise to develop more effective products more quickly and cost effectively.

Yet throughout these moves abroad, the firms remained grounded in Japan. The head office is in Tokyo and the technical centre is in Sano-city. The firm is listed on the Tokyo Stock Exchange and all requirements to publicise are met by announcements in the Nihon Keizai Shimbun. Its Chairman and Chief Executive are both Japanese, as are the other 8 main board members. All its four auditors are Japanese and all its 21 corporate officers are also Japanese. This national focus is reflected in the firm's share ownership with 93.6% being in Japanese hands. Major shareholders are listed as the Japanese Trusty Service Credit Bank, the Japan Master Trust Credit Bank, the Dai-ichi Mutual Life Assurance and the Mizuno Corporate Bank. However, although they jointly hold 30.6% of the firm's shares, their individual shareholdings are dwarfed by the 28.3% held by the Nissan Motor Company that described our firm as an affiliate company. The importance of this relationship with Nissan is emphasised when our firm's 2003 Annual Report shows 40% of its sales accounted for by transactions between the firms. Moreover, one of the Chief Executive Officer's eight stated targets in that report was "Growing in tandem with Nissan Motors plan to expand its global sales by one million vehicles." Nissan is the firm's "core customer" and the development of modules moved first into Nissan's assembly lines in Japan in 2001, before contributing to lines in the US and Europe in 2002. Yet the support from Nissan is not unconditional and the firm does not by any means provide all Nissan modules. This will be enlarged upon later, and further discussed in the interview section of the review of this firm, which produces modules for only one of the Nissan modules assembled at Sunderland. Comments in the 2003 Report point to the way in which the relationship is changing in an industry that is becoming even more competitive. The crucial sentence reads, "Recently our main customers have demanded that we reduce the cost of our products." Therefore, throughout that report phrases appear reflecting these demands; calls to "strengthen our competitiveness" and "work to cut costs", with references to "ongoing rationalisation efforts" and "reducing procurement expenses". One of the reasons behind the merger in 2000 becomes clear. Modules were seen to be the future by the automobile manufacturers and these would require the technological expertise and capabilities of the two firms. However, to take advantage of the synergies a merger offered and produce at a cost acceptable to the market would still necessitate considerable rationalisation; a process that is still ongoing.

On the question of claims to citizenship, either global or national, the firm departs from the practices of the other Asian firms analysed, in that it makes no specific claim to support for the community or state outside the workplace. It highlights its 'green' credentials but is otherwise silent about any contributions it might make to state or society. This highlights one of the many ways in which Japanese firms seem to differ from other Asian firms and a fuller general discussion of these differences is provided by Richard Whitley (1992). Yet, although we have described the firm as 'Japanese', the times are a changing. In 1999 Renault agreed what they call an 'alliance', whereby it acquired a 36.8% shareholding in Nissan, which was subsequently increased to 44.4% in 2001, when Nissan acquired a reciprocal 15% of Renault. Although it may be referred to as an 'alliance', the implications of both the share ownership and the appointment of a Renault man as Nissan's President and Chief Executive Officer are indicative of where the power lies. Indeed, the BBC (21st June 2001) described CEO as "...the man sent by French car maker Renault to restore the fortunes of Nissan...". It was that CEO, Carlos Ghosn who is nicknamed 'le costcutter', that lead and announced the Nissan Revival Plan in Tokyo in December 1999. Even the Alliance Board of Renault-Nissan bv, established in 2002 to manage joint ventures and coordinate planning, has a French President, Vice-President and majority of directors. Even Nissan's 15% share in Renault does not entitle it any voting rights under French law (BBC 30th October 2001). Therefore, whereas our firm was previously an affiliate of a Japanese firm, since 1999 it might now be an affiliate of a French firm, and this raises questions, the answers to which will only appear over time. Does the emphasis on meeting quality and delivery specifications at a price reflect the French/Renault influence replacing the old Japanese/Nissan influence? To what extent has, or will, any different embedded attitudes reflect themselves in the firm via the Nissan shareholding? To what extent was the 2000 merger and rationalisation forced upon the two firms by the realisation that the relationship with the new Nissan would be less cosy than that with the old Nissan? If Renault was responsible, either directly or indirectly, for any of the changes, it might be argued as evidencing the move of the firm from one that was national to one that is global. Alternatively, it could be seen as merely emphasising national differences and the French firm having no loyalty to Japan, *per se*. That Renault can be called a French firm is clear when one considers the French Government held 44.2% of its shares in 2001; a holding reduced to 25% when Renault increased its stake in Nissan.

The Plant

The plant in the North East that is to be considered is located at Shildon, although the firm had other operations located at Sunderland and Washington. The origin of all operations was grounded on the establishment of the Nissan factory in Sunderland. The firm acquired its Llanelli plant in Wales when it purchased, following a management buyout, what had previously been the exhaust production facilities of what was Cowley, then BMC. This would provide the base for supplying those components to Nissan in the UK as a continuation/expansion of their relationship with that firm at home in Japan. It demonstrated one of the ways in which the automobile industry had changed and was continuing to change. Components were being supplied by sometimes competing contractors to strict time, quality and pricing specifications. The firm had no suitable facilities that would enable them to meet such specifications in the UK for production of the cockpit components supplied to Nissan in Japan; nor was there any suitable potential acquisition that could be pursued. Therefore in 1988, with grant support from the local development agency, the firm created and established the Shildon plant. Since that time the operation at Sunderland has closed and its production moved to Shildon, the industry has moved towards supplying complete cockpit modules and the need to compete on price has become paramount. No longer is the length and depth of inter-company relationships enough to secure renewal of contracts. The firm is a Tier 1 supplier to Nissan, required to synchronise deliveries that are made every 20 minutes and subject to strict quality requirements as specified by Nissan. However, it does not now supply cockpit modules for all the Nissan models produced at Sunderland. This has led to the firm having to look more widely for its market and Nissan accounts for only 40% of its output. Another 5% of its output is also for the North East and 35% elsewhere in the UK, with the remaining 20% destined for elsewhere in Europe.

The Interview

The questionnaire was completed by the Operations Manager, who was also the interviewee. He is a "Shildon man" who, after starting his career as an apprentice with another 'multinational' with local production facilities, went to college to study management and was impressed by what he learned of methods adopted by Japanese firms. He subsequently was employed by the firm some 10 years ago and, in his current position, is in overall charge of the plant, which is classed as a 'mother plant' by the firm. This means that it acts as a prototype and mentor for new plants in Spain and Poland making the same products as the Shildon plant, which was involved in the project management of the new plants, transplanting systems and methods to them and giving guidance when necessary.

The first response in the questionnaire that required clarification and expansion was the interviewee's choice of the most cost effective geographic locations for production. From what has already been said about this plant and the number of times Nissan has been referred to, it can be gathered the implication is that the firm had been following its market. This interpretation was reinforced by recent increases in the firm's operations in the US, Mexico and South Africa suggested by published figures as to the size of its workforce in those locations. Moreover, one of the other respondents to the questionnaires was the Manufacturing Manager of the firm's Washington plant, who had selected the location strategy of bringing production closer to the market. The interviewee outlined a scenario where historically his firm had followed its major customers, Nissan in the case of the Shildon plant, but he felt that situation was changing or in fact had changed. 10-20 years previously, the emphasis was on the customer requiring production of components to be located so as to ensure delivery from plant to plant could be guaranteed to match their assembly programmes. There were instances in Japan where the firm's assembly line physically ran directly in to automaker's assembly line. However, meeting assembly programmes was now a given and the differential criteria between competing suppliers was again price. Suppliers were therefore finding other ways, more cost effective than location of production, to guarantee delivery schedules, even when such schedules were often finalised less than 24 hours in advance. He cited the example of their having recently lost out in the bid to supply cockpits for a new Nissan model to a firm with production facilities in France. That firm delivered in bulk to their own warehousing in the UK in a manner that ensured the customer delivery needs were met. Therefore, although the firm's location at Shildon may well have been on the basis of following the market, he did not think this represented what would happen now. The reference to losing a contract to a French firm brought Renault into the discussion and the question as to whether there might be some significance to the changes at Nissan. The interviewee did not think there was any direct significance, although on further questioning did accept the drive towards lower costs could reflect the French CEO's Revival Plan. On the other hand, the pressure for lower costs was not coming from Nissan alone, but from the market in general.

His answer to the seeming inconsistencies on location strategy was interesting, but did not seem to explain the expansion in the Americas and Africa, nor indeed how, or why, his firm persisted with Shildon when they already had lower cost alternatives in say Poland. He pointed out that in the Americas the real expansion was in Mexico and, as in the case of South Africa, this was a lower cost location. As to the threat to Shildon from Poland, or other former possible Eastern Bloc locations, this was one of the reasons he was constantly under pressure to be innovative in finding ways to produce more cost effectively. However, he saw that threat as only temporary in nature because costs in those locations had risen substantially in recent years and showed signs of continuing to do so. This may mean it was still attractive to locate new investment in such areas, but not justify relocation unless new investment was necessitated for other reasons. He also believed the nature and size of the individual product would be relevant in the decision as to where to locate production. Containers of cockpit modules could be delivered from France to the UK to top up depleted stock, but China to the UK for example took much longer and was a lot less certain. Interestingly, his Washington counterpart who had selected the market location strategy had also indicated 90% of his products were for the market in the North East of England. His product was welded assemblies for automakers and these were considerably larger and more difficult to transport than the cockpit modules produced at Shildon. The interviewee's summary was that, if a plant were to service predominantly one customer, its location would be influenced, if not decided, by the customer, their delivery specification and the duration of the contract being offered. However, as evidenced by the instance of Shildon, there are now question marks as to the extent to which suppliers can, in the longer term, rely on one customer when they are aware how price sensitive are decisions on new contracts. They thus needed to plan more flexible location strategies and delivery logistics that would produce maximum cost effectiveness and hence the most attractive pricing. This emphasis on pricing is reinforced by what is happening elsewhere in the firm in Europe and specifically the UK. In 2003 the firm announced its intention to introduce a cost cutting programme to save £11million from its European operations, resulting in the subsequent announcement in March 2003 of the loss of 100 jobs at its Llanelli plant. At Shildon the establishment at one time reached around 450 people, whereas it was 240 at the time of completing the questionnaire. The interviewee agreed that some of this reduction could be accounted for by lower production and sales but the main reason was the drive to be able to achieve the lower pricing demanded by customers.

The other major point of interest requiring expansion following analysis of the questionnaire was the question of corporate culture that the respondent had indicated as similar to and/or influenced by the home based operations, as had his counterpart at Washington. As the interviewee had already expressed his admiration and affinity with Japanese management techniques when outlining his past career, this was unsurprising. He highlighted assembly layer techniques and other concepts developed in Japan as influential in shaping culture, as well as the manner in which culture was disseminated to mother plants and thence to all new production units. In summary he believed his firm's home base promoted a 'can do attitude' in all staff, as did Japanese firms in general. Even the manner in which employment packages were shaped was driven by the home base culture. He showed 110 of the plant's 240 staff as being manager when responding to the questionnaire, on the basis that all those who might elsewhere be described as not only managers but engineers and technicians were employed on identical terms, save for their salary. His own dress of a firm's polo shirt and slacks matched that of the others in the workplace seemed to evidence this emphasis on bringing staff together as a team. Interestingly, his Washington counterpart had indicated only 10 of his 223 staff were managers, which the interviewee felt reflected a return based on duties not classification. This was one interpretation, although another might be the extent to which the differing culture impacted on different people. It did, however, emphasise one of the difficulties in collecting and analysing quantitative data from questionnaires if even what might be considered a relatively straightforward term such as 'manager' requires definition.

The cultural drive towards uniformity and avoidance of any 'us and them' attitudes did have a fly in the ointment when the issue of management transferred from the home base in Japan was raised. There were three such staff, one of which was described as the interviewee's Japanese Adviser and link to Japan. Officially he is justified by his ability to speak and write in both Japanese and English, thus minimising language problems in communication or problems in contrasting cultural nuances. Less officially, the interviewee was prepared to describe him as almost his personal watcher, always arriving at work before him and leaving after him. He related the anecdote of his departing one night around 7.30 p.m. and leaving behind his 'adviser', before remembering he had left something he needed in the office. Returning about 15 minutes later, his 'adviser' was just getting into his car, having locked up. However, seeing the interviewee returning, he also found a need to return to the office until the interviewee had again left. The interviewee accepted there might be something cultural about the relationship between senior and junior, but thought it more likely the adviser was fulfilling his remit of being totally aware of the host manager's activities. That view was reinforced by annual leave following a similar pattern. Seemingly there was to be no 'us and them' between management and workers, yet between home and host was a different matter. Nonetheless the interviewee was undisturbed by the need for a watcher and retained his enthusiasm for the Japanese and their methods.

'Japanese' had featured strongly in both the interview and the questionnaire where, when asked to describe the company's operations in the North East, the interviewee felt this national identity was of an importance that justified a response of, 'The company provides products to the automotive industry and is a Japanese owned company'. It was predictable then that the interviewee responded to the final interview question by confirming that he saw his firm as a Japanese company operating internationally, rather than a transnational company without any state or national loyalty or characteristics. He added that this had become '...very apparent in the last six months.' He cited the way in which limitations, restrictions and expectations were placed on UK and European managers that he did not see being similarly applied in Japan. From some people this might be seen as a prejudiced view from north eastern eyes, but it was clear from the outset how impressed this interviewee was with the Japanese and their methods. In that light his comments carried more weight.

4.6. THE UNITED STATES' FIRMS

4.6.1. An IT Corporation

The Selection

This firm's name is legendary within the computer and IT industry and well known to the public at large. It would undoubtedly be listed as one of the world's leading international companies as will be seen from the brief description supplied in the next section. The respondent had provided a combination of maximising profitability and a culture similar to that of any other businesses in its field around the world to the two highlighted questions. However, being aware that the firm had other sites around the UK and throughout Europe, the first of those responses seemed questionable. It also appeared doubtful that a firm of this size and spread would be satisfied if its culture was not distinct from its competitors.

The Firm

As the firm's publicity says, it has been doing business in the field of information handling for over 100 years and is now the world's largest IT company with revenue of over $81 billion in 2002 and employing over 280,000 people in more than 160 nation states. With a company of that size, this summary of the firm and its activities will have to be selective in view of the finite space available,

The original firm was incorporated in 1911 as a result of the coming together of three other companies that were incorporated in 1896, 1900 and 1901 and concerned with computing, tabulating and recording. At that time their 1300 employees at various US locations produced and sold such equipment as commercial scales, industrial time recorders, tabulators and punch cards. The firm continued to grow through new products and acquisitions until in 1924 it adopted its present-day name, by which time it had three manufacturing facilities in Europe. The Great Depression, when machines were still produced while demand was slack, did not stop growth and the inventory of stock generated permitted the firm to respond to the demand generated by the Social Securities Act of 1935. During the subsequent war production facilities were placed at the disposal of the US government. However, after the war the firm's research facility established in 1932 began to bear fruit in the form of an electronic calculator. It was 50 feet long, eight feet high, weighed five tons and, physically, hardly recognisable as the shape of things to come. The machines that followed in the 1950s were mainly used for government and research work but saw the move from vacuum tubes to transistors in 1959. This led to a new strategy for the 1960s whereby the firm would transform from a medium sized maker of typewriters and tabulating equipment and become a computer industry leader. Over the 1970s and 80s the firm was the undisputed leader introducing such innovations as the floppy disc, laser readers for supermarkets, the forerunners of today's bank ATMs and compatibility with its products was a prerequisite for any aspiring computer firm.

But the firm had swallowed its own publicity and taken it eye off the ball that was research, innovation and change. In the 1980s and 90s the PC placed computers directly in the hands of millions of people and then the client/server sought to link those computers. The product demanded, the people making purchasing decision and the way people viewed technology had all changed and meant this firm, that had for so long been proactive, was now having to be reactive without the tools to respond. In 1993 it experienced a trading loss of $8 billion and suffered a near death experience, with the prospect of having to convert divisions into separate independent businesses, some of which would survive and others would go to the wall. But the ability to provide integrated solutions for customers was felt to be the firm's unique advantage and one that must be preserved. The new chairman demanded a culture of customer-oriented sensibility but dramatic action included substantial shrinkage of the workforce, significant cost reductions and rebuilding the firms product line.

The decision has been justified over the last ten years with the rise if the Internet and network computing leading to customers focusing on the need for integrated business solutions, provision of which is the firm's key strength. It has survived and prospered, notwithstanding the drop in demand resulting from the Y2K doom mongering and the collapse of many of the dot-coms.

That it has emerged phoenix like from the experience of the start of the 1990s has probably made the firm more aware of the constant need to keep in touch with customer needs and expectation and, moreover, to constantly look over its shoulder. Whereas it previously relied on its own research facilities and still does, this reliance is not total and many of its recent acquisitions have been to integrate innovative products and talent into its portfolio. Its hardware and software products are still at the leading edge but more and more it is developing the service side of the business. In 2002 it acquired a global business consulting and technology unit at a cost of $3.5 and thus doubled its capacity in this area by adding 30,000 consulting professionals. Yet this service area is going beyond computing to other areas where customers are seeing the advantages of outsourcing activities not focussing directly on their core activity. This aspect of the firm will be enlarged upon when later detailing the firm's operations in the North East.

Corporate governance is firmly rooted in the US with members of the founder's family occupying the Chief Executive's chair until 1971. Since that time the firm have cast their net more widely for decision makers, but not so widely as to elect any non-US citizens to the main board that consists of ten directors. A review of the current directors background and outside roles points to a range of directorships and executive experience in other US based firms together with government and academic prominence in the US. Moreover the firm has a firm statement of its 'Business Conduct Guidelines' that was restated in 2003 following the high profile corporate scandals in other public companies in the US. Its CEO emphasised the firms 'strong value system based on integrity and accountability has always been at the core' and 'we do not pay lip service to ethics; it's part of our DNA'. These guidelines are not limited to US operations and are applied to all the firms operations.

The firm's strategy and mission statement are also applicable to all of its operations around the world. It rejects the focus on devices and gadgets of its competitors and, in its stead, adopts the need to focus on 'providing the enterprise computing technologies that will be needed to deploy, process and manage that pervasive environment'. It is a big firm and its strategy and mission statement are long. How clear they are and, in their published form, whether they are more a marching song or text in motivation will not be debated here. However, in one section, it includes an analogy suggesting the change in the IT industry is like the technology shift that led General Electric into consumer electronics. The conclusion is that GE started to produce electric appliances to increase demand for electricity and therefore the 'big engines' that created it in the form of turbines and power generation equipment, that were GE's main business. The firm do not suggest there is any link between this strategy and the main thrust of the firm's community relations programmes outlined below

The firm is extremely proud of its community relations and it is worth quoting from its web site. 'Wherever (*we*) do business around the globe, we form connections to *communities and support a range of civic and non-profit* activities that help those in need'. The firm describes itself as one of the largest corporate contributors to non-profit organisations and educational institutions across the US and around the world, but these contributions are focused on helping people to use information technology to improve the quality of life for themselves and others. The idea is that this is their area of expertise and therefore this is the area for them to best contribute to the community. In this way the firm can 'go beyond simple checkbook philanthropy'. The firm's programmes include such areas as education (its main focus), adult training and workforce development, arts and culture, helping communities in need and the environment; all centred on the way IT can make improvements. The only programme not centred on ITs is 'Employee giving' and this includes a matching grants scheme, a fund for employees' community service and a collection service for employees' charitable contributions.

The Plant

The term 'plant' has been used throughout this chapter to describe the site of firms' operations in the North East; the place where products are manufactured or assembled. In this instance it is offices on a business park to the west of Newcastle upon Tyne where around 100 mainly professional staff are based. The firm first opened an office in the North East in 1975 when its function was predominantly to sell the firm's hardware and software and generally provide a local interface with the firm's customers and potential customers. But this was at a time when around 90% of turnover came from hardware sales, 7% from software and 3% from services. In the same way as the overall firm has changed, the Newcastle office has changed the emphasis of its operations towards services. Turnover is now around 50% services, 30% hardware and 20% software. Now only 20% of the staff is sales with the rest split between software support, consultants, fixing machines and recovery services. Within this group the numbers were boosted last year when the global consultants acquisition included some staff in Newcastle. It will almost treble in the near future when a global human resources outsourcing deal comes into effect.

From the above it will be seen that the firm has several main business streams with local representation to improve the interface with local customers.

The Interview

The questionnaire was completed by, and the interview took place with, the Location Manager and the 'location referred to is the Newcastle Office. He had a long connection with the firm having been an employee for 30 years since leaving university. On the questionnaire he described the company's operations in the North East as 'Sales of IT hardware, software and services, together with the provision of IT services' and was unable to give information on the way turnover was split as it was 'only measured as UK as a whole'. So performance of business streams could be monitored and assessed but not seemingly locations within those streams. This was slightly surprising for a firm with a history of over 100 years of information handling.

The interviewee stated that the main emphasis in the Newcastle office was now driving forward what he termed 'strategic outsourcing' as referred to earlier. The firm accepts responsibility for running agreed portions of the customers IT operations and is increasingly popular in allowing customers to concentrate on their core activities. The firm takes over the customers' IT equipment and people, generally running them from the firm's centres at Warwick and Portsmouth. The customer ensures best practice, added flexibility, an ability to change faster and, by sharing there is usually a cost saving after the first three years, particularly as the customer does not have to pay for renewals. The firm has extended its outsourcing service for non-core activities human resources functions with a large specialist function in Portsmouth and, although sometimes contracts are negotiated and agreed nationally or globally, the Newcastle office was involved in such transactions within its area. The actual pricing and production of the packages was not done in the North East but in the firm's larger sites in Portsmouth, Warwick or Farnborough. It appears that to describe sales staff as representing only 20% of the office's staff may be erroneous unless it is described as 'hardware and software sales staff'. Within the services area many of the staff seemed little more than sales staff. Whereas in the 1970s local staff would gather information from the customer to allow specialists located elsewhere to design and price hardware and/or software, in the 21st century they appear to perform a similar function for services. The interviewee did point out that, in the case of larger companies, the firm sold their products and services by industry and, in the case of small to medium companies, they were sold geographically.

The interviewee had indicated on the questionnaire that the firm's strategy for location was to maximise profitability with no geographic or market constraint and this did not seem to match his description of the operations. Asked to explain this apparent variance he repeated that the package and pricing was not produced in Newcastle but in locations where this could be done most effectively and thus most profitably. Obviously the term 'production' is capable of different definitions or different interpretations to different people.

There was also some difficulty in understanding the interviewee's selection of local corporate culture being similar to other businesses on their field around the world. He, and other management, had been recruited from the UK and thus unlikely to have the personal experience to make such a comparison. On being asked to explain this selection he emphasised the way the firm's global operations were structured so that each country in which it traded was under a separate company. In this way the firm encouraged distinct cultures in each company to reflect the culture of that country. It was not feasible in a service industry to say this is how things are done in the US and so that is how things will be done across the world. The firm recognised that customers and employees in different states expected things to be done in different ways. At the same time there were overriding ethics, values and beliefs which were dictated by the US head office and this meant the firm's local corporate culture was a mixture produced by these two influences. The explanation seemed entirely logical and the issue was not pursued further. Nonetheless, it did not explain why he had said in the questionnaire that their culture was similar to other businesses in their field around the world.

Extending the discussion on culture he was asked the extent to which the firm's advertised emphasis on community relations had been exported from the US to the UK, and specifically the North East. He believed the firm had bought the same attitudes as it had in the US and cited his own involvement as Chair of the South Tyneside Educational Partnership where firms operating locally worked with local authorities to implement programmes to improve the IT facilities offered to the young. Such local involvement interfaced with the firm's schemes such as 'Kidsmart', 'Mentor Place' and 'Try Science' that were managed at a national level and had resulted in their being implemented in Newcastle, Tyneside and Gateshead. He emphasised that the firm did not regard itself as forcing IT upon children but in facilitating its availability. When questioned further, it appears these schemes do not rely on the firm providing all the equipment but some of it. How much was less clear and the interviewee was reluctant to go into those details. Beyond such schemes, he also cited the firm's willingness to participate in any IT related educational projects with local authorities and attend career and exhibition days. Work experience was more difficult as client contact was a regular feature of most work and clients were not felt to look favourably on staff turning up with a schoolboy or girl in tow. All the firm's community involvement was IT related, as this was where its expertise was and thus where it could help most effectively.

The final point covered was the interviewee's views on what was the right description of the firm as an international business. He quite specifically rejected calling it a transnational corporation in the light of his previous comments on a company for each country. He saw it as a US firm sponsoring a range of distinct companies within a range of other countries. In his terms this meant it was a multinational; a firm operating in many nations.

4.6.2. Automobile Components Manufacturer I

The Selection

As will be seen from the outline that follows, this firm is another that must be considered as a substantial international company, although its name may mean nothing to the general public. Its selection for more detailed consideration was motivated by answers to the spread of the firms trading that appeared to contradict information supplied as to the firms business and its location strategy. Sales were claimed to be 20% to the UK, 5% to the EU, 30% elsewhere in Europe, 40% to the US and 5% to Asia. A strategy of the choosing the most cost effective location for production initially appeared compatible until considering the description of the firm's business that was to supply 'UK based' automobile manufacturers; an obvious contradiction requiring clarification. The plant's corporate culture was described as being similar to or influenced by diverse influences from operations in various national locations. This response was rare amongst the firms considered and it would be useful to examine how this process worked.

The Firm

The company, with its head office in Michigan, is a manufacturer of components for automobiles employing 62,000 people in more than 200 facilities in 22 countries around the world. Its annual revenue is over $10 billion and produces components for manufacturers such as Ford, Daimler Chrysler and General Motors. Products include chassis systems, safety systems and security electronics. But it is a company in transition.

Its origin was in Cleveland in December 1900 making cap screws. However, it was in 1908 when its future found direction with its development of technologically superiority in valve stems for car engines, the market for which grew from 11,000 units in the US in 1903 to 1.5 million in 1916; a market of which the firm then held 90%. With an early start in this specialist area of engine production, the firm was able to develop with the technology and the demand in both cars and planes, the latter being initially a very small market.

It was therefore logical, when war was looming in 1940 and America needed valves for predicted production of 120,000 aircraft a year, for the government to turn to the firm and, in large part finance, new production plants. By 1943 the firm's new production lines were churning out 400,000 valves a month, representing close to 90% of all Allied requirements. It was not only its then core business that benefited from the war years. It expanded into high-tech fuel pumps and immediately after the war into turbine wheels for jet engines. Moreover, as important as its product development was the development of relationships with the US Government. This facilitated its entry into electronics and its choice as a provider of technical support in the development of firstly intercontinental missiles and ultimately the space programme.

By the 1980s the firm had diversified and expanded further. It had its traditional auto components business, was heavily involved in the electronics and defence sector and was producing both inside and outside the US. Yet the expansion was not without problems in that the synergies between, for example, aerospace and commercial electronics were not being realised quickly enough. Moreover the emergence of the Japanese automotive industry as a quality competitor was putting pressure on the firm's traditional business that was, for a while balanced by increased spending from Ronald Reagan's defence policies. Management structure, systems and product portfolio were all put under the microscope and by the end of the decade the firm had divested itself of its aircraft components group and some units of its electronic components group. The 90s brought even more headaches following the cancellation of parts of the space programme and particularly the peace dividend resulting from the end of the cold war. The firm began to look for new business with the Departments of Energy, Interior and Treasury and with the Federal Aviation Administration. Another restructuring, more divestments and more job losses followed, but this time the division between auto and defence became clearer.

Major acquisitions took place in the 1990s that changed the shape of the auto division and the largest of these was the $7 billion purchase of a British auto and aerospace parts maker. The firm, in a booklet produced to celebrate or record its centenary, stated that it believed this would give it the critical mass and systems capabilities to compete with other global players. It further maintained that its strength did not lie in any particular product, rather than with its store of special capabilities in technology, manufacturing and management. Yet in 2002 the firm was sold to another US defence company, which seemingly was not convinced as to the synergies between auto and defence, or perhaps the wisdom of trying to successfully manage businesses in two diverse sectors. Before the purchase had been completed the buyer announced it had agreed to sell an 80% share of the auto component business to a US finance group and this sale was completed in March 2003. The chief executive of the newly independent company announced that the company was now '100 per cent focussed on the needs of automotive customers'.

Initially the firm was described as being in transition and will soon move from its temporary status as a private company when it becomes a publicly quoted company on the New York Stock Exchange. A registration statement announcing the intent to make a pubic offering of shares was lodged with the US SEC in November 2003. Although in transition the newly independent company have already started to isolate and define those parts of the previously existing corporate culture that it wishes to retain and promote. As many other companies, it highlights excellence and quality but has 'created a set of six behaviours that distinguishes it in the market place through performance and technology'. These behaviours are to create trust, energise people, be performance driven, to embrace change, be customer oriented and to build teamwork. How distinctive these behaviours are may be debated, but the firm, from its base in the US are pressing strongly for these attitudes to drive all its plants around the world.

The Plant

The firm's plant being considered is located in County Durham and the original was built and opened in 1987 when the firm obtained business from Ford to produce seat belts for use on its six UK assembly lines. Financial assistance was provided by both the Department of Trade and Industry and the East Durham Development Agency. Since that time the customer base, product and the plant itself have all changed. The first change was in the customer base where, having the UK production capacity, the firm was able to extend its base to other UK car-makers and their requirements for seat belts. Advances in auto safety and particularly air bags, led to a need for the firm to have UK production facilities for safety modules and the inflators used in those modules. In turn this meant that the existing premises were inadequate to house additional production lines and a new plant was needed. In 1996 building stated on a new plant down the road from its predecessor and this was opened in 1998, with the old one being closed in 2000 when its production and staff moved to the new site. The agencies providing finance for the original also provided funding for its replacement.

There were 334 people employed here at the time the questionnaire was completed although some of these are on temporary rolling contracts to allow for peaks and troughs in production demands.

The Interview

The plant's Manager of Operations, who subsequently agreed to discuss the information he had provided, completed the questionnaire. He joined the firm in 1995 in the purchasing department of the local plant which had closed in 2000 and, having been responsible for pulling together the project to develop the current plant, had subsequently been promoted to his current position, where he is in overall responsibility of the plants operations, answerable directly to the firm's vice-president for European operations.

Initially it was necessary to clarify some of the information provided in the questionnaire and in particular the spread of sales. The respondent had interpreted the question as requiring the final destination of his firm's products and not the immediate destination, which explained the apparent contradiction of the supplying 'UK based' manufacturers. However, deeper discussion followed when he was asked why he had selected the option of 'maximising home trading' to describe the firm's strategy in operating outside its home country. He outlined how the origins of the seatbelt plant in 1987 were reputedly the result of a senior executive of Ford having experienced an accident, in which a competitor's seat belt in one of its UK produced vehicles had failed to function properly. This had resulted in Ford UK moving their business and the firm needing production facilities in the UK. The North East was chosen due to the firm already having plants in the area producing other components; plants with which it was very satisfied and which had shown there was a pool of labour able to meet the firm's needs for quality production. It was suggested that this seemed more akin to 'bringing production closer to the market' and, on reflection, the interviewee agreed he had perhaps placed too much emphasis on the phrase 'most cost effective geographic locations ' when originally selected response to this question. The firm was concerned with 'the most cost effective geographical location' and 'maximising profitability', as per the other alternative answers offered, but this was within the first requirement of bringing production 'closer to the market'.

The above is even clearer when considering the sale/use of items produced at this plant. All the safety modules produced here and 95% of the seat belts are for UK car manufacturers' plants, such as Jaguar, Nissan and Land Rover. Of the inflators, 30% are used in the modules and the rest are exported to the US, where the firm currently have no suitable production facilities. However the interviewee felt it was only a matter of time before US production lines for items with a falling market would be re-tooled to produce these items locally. He did not feel the firm would direct this production to Asia and take advantage of lower running costs. His experience suggested local culture in those locations inhibited their ability to match the firm's ethos and needs for technical expertise. Undoubtedly employees worked hard and long in such locations, but this firm had established practices and expectations that cast doubts on the effectiveness of manufacturing the more complex products in low cost Asian locations. The need to meet the firm's 'six behaviours' mentioned later was cited as an example. On the other hand it may be that certain parts might be outsourced to these locations provided customers' delivery requirements could be met. It would be reassuring for those in the UK to accept the interviewee's opinion as to limitations in the ability of the low cost Asian locations to produce complex products. However these opinions do not appear to be validated of the Korean conglomerate or the Taiwanese electronics group previously described.

Customer requirements appear to be responsible for the trend of component production following the vehicle assembly process. When Ford rationalised its European production moving many models from the UK to the mainland of Europe, this firm's production of Ford's seat belts moved to its former Eastern Bloc plant in Poland capable of more easily servicing Ford's points of production. Customer demands for synchronised deliveries with specified colours, quantities and sequences within 48 hours made it necessary for suppliers to ensure their production facilities were located so as to meet these demands. The interviewee agreed that his firm's location strategy was really to bring production closer to the market and, only after this requirement was met, did the firm look at the most cost effective locations or maximising profitability within that prerequisite.

Discussion then moved to the interviewee's description of the firm's local culture being influenced by the group's operations in various national locations. It was suggested that information provided on the firm's corporate web-site was suggestive of local culture being strongly influenced by home-based operations. He immediately agreed that he had made a mistake in completing the questionnaire and his local corporate culture was influenced in this way, before going on to give examples. The firm was extremely image conscious with what it regarded as high business morals and ethics. The group's Chief Executive has stated that he expects to walk into any of its plants around the world and immediately know that it is one of theirs. Moreover the plant's characteristics and procedures are US led. When the interviewee's plant in the North East was built there were 20 to 30 US nationals on site for the duration and he himself is the first non-US citizen to be placed in charge of the plant. He did not see this as evidencing the firm's move towards being transnational, rather that the plant was now in the firm's image and no longer required US management. He also pointed out that the Polish plant had followed a similar procedure in its development although it was still US managed. US nationals held most key positions in the EU and throughout the group an introduction to the firm, as prepared in the US, was a corporate requirement. All around the plant there was evidence of the US influence in the form of corporate posters such as those detailing the way towards operating excellence. Reporting was in dollars and, on 9-11, all offices were instructed as to which flags should be flown, when and in which form. More light-heartedly, the staff had even asked why they did not have a free lunch for Thanksgiving. The US influence is all the more interesting as both the chief executive of the group and his deputy are UK nationals, having been born, educated and spent most of their careers in the UK, until the firm acquired the UK auto-electrical firm in 1999.

In the light of the above comments it was unsurprising that the interviewee saw the firm as a US company operating on the international stage. He certainly would not describe it as transnational, if that implied it was state neutral, as it was still firmly rooted in the US, both physically and in the way Its US characteristics pervaded its international operations.

4.6.3. Automobile Components Manufacturer II

The Selection

This is another firm whose name would not immediately come to mind when bringing to mind international companies, even though it employs over 80,000 people in 35 countries around the world. Its selection was justified by the need to clarify the selection of location strategy based on the maximising profitability even though the plant being considered had no sales outside Europe. This suggested bringing production closer to the market might be a more appropriate interpretation of the firm's actions. The respondent had also indicated that his plant's corporate culture was similar to that of others in its field around the world. It would be of interest to ascertain how this was recognised, when all management was recruited from the UK, and how or why a firm of this size and spread did not ensure its corporate style and culture was firmly embedded in all its plants.

The Firm

At the time the questionnaire was completed and the interview took place, the firm owning the plant at Cramlington to be considered was one with its origins and head office in the US. It promotes itself as a leading innovator in the global automotive supply industry and one of the world's largest suppliers of components, modules and complete systems to a wide variety of vehicle manufacturers and their related aftermarket. The previous firm examined was referred to as 'in transition' and a similar description would not be inappropriate to this firm also.

The firm originated in New Jersey in 1904 when its founding father started manufacturing universal joints that he had designed and patented. These joints became an essential component for the early automobiles and production rocketed particularly with the increase in demand occasioned by World War 1. In the next two decades the firm survived the Depression and subsequent labour problems. It relocated its main production facility and offices to Ohio and also acquired other firms to extend its range of components. At the same time it agreed licensing arrangements when acquiring interests in firms in England, France and Canada. Whilst the automotive industry expanded exponentially in the first part of the twentieth century, surviving and prospering was not always easy and many firms failed, some due to their overextending themselves and some from being unable to deal with the financial climate of the 1920s and 30s. It is interesting to note that, in 1914, when facing the financial difficulties from overextending, the founder brought in a lawyer who could offer management skills and abilities; skills and abilities he himself did not possess. The result was that, when the firm emerged from its assistance with military production in World War 2, it was not the largest in its field with a turnover of $108 million, but it was financially healthy and profitable.

Its war effort was significant and recognised as such by the state. It provided improvements and parts for such Jeeps, B-29 bombers, Aircobras, the Wildcat and other pieces of equipment integral to the success of the state. America's two senior armed forces jointly awarded the Army-Navy "E", a coveted recognition of exceptional achievement. Presented to the Toledo plant in December 1942 for 'great work in production of war equipment', the award consisted of a flag to be flown above the plant and a lapel badge for every person who worked there. By the end of the war, every one of the firm's plants in the US flew the award. However, ensuring its share in the regenerated market in civilian cars following years of neglect during depression and the wartime focus on military needs demanded changes, if success was to be maintained and built upon. Steps were taken to recruit and prepare future leaders for the firm, to improve communications within the firm, to speed up the firm's decision making processes and to reduce its reliance on North American original equipment that was high-volume, low margin, non-proprietary products that any firm could make. This last objective was met by not only developing new products in-house but by acquisitions inside the US and overseas. By the end of 1970s this resulted in the firm seeing annual sales of $2.8 billion and having production facilities in host states in Europe, Asia and South America, in addition to the US plants that employed over 30,000 people. Even when the bottom fell out of the automotive industry in the 80s the firm managed to accept the opportunities to make further strategic acquisitions and deal with the threats that necessitated some plant closures and restructuring. By the end of the decade its sales had increased to $4.85 billion and the firm had extended into finance and leasing (and even short-lived venture into savings and loans).

The 1980s was only a stage in the change of the profile of the auto industry in the US. Having thought that they could not reproduce in the US the strict company ethic and dedication to quality they saw in their German and Japanese competitors, Honda and Toyota proved otherwise to the indigenous firms when they opened up their own US production facilities. The indigenous firms followed, but our sample component manufacturer maintained it had been adopting a policy of empowering its front-line people for many years by giving them responsibility, decentralising decision-making and ensuring its people had the desire to achieve. They labelled it their 'Style'. It focussed and had evolved from the statement some 60 years previous, by a man whose name the firm now carried, asserting " *There is only one thing worthwhile about an organisation, and that is its men and women*". The firm's 'Style' therefore focussed on ongoing education, employee empowerment and innovation, together with promotion from within whilst at the same time encouraging international experience. It treated them not as goals or concepts but realities, and by 2003 was publishing leaflets for all staff outlining this 'Style' in fourteen languages. Part of this style is an expectation that every employee provides two ideas per person per month to improve the firm's performance and an aspiration of an 80% implementation rate. Another part is an allocation of 40 hours of education each year for each employee, and in support of this the firm developed its own 'University' with a business school in Ohio and industrial and technical schools in Michigan. The 'Style' also rives the firm's culture, philosophy and management, which it sees as open and decentralised. It describes its one-page policy statement as the 'operators manual' and proudly tells of it being used by every person in the firm 'from chairman to intern'. Moreover this philosophy is specific in seeking to ensure its 'people should identify with the company ...' and '...should carry on after they have left active employment'. This is strengthened further by a commitment to encouraging its people 'within the entire global organisation' to become shareholders and a part of their company. Unsurprisingly in the light of the firm's ambition to promote from within, US citizens dominate the main board. The firm believed its philosophy would serve it well and indeed it was able to take advantage of the upturn in the original equipment automotive market in North America in the early 1990s. It continued its expansion with various acquisitions both at home and abroad, one of which bought the Cramlington plant into the group in 1998. By that time it had 300 plants in 35 countries and employed over 85,000 people with a sales exceeding $10 billion.

The firms 'Style' in believing in and empowering its people at all levels may well have been successful in promoting innovation and quality but it appears less successful at more senior levels. It had become the world number three in automotive components and number one in North America, but the synergies envisaged on many of the acquisitions did not materialise, and the seven operating divisions lacked focus. 2003 was a hectic and eventful year for the firm as, in seeking a focus, it decided to concentrate on the original equipment marketplace by rationalising and divesting itself of both its aftermarket operations and other operations that did not fit into what it saw as its core product strategy. At the same time it successfully fought off a takeover bid; a bid reflecting the financial market's view of the firm as vulnerable. By 2004 the 85,000 employees in 35 countries had become 45,000 in 30 and the sales level was reduced to $7.9 billion. Big was not seemingly beautiful per se.

The Plant

The plant at Cramlington was constructed on a Greenfield site and opened in 1978 employing 20 people as part of the axle division of another US auto component manufacturer, but by 1987 had moved its production into the area of transmissions with the same firm. It see-sawed between that firm's axle and transmission division until the parent company was acquired by our subject firm on 1st January 1998 as part of its then continuing expansion. The Cramlington plant, employing 45 people and with a turnover of just over £3 million at the time of interview, was a very small part of the firm acquired, with an overall turnover of $800 million and other plants in the US, Spain and South America. It was however, if not unique, in a very specialist area of the market in producing precision forged components for both gears and axles. Although some of its products are for customers in the US, the majority of its 20 customers are European based. However the development of its market penetration and overall sales was dependent on further investment on production equipment and the parent did not see this as a priority within its overall plans. Nor did it see the plant's present or potential contribution to the overall firm as worthwhile. In the parent's effort to reinvent itself as a tighter and focussed firm, that can survive and prosper in the new century, the Cramlington plant had no role.

A week after the interview the plant was sold to a firm with its origins and head office in India. That firm had stated its intention to further invest in the plant as it saw it as an entry point into further markets in Europe. Until recently it had been an export based company with its production facilities in India, but nonetheless had a turnover of $1.7 billion.

The Interview

The questionnaire was completed by, and the interview undertaken with, the Plant Manager of the firm's Cramlington operations, who had developed his career from its roots as a technical apprenticeship in the North East, to his current position where he has total local responsibility for the business. He had been plant manager with the previous owners prior to the firm's acquisition in 1998 and, in the light of the impending disposal, would soon be experiencing his third owner.

The seeming contradiction between location strategy and market location was discussed and the interviewee said his response reflected what he understood as the firm's overall strategy, rather than the strategy that had led to the firm having a Cramlington plant. In fact location strategy did not come into the picture as far as the Cramlington plant was concerned, as it was really only a collateral acquisition that came with what was substantially a US operation. He believed the firm's location strategy was illustrated more by the recent announcement of its intent to establish a unit to produce heat exchangers in the Czech Republic. This would take advantage of the lower establishment and operating costs prevailing in Eastern Europe rather than citing near the market. However he was not aware of the firm's publicised reasoning for the Czech siting. Their press release on 10th September 2003 had claimed the new site would strengthen the firm's 'ability to respond quickly and effectively to marketplace demands', and being near the German border would enable it to supply original equipment to manufacturers in Germany and Eastern Europe. In short the choice was because of 'its *proximity to current and potential customers*'. The generality of component manufacturers following their customers was discussed and he agreed that, in all probability, the original justification for building the Cramlington plant was motivated by that practice. Indeed. with all its customers being European, he supposed his plant was very much geared to bringing his products geographically closer to the market, especially as his capabilities were only duplicated within the firm in the US. His conclusion was that location strategy focussed on being close to the market but in such a way as to maximise profitability.

The interview then moved onto corporate culture, which the interviewee had described as similar to that of other businesses in their field around the world. It was suggested to him that the firms 'Style' and philosophy detailed on its web site suggested something distinct to the firm and something it regarded as having been implemented on a global basis. It was here that the firm's claim that these issues were not goals but reality came into question. The interviewee felt the 'Style' and philosophy were pushed from the US whilst the firm was in profit and particularly in core business areas. However they took a back seat when profitability was in question and particularly in an isolated plant such as Cramlington. The firm had some educational facilities at Lemington Spa to serve its European operations but, although courses had been planned or proposed, neither he nor his staff had attended and certainly the target of 40 hours annual education per person was not one his plant had any pressure to meet. The US 'University' was seemingly for US people and, whereas he understood that recruiting took place at US universities, there was no similar schemes in the UK or elsewhere of which he was aware. As for encouraging international experience, he had personally considered looking to go to the US where most of the firm's production was centred, but at the time the firm were looking to 'loose' 40 US managers and he therefore withdrew his interest. The two ideas per employee per month was certainly promoted to staff but again not pressed and thus became very much the usual staff suggestion scheme. In the light of such instances, although he saw the advertised 'Style' and philosophy as distinct to the firm, the culture in Cramlington was very similar to others in the field. Indeed the previous owners appeared to generate a similar culture; a culture where some things were different but similar. This proved to be a difficult point in deciding whether it was a US culture that both firms were generating, or a culture that existed in this sector around the world. In some years time this interviewee might be able to answer this point more clearly when he has worked for an Indian firm for a few years. However, the interviewee did provide a copy of the presentation made by the Indian firm to both customers and staff, and this presentation included indications of home state support similar to that seen in our other Asian examples in Korea and Taiwan. It presents itself as having a 'family concept' with employee family visits, computer classes for children, summer camps, educational scholarships and festival get-togethers. It also commits to giving back to society with free medical centres, temples, village adoption schemes and schools. All these appear to be focussed on India and Indian culture.

During the interview it emerged that the plant's establishment was 37, rather than the 45 disclosed in the questionnaire. This developed into a discussion regarding the imminent takeover of the plant. After the firm decided it did not wish to retain the Cramlington operations, a management buy-out had been planned and agreed. However, the firms open management style meant that employees were the first to find out what was happening and customers discovered what was happening second hand. One of the larger customers, believing they should not find out about the change second hand, went elsewhere and that ruined the viability of the buy-out and necessitated staff reductions.

The interview closed by seeking the interviewee's assessment as to whether the firm was a transnational corporation without state loyalty or national characteristics or a US company operating internationally. He favoured the latter as more accurately reflecting the realities of the firm, believing that, whilst the firm had made cuts in its home operations, it found cuts in foreign operations much easier. To support this view he asked why they had decided to sever its links with his operations in the UK/Europe when it had continued the equivalent operation in the US. He argued that, if this operation fitted in to the firm's plans in the US, there was no logic as to why it did not fit in Europe to service its European customers. He also felt the requirement to report in dollars also indicated the extent to which the firm was embedded in the US whilst accepting that the dollar was an almost universal currency.

4.7. SUMMARY

The hypothesis proposed in Chapter 1 was as follows.

"All firms are national constructs and should be conceptualised as such when producing models of world order in mainline theoretical approaches to the discipline of IPE."

It is our contention that all the firms interviewed demonstrate characteristics and/or behaviour identifying them as constructs of their home state. Therefore the hypothesis has not been falsified and remains 'worthy of being further discussed and criticised'. The manner in which the firms displayed this behaviour and/or characteristics will be highlighted in the following chapter and channelled into the areas/questions outlined in Chapter 3.

CHAPTER 5 – DISCUSSION

In Chapter 3 the manner in which information gathered in the field would be channelled so as to answer five questions was outlined, in order that firms' home nation identity could, or could not, be shown to exist. In concluding the previous chapter it was stated that this had resulted in the conclusion that all the firms interviewed demonstrate characteristics and/or behaviour that identify them as constructs of their home state. Moreover, although we have doubts about exclusive reliance on the statistical results from the questionnaires, it is useful in its supporting and reinforcing the interview data. Not only does this leave the original hypothesis as not falsified and worthy of being further discussed and criticised, but provides us with some general characteristics of firms and their relationship with their home state.

1. Firms with their base in one region or state behave differently in some respects to those with their base in another region or state and many of these differences can be attributed to national and regional social and cultural histories.

2. The state of origin is embedded in the firm and firms become historically embedded in that state.

3. Firms display the extent to which the state is embedded in them by the level of their support of that state over and above that offered to others.

4. The state of origin displays the extent to which the firm is embedded in that state by the support it offers over and above that offered to foreign firms.

5. Notions such as 'home' and 'nationality' do not disappear once a firm starts producing outside the geographical limitations of its state of origin.

These statements are broad generalisations and in the following sections each one will be examined in more detail by illustrating how they are displayed and justified by the results of the research undertaken, and thus how the evidence from this research allows us to make these claims. However, the methodology adopted in this research does not deny the possibility of the existence, now or in the future, of non-state firms that are autonomous and could thus be integrated into theoretical models of world order on that basis. Therefore the above statements will lead on to discussion of the manner in which the autonomous firm should be conceptualised and subsequently the impact of our unfalsified hypothesis on mainline theoretical perspectives.

5.1. REGIONAL AND NATIONAL VARIATIONS

The idea that firms from different parts of the world will behave in different ways is not new, but it has frequently been suggested it relates to the stage reached in the life cycle of the firm more than any intrinsic national or regional characteristic. The work of Vernon and Stopford on Japanese firms in the 1970s was cited in Chapter 1, as was that of Campbell in 1994, when he maintained that Japanese firms had still not been fully assimilated as TNCs, contending that as international firms they are still very young and have not reached the more advanced stage in their life cycle shown by their western counterparts. Such a contention contains an interesting implication for participants in the discipline of IPE. Seemingly we cannot properly refer to a firm as a TNC until it reaches a certain stage of its life cycle, regardless of the diversity and volume of its production facilities outside its home state. The definition of a TNC as a firm having production facilities in more than one state, and so widely used by both academia and the UN, is cast to the wind. The approaches of Vernon and Stopford and others in this respect appear to hold out western firms in general, and US firms in particular, as the norm, if not an ideal. Their life cycle is the one that firms across the globe will follow in time. To some extent we are guilty, if that is the word, of a similar approach, although not so much holding them up as a norm, more as a reference point.. We vary from Vernon and Stopford in not being able to find a reason why all firms must, or will, follow the western/US example, any more than all firms must, or will, follow the eastern/Japanese example. However we do, as stated, see US firms as a reference point in observing and discussing regional/national variations and will not therefore specifically cite examples from that country.

Certainly, this research undertaken in the North East of England showed the firms originating in Asia as displaying characteristics different from firms originating from other parts of the world. Few of the firms in our sample felt the need permanently to install staff from their home base and most were satisfied to manage at a distance. In all three Asian firms interviewed they had, or had tried, home staff to oversee or observe the host operations. They acknowledged that they did things differently and wanted to ensure that host culture did not infiltrate in a way that detracted from, or weakened, the advantages they saw as accruing from these differences. If we take the Japanese automobile component manufacturer as the starting point we can observe the differences in patterns of dress and employment packages before moving on to assembly techniques and staff attitudes; all imported in part or as a whole from Japan, and all expressing the different way they behave from firms originating in the west. Moreover the firm also felt the need to ensure these differences were maintained by importing a Japanese watcher reporting back to the home base. However there is already a large volume of literature observing the way in which Japan's approach to capitalism is different to the Anglo-American neoliberal model. Reference will be made later to some of this literature when considering the extent (if any) to which the state and the firm are mutually embedded. It is not therefore proposed to dwell too much on this example, but to consider whether the Korean and Taiwanese firms interviewed displayed similar regional differences. This was of particular interest as 'Asian' has frequently been seen as a single homogenous group. For example Kawachi Takashi (1998:47) wrote of the values at the heart of the Asian system as restraint of individual ambition, harmony with nature and concert between the group and the individual. His words may hold true for our Japanese example but perhaps not that from Korea. The interviewee's reference to the volatility of Korean staff and sometimes 'clipping' other staff does not seem compatible with 'concert between the group and the individual'. Though that may be a western interpretation, as the interviewee did add that afterwards all was forgotten. However, as westerners viewing a Korean firm, it is necessary to interpret because we are viewing a different culture and a culture that has different moral and ethical standards. For example, the Chairman is polygamous with a wife and family in Korea and another in Japan. This is not the cause of front-page tabloid coverage, but a practice Koreans see as culturally acceptable. It is cited here to illustrate the east/west cultural contrasts and it would be more surprising if such contrasts did not reflect themselves by firms from diverse cultures acting in different ways. So when the CEO of the US IT Corporation talks of the firm's "...strong value system..." and ethics being "...part of our DNA...", he is talking of a US value system and a US DNA that are clearly distinct from those in Korea. However, whatever the interpretation of the interviewee's experience, it seems to display not only an east-west difference, but also a Korean-Japanese difference. At the same time there were similarities with the Japanese firm in the reluctance to unconditionally delegate authority to non-home state nationals. The parent had ensured that Korean nationals filled senior posts in the UK and our interviewee saw no possibility of this changing, in view of what he saw as the firm's extremely nationalistic nature. Yet the Japanese and Korean need to assert and continue control by home state nationals was not repeated in our example from Taiwan. They had tried, failed, and attributed it to the difference in culture and thus expectations. But the home base had learned to trust foreign nationals and delegate authority to them; albeit after a considerable settling in period and perhaps because they saw no alternative after the failure of home state nationals, other than by loss of their original investment in the host state operations. So we see both similarities and differences between firms from different Asian states; similarities and differences that seemingly reflected national characteristics.

However, the research now undertaken suggests it is not just Japanese or Asian firms more generally that illustrated a national or regional difference. The three Scandinavian firms interviewed exemplify this contrary view. One was established in the middle of the 19th century, with the other two at the beginning of the 20th century, and cannot be described as 'young' or 'immature' in terms of their longevity. It is possible for the two commencing overseas operations in the late 1940s and early 1990s to be described as not yet mature as international producers, but that argument could not be applied to the third where this status was reached by the 1930s. If these firms display similar characteristics that distinguish them from firms whose homes are outside Scandinavia, it is therefore logical to contend this results from issues region or nationality, rather than maturity. The most significant commonality in the three firms in very different market sectors was in their corporate governance. In Scandinavia the states have been very specific in what they consider good corporate governance and their requirement that such standards must be achieved. In all cases the home state employees elect three directors to the firm's supervisory board. In Chapter 1 we referred to Hirst and Thompson's argument that TNCs ceased to be "...controlled or constrained by policies of particular nation states...", and here we have three firms in three states who are all seemingly content to shape their corporate governance in the manner prescribed by their home states. Employees in the UK were either unaware of this or unconcerned. Nonetheless there is an inevitability that this will result in stronger representation for continued home state production. For example, take the comment from the interviewee at the domestic appliance manufacturer that he was not aware of any plant in Sweden having closed, whilst he had previously described the considerable 'rationalisation' that had occurred in the UK. States in this region have dictated the form of home firms' corporate governance and this inevitably creates differences from firms' whose home state is less specific in these matters.

One of the more explicit references to national differences came from the interviewee at the French firm specialising in energy and transport infrastructure. There is no doubt that the individual perceived national corporate cultures impacted on him and that those cultures were distinct and specific to firms from the states concerned. He had experienced the culture of UK firms, then been subject to and impressed by that of a Swiss firm, before finally working for a French firm. He detailed the differences and did not accept the idea of them reflecting the health of differing companies at differing times. To him they reflected varying national characteristics that inevitably infected the firms concerned. On its own it would be easy to label it anecdotal or too individually subjective but, as with the other matters covered in this section, it is consistent with a realist behavioural theory of the firm where there is an interrelationship and interdependence of structure and agency. Building on the realist contention that firms do not really exist because only individuals really exist (Gilpin 1986:318), we must visualise the firm as individuals coming together to participate in society in the name of the firm. Those individuals come together not simply as economic man or organisation man but as holistic individuals who will bring values to the firm and take others from it. Therefore let us consider this process of bringing and taking values. Let us say two Italians start a small company in Italy. Some, arguably the majority, of the values they bring to their firm will inevitably be those assimilated from their Italian background. If they then expand domestically they are likely to do so by employing more Italians who again bring values assimilated from their Italian background. The next step in their expansion is to take their business to foreign lands and recruit foreign nationals as employees. However these employees at this stage are not the major decision makers or capable of significantly influencing decisions. They are subjects; subjects of the Italian decision makers who, inter alia, will decide how much freedom their subjects will have in developing their local corporate culture, and how important or otherwise it is to adopt the firms home culture. To suggest that say two Spaniards building a firm along the same lines would bring the same values, would be to suggest some multinational set of identical values, or that national culture and values were either not assimilated by individuals or left at the workplace door. Such suggestions seem nonsensical when compared to the realist perception of a plurality of social selves developed within the diverse structural properties of all the social systems in which we participate. So long as we all develop in different states with different structural properties it is inevitable that national characteristics and values will persist. Hence, in firms where decision makers are, and have been, predominantly nationals of one state, the values and characteristics of that state will display themselves to a lesser or greater extent. If we then accept that structure and culture varies from one state and/or region to another, we will see national and/or regional differences in firms; as experienced by the interviewee in this case.

The Danish and Norwegian firms interviewed reinforced this aspect of the French interview; with both firms making strenuous efforts to ensure that host sites did things the Danish or Norwegian way. The interviewees both felt themselves subject to these attempts to shape their local corporate culture and in both cases the directions were coming from the home state, albeit from a home based consultant in one case. The process was very similar to that experienced by the employee of the French firm previously discussed, although the content and mechanisms differed, and perhaps the process was more explicit. The hypothetical Italian/Spanish example is thus translated into the real world by this empirical evidence. But these ideas are challenged by the interview with the Swedish manufacturer of domestic appliances where the home base had far less impact on the culture of its UK operations. Indeed the interviewee felt the impact was nil. Unfortunately, our sample interview base was not large enough to draw conclusions as to whether this might reflect a national difference within the Scandinavian sample as a whole. It could be due to a national management practice, but alternatively reflect the maturity of the current structure of the firm or an independent/idiosyncratic management style. The variance between the firm's web site and the information provided by the interviewee has already been highlighted, with the web site pointing to the firm having a distinct corporate philosophy. Thus there is disjuncture/slippage between corporate articulation and the employees' views. However it would be presumptuous to disregard the interviewee's experience in order to make this aspect of the firm fit a pattern of firms displaying regional/national differences. On the other hand the interviewee at the German chemical company did reinforce the idea that group corporate culture could only impact on a workforce with a direct relationship with the firm. In the case of the Swedish firm it was the temporary nature of employment of a large percentage of those working at the plant, whereas outsourcing produced a similar result for the German firm. The latter confirmed the variance between management who had regular contact with the home base and other staff who had more contact with indigenous staff from other firms. Yet in both cases the firms' web sites were anxious to promote their own home philosophy. Seemingly, the need to adopt effective financial operational practices is paramount, even if this deters from the firm's ability comprehensively to implement designated corporate culture. Economic man prevails.

The suggestion that the ability of a firm to shape corporate culture in host *locations is limited by the extent to which local* employees relate to the firm rather than other local influences is reinforced by the example of the Swedish manufacturer of domestic appliances. Here the significant numbers of temporary staff had little or no lasting feeling of belonging towards the firm. It appeared to them as a source of income for a period, after which another source would need to be found. Moreover the history of the firm in this locality did nothing to promote any feeling of longevity, with the fridge plant having previously closed. Whereas our Norwegian and Danish firms had secured or ensured contact with all staff by way of training, the Swedish example showed no such contact with the majority of staff and, such international contact as there was, was experienced only by limited numbers of management. So whilst the firm in Sweden was saying it was committed to its way of doing things, implying there was something distinctive about that way, the reality was there was nothing distinctive about 'their' way. Certainly there was nothing that could be identified as Swedish or Scandinavian in the host plant culture. Therefore, although we can claim the corporate governance in all three Scandinavian firms is distinctive, no distinctive Scandinavian trait can be identified in their attitude towards corporate culture, notwithstanding similar claims on their web sites.

However, these web site claims are not simply empty rhetoric, rather statements of ideals that are to be attained to a lesser or greater extent dependent on individual circumstance at individual locations. They are clearly more attainable in fresh start situations such as our Korean and Japanese examples where much home state corporate culture is imported and written on a clean page. Our Taiwanese firm had no such luxury when it purchased an existing operation and tried to change what already existed, with limited success and resulting in the need to change its strategy towards host culture and host management. But all three Asian firms tried hard to import home corporate culture and practices. Yet, as will be highlighted later under the discussion of the way firms support their home state, they were selective in excluding many of the home state benefits from the imported package. In the same way our Scandinavian examples all excluded the home staff involvement in corporate governance, but again tried to bring home state practices into host culture. Necessity dictated those practices being doctrinally introduced in the Danish drug company and crisis necessitated a determined effort to adopt Norwegian lines in the engineering group.

In each region we have seen firms making attempts to import their home state culture and practices into host locations with varying degrees of success, and in each region we have observed differences in the culture and practices to be imported. Our findings reinforce the views expressed by Doremus et al (1999) in comparing national corporate characteristics in the US, Germany and Japan, and, in effect, summarised by Pauly and Reich (1997).

5.2. HISTORICALLY EMBEDDED

The interviews reported in the previous chapter displayed various examples of the way in which firms had become historically embedded in their home state or perhaps the home state had become embedded in the firm. Whichever way this embedment is viewed it appears to be a single process and, whilst one can try to define which comes first, it is the existence of the mutual embedment that is significant. However it is likely that the initial process is from the state to the firm. For example, if a Swede creates a firm in Sweden, then they will bring to that firm their Swedish national culture, loyalty and mores. This is not some conscious decision and these characteristics may be latent until external or internal events show decisions and actions that are clearly influenced by the firm's home state identity.

The three US firms interviewed all indicated the close relationship between them and their home state in times of war. The two component manufacturers firmly associated themselves with the state's war effort. One of them dramatically changed the balance of their business and production in order to satisfy the needs of the state. Obviously it could be argued that these were entirely short-term commercial decisions reflecting the huge market for the products resultant from war. It could also be claimed they were left with no alternative than to support the state where their main production and customer base was located. However, in the third example the firm producing business machines put its production facilities at the disposal of the state to support the war effort. Production changed to such items as bombsights, rifles, engine parts and more than three dozen major ordnance items; products that were not continued when war ended. This example also refutes the commercial decision argument as the firm set a nominal one percent profit on these products and then used the money to establish a fund for widows and orphans of the firm's war casualties. It would be strange if those casualties felt strongly enough towards their home state to put their life at risk, but had not bought any of that state loyalty and/or affection into the workplace during peacetime.

If this is the empirical reality we must then ask how we place it in a theoretical academic context. It is possible to argue that the wartime behaviour of the three US firms conforms to a liberal framework of their relationship with the US state. In Chapter 2 Locke was cited, referring to the ends of political society and government as "...the mutual preservation of their lives, liberties and estates...". The action of the US firms during war then is arguably explained by this priority. But Smith was also cited as writing, "...I have never known much good done by those who affected to trade for the public good ...". There was no priority for the manufacturer of business machines to produce ordinance with a minimal profit. There was certainly no priority to use that profit for the common good of its war casualties and their families, who might be entitled to take exception to the sentiment expressed by Smith. As stated, it is possible to propose conformation to liberal ideas, but it is unconvincing.

The conservative view of the state is more convincing in casting aside the need economically to justify individual action. Burke's vision of one's national inheritance as our "...dearest domestic ties...the warmth of all their combined and mutually reflected charities, our state, our hearths, our sepulchres, and our altars...", was cited in Chapter 2; as was the manner in which that inheritance is "...derived to us from our forefathers, and to be transmitted to our posterity...". The actions of our US firms fit very easily into such a concept of relationship with the state. Both the firm and the members of the firm identify with their state and will do what is necessary to maintain and foster its interests when it is threatened. Yet the concepts are woolly and appear to rely too heavily on emotional terminology in linking the state with hearths, sepulchres and altars. Moreover it fails to deal with liberalism's economic man in some pretext that he seemingly does not exist. It may explain our manufacturer of business machines, but perhaps not the 400,000 aircraft engine valves a month being profitably produced by another of the firms.

But, if regional and national characteristics are historically embedded in firms as our research suggests, then it is also logical to contend this is reinforced by the regional variations previously discussed. The effects of war on specific firms have been cited and the manner in which war has impacted differently on different regions and states is a prime example of the interrelationship of regional variations and historically embedded national characteristics. The US has been through two world wars, predominantly engaged on foreign soil, but emerging as victors. Its firms have helped in that process with little damage to their infrastructure, although that infrastructure has changed in places to accommodate changes in both their markets and the needs of the nation. They have successfully supported their nation, which has supported them to equal effect. On the other hand those Asian firms existing before the 1940s have often been decimated along with the rest of their home state. Asian firms have either been rebuilt or created on the back of the regeneration of their home states and again they reflect the fate of those states. The same argument can be produced for Scandinavia and for European firms, whether in victory in France and the UK, or in defeat in Germany and Italy. The fate of the firms inextricably followed that of its home state and it is difficult to find or envisage an example of a firm escaping this link. Obviously some firms have been affected to a greater or lesser extent, but that seems to be due more to its particular market or the manner it has handled the environment in which a particular state has found itself or created. Surely it would seem more strange to contend that the fate of the home state would not be felt by its firms or that this would not impact on the attitudes and culture of those firms.

However, the above example of world war is from a period nearly 60 years past, even if the impact of the way nations emerged from that conflict may be slightly less ancient. Most of the employees of our twenty first century firms were not even born and certainly have not directly acquired any national identity or loyalty from the events of those years. Whilst that is true, it can also be argued that no UK citizens were born at the time of Waterloo, Trafalgar or Crimea; yet the facts and myths of that age are interwoven in the way the UK state is perceived by its citizens. Churchill's speeches, Dunkirk, the Battle of Britain, and their impact, probably offer a more direct comparison to the firms in terms of time. The point being made is that firms themselves, as institutions, build a history that becomes part of those firms and part of what those individuals forming the firm identify with. The information on the activities of the US firms cited previously was not prised out of some remote academic text or dusty archives but publicly available on their web sites. It is the firms that highlight their wartime activities with apparent pride. They seem to say to those both inside and outside the firm, 'We are US, we support the US and we are proud of it'. Moreover if you are part of the firm the 'we' includes 'you'. But if such firms are state institutions and part of the structure of their home state, as the Gramscian framework previously outlined would propose, such pride should be expected. Moreover the circle is complete in the state having initially become embedded in the firm and now the firm has demonstrated that it is also embedded in the state.

Yet still the counter argument can be made that such a wartime situation is exceptional and cannot be used to develop explanations of firms, their behaviour and theoretical models. Such examples may be more recent than Trafalgar etc, but are still about 60 years old, nothing more than hanging on to past glories and unrepresentative of firms in the world of today. And even if the timing was accepted as relevant, the firms' behaviour illustrated nothing more than an economic strategy, evolved to enable them to survive through a time of conflict and to emerge into a more peaceful era able to pursue their commercial activities. In isolation such a counter argument may well have merit, but in the following section it is proposed to examine other more contemporary ways in which our sample firms support their home state.

5.3. SUPPORTING THE HOME STATE

Sally (1994:168) uses the term MNE in describing such a firm as '...the supreme and universal incarnation of a disembedded society, in which individual and sociological, predominantly non-economic motives...have been overrun by the imperatives of mass production, consumption and communication on a global scale...'. It is unclear why and when the MNE becomes different from a domestic firm in this respect. Certainly our research suggested these firms had not become disembedded, at least as far as their home society was concerned, although the support offered to state and society by some firms was greater than others. Mention has been made previously of the contrast that is claimed to have been observed between mature and non-mature firms, with comparison between those with their origins in the US and Japan as the two ends of the scale. Only one of the three Asian firms interviewed had its roots in Japan but the less mature arguments used for Japanese firms apply equally to firms with their roots in other parts of Asia. It is therefore interesting to see firms grounded in both Asia and the US actively supporting the home state.

In Asia the two firms from Korea and Taiwan provide explicit examples of firms doing more than implicitly supporting their home states by providing facilities/services traditionally associated with the state. Terms such as 'global citizen' and 'global society' are the buzzwords, but when it comes down to financial support the adjective appears to change from 'global' to 'home state'. In Korea, the conglomerate builds and operates day care centres for low-income children, plants for the physically disabled, free eyesight recovery for the poor, support programmes for the elderly and other similar schemes. All activities normally associated with provision by the formal organs of a state. The firm's medical centres are ranked amongst the country's best and its museums and galleries 'bring more beauty to our lives'. Yet the 'our' is not so much the 'global citizen' as the 'Korean citizen', because these social facilities are provided in Korea, not host states. As the interviewee pointed out, none of the facilities available in Korea was available to UK employees. Therefore, in making these provisions, the firm was not simply seeking to improve the lives of its employees, as the provision extended beyond employees in Korea, and not even to employees outside Korea. The impact of such provisions was not therefore on the firm at large but on Korea at large. Moreover there appears to be no purely economic convincing justification to use profits in these ways. It is possible to suggest that social activities promote name awareness and a good feeling from consumers towards the company, and this could well be true. However, that suggestion has limited appeal due to the heavy predominance of social expenditure in Korea against the balance of consumers being outside Korea.. Even re-reading the firm's philosophy more discriminating manner points to the limitations in its 'global' commitment; 'We will devote our human resources and technology to create superior products and services, thereby contributing to a better global society'. It is by improving and 'greening' its products that the firm will improve 'global society' and 'enhance the quality of life of humankind', not by using profits for social purposes. The latter is seemingly more a reflection of an implicit responsibility it feels towards Korea and Korean society.

For some years it has not only been argued that individual belief and value systems are a major influence on managerial behaviour, but research has evidenced this view (e.g. England 1967). Two characteristics are central tenets to Korean society; *kibun* (to do with internal peace and harmony, outlined by Crane as cited by Steers et al in 1989) and face. This latter characteristic requires the individual to meet their commitments and losing face represents a serious threat to one's position in society and to one's feeling of self worth and dignity (Ho 1976). This echoes the interviewee's words in explaining the failure to close the Wynyard plant earlier. Beyond these two central tenets, 'individual belief and value systems' are based on a code of ethical behaviour promulgated by Confucius. This guides interpersonal relationships in everyday life and permeates contemporary human relationships in Korean companies. First of the five cardinal virtues in that code is filial piety and respect, as the source of familism that pervades Korean society (Rhee Yang Soo 1985). Linking the research of England to that of Rhee it is unsurprising that Korean management express values of familism by way of the firm's contributions towards the nation's provision of facilities for Korean society in general. The family has limits, and seemingly those limits are geographically demarcated by the boundaries of the state.

In Taiwan a similar picture appears. 'Global Citizenship' is the aim and the firm commits an annual $10 million NT towards achieving this aim through its cultural foundation. But again this money is spent on service within Taiwan, mainly on social services that could be expected to be provided by more formal state structures. The emphasis is clearly on education at primary, secondly and adult levels and it is clear that this is not one single Taiwanese company adopting this role. It is part of a pattern whereby Taiwanese firms expect to and are expected to provide such services; a pattern of the firm and the state being mutually embedded. The willingness or implicit need to support the state was also evident in the Indian firm that now own the Cramlington plant formerly owned by a US firm. Free medical centres, temples, village adoption schemes and schools are not commercial but social activities or enterprises. The firm even advertises its philosophy as a 'family concept' and it will be interesting to see how wide an interpretation of 'family' it adopts in future. Prior to their entry into the UK, the firm's transnational identity was justified by its presence in China, but this is a relatively recent phenomenon and it has not seemingly extended its social activities to that operation. Arguably again the firm is not yet at a mature stage of its life cycle and it will either extend its social activities beyond India or phase them out of India as it matures. However, if the examples from Korea and Taiwan are guides, it may be some time before such change occurs, if it ever does. The benevolent employer is not a new or an exclusively Asian phenomenon, and one only has to consider the UK in the 19th century to see many examples of from Cadbury to Salt. But that benevolence was directed towards the firm's employees and not society in general as is the case with these two Asian firms in two states. They are not 'global citizens', simply allocating part of their profits to what they each consider the most needy parts of society around the globe. An area of India decimated by floods, part of Africa ravaged by famine, the slums of Brazil and numerous other causes could all take priority, if need was the criteria. The criteria are neither employees nor needs. The criteria can be nothing other than implicitly or explicitly supporting home and family, in the form of state and society.

Extending this argument into the field of employee's terms and conditions we see different treatment for home and host employees. In Taiwan employees have an extensive and impressive list of benefits and it is worthwhile reiterating that list to consider the familial or paternal nature of the benefits; gift coupons/presents for the three traditional Chinese festivals and employee birthdays, subsidies for births, deaths, marriages and hospitalisation, scholarships for employees and their children, end of year company party, subsidized domestic and overseas travel plans and commuter cars to transport employees to and from work all feature. The firm seems to become part of the family, intimately involved in the life of its employees. Arguably the benefits could be viewed as what is culturally or economically valued and the norm in differing societies. This might be capable of support in some of the individual benefits, although others cut across cultural boundaries. However none of those benefits is made available to UK employees or at other host plants. Moreover, any of the provisions the Asian firms aim toward their home employees that are impractical due to lack of critical size in host plants could be provided by subsidies. They are not. Some other benefits involve direct provision of services to employees and it could be argued that it is not feasible and/or practicable to duplicate the home based social provisions in host states, either those aimed at employees in particular or society in general. The Taiwanese firm might have 28,000 employees in host states, but they are dispersed throughout the world and it would be unreasonable to expect the firm to provide similar facilities in Ashington, or similar locations, where there are perhaps 100-200 employees. There is a concentration of staff in its Taiwan plants that permits this provision. Such an argument might have validity for the facilities were being provided specifically for employees but only in terms of scale. If the firm regarded, or felt towards, host societies in the same way as its home society, if it felt an obligation to support the societies in which it operated, it could and would make provision appropriate to its scale of operation in various locations. If it regarded its employees in host locations in the same way as its home based employees it could and would make subsidies available where there was not the critical mass to justify direct provision of services.

Yet supporters of the argument of the less mature Asian firms contrasting with US firms in a more mature stage of their life cycle, might draw attention to comparisons between the Taiwanese firm and the US IT corporation, especially as both firms concentrate their community activities in the field of education, yet in entirely different ways. In Taiwan the emphasis is on education in general whereas in the US the emphasis is on IT, the area in which the firm abounds in expertise. In Taiwan the provision is local, whereas the US firm looks to extend its provision to communities around the globe. From that base line it would be easy to draw the conclusion that the Asian firm is still in its youth and has not yet matured to the stage where it has left the security of its home and is confident or mature enough to have become truly global in its outlook. However, before such conclusions can be drawn, it is essential to be certain the activities of the US firm can be classed as community activities, rather than an integral part of its commercial activities. Certainly the interviewee regarded them as truly community support as advertised on the firm's web site. The cynic might suggest he would be very brave not to adopt the party line and convey the honesty displayed by the interviewee from the Korean firm. In that instance the interviewee was most obviously aware of the imminent closure and saw no reason to hide his true feelings. This is a problem with research of this nature and, in trying to decide what is representation and what is reality, one must ask how the representation matches events. The desire to follow the example of General Electric described in the firms mission statement/strategy might be informative. Secure increases in the use of consumer electronics and you secure increase in the demand for turbines to produce electricity; turbines that were the core of GEs business. So the IT firm's strategy is to increase the use of IT and you increase the demand for IT solutions and expertise as provided by this firm. Therefore, when the firm say they '...support a range of civic and nonprofits activities that help those in need...', it must be questionable whether this represents part of its commercial strategy or some philanthropic activity without commercial intent. Does it, as the firm suggests, '...go beyond simple checkbook philanthropy...' by concentrating on the firm's area of expertise, or does is it simply laying the foundations for future business? The answer may lie in the interviewee's reluctance to detail or offer examples of the extent to which the firm financed the educational schemes of which the firm is so proud. The implication was that only part of the costs was borne by the firm. So in supporting the schemes the firm would secure sales of hardware for the rest of the scheme, probable sales of hardware for any future expansion or upgrading of the scheme, possible IT support and, possibly most importantly, has sown the seeds with providers and users alike for increased use of IT equipment and IT solutions; equipment and solutions that are the firms core business.

There is no doubt that this US firm does not concentrate its community activities in its home state in a manner disproportionate to its presence and, if these activities are interpreted as philanthropic support, the firm might be able to lay claim to some global rather than national citizenship. However the feeling persists that the activities are more commercial than philanthropic. Providing a few computers to universities or schools in the UK or other western states hardly seems to warrant a label of helping the global needy. The firm have offered the GE example as a guiding light to its own strategy and its community activities fit perfectly with the ethos of that example. On the other hand no figures have been available as to the extent to which the employees of the firm providing those facilities in general use facilities provided ostensibly for society at large. Our Asian firms geographically centre the provision of their social facilities adjacent to their production facilities and, whether these are medical or educational as seems to be the main focus, it could be contended that by improving the health and education of the local community the firm is securing an improved quality of its local work force pool. It is hard to believe that firms would take such a long-term view of its work force and indeed this argument would not explain why these firms do not adopt a similar approach in other locations with social needs (e.g. the Indian firm in China).

5.4. SUPPORTED BY THE HOME STATE

The above discussion focussed on what JFK would have classified as 'what you can do for your country', but of course he also referred to 'what your country can do for you', almost as a given. However, our research pointed to specific examples of what its country had done for specific firms within our sample; two of the most dramatic being the cases of the French specialists in energy and transport infrastructure and the Norwegian engineering group.

The French firm employed over 100,00 globally and 80,000 people across Europe. It was facing meltdown unless some financial restructuring could be achieved, but it was not some global or European institution that would enable that restructuring. Indeed the support provided would be frowned upon by those institutions, as detracting from the gods of free trade. In crisis the firm turned to its home for support and home provided the answer. It was the French state that filled the financial void with the purchase of Euro 3 billion convertible bonds, and bolstered the firm's order books to the extent of over Euro 2 billion. The firm had bought in and/or established operations in many states outside France, but none of those states were bought in as part of the rescue operation. The core of the firm had developed from businesses established in France early in the 19^{th} century and it would be difficult to make the argument for it to be included as less mature than its US counterparts, as has been claimed for Asia. Its ties to its home state persist and it is difficult to avoid comparisons with parents and children within a family. The children grow older and more mature. They even leave home and declare their independence, but in crisis they turn back to their parents for help, knowing their parents will help if they can. The apron strings have not been cut. They are simply not always visible. Other children may have similar problems and need similar help, but they are some other parents' children and must look to their own family for help.

And thus in our other example we see a Norwegian family. The firm's Norwegian credentials had persisted for nearly a century and a half before crisis hit and the firm needed new finance and restructuring. In some ways the state support was less explicit than the example in France, in that finance did not come directly from the state. There was no explicit state interference with market forces and free trade. The rescue was by an investment group, ostensibly as a purely commercial transaction. However, when the investment group is Norwegian one must ask the questions as to whether this is coincidental and why the proposal was more attractive to a Norwegian group than others, when it is not a country considered as a haven for investment finance. Moreover our interviewee's comment was illuminating when commenting that he did not believe that the Norwegian Government was not involved in the rescue. Returning to the family analogy, it might be suggested that another sibling had made the rescue, with the implicit support of the parents. The return of the prodigal son was complete when the headquarters returned to Norway. This was the sole example of a firm moving its head office from one state to another from all the firms completing questionnaires. It was not one where there were apparent financial reasons for moving. It was a case of moving out of Norway on a financial adventure and moving home to take stock, consolidate and rebuild in the perceived safety of its own state when difficulties arose, whether or not such perception was explicit.

But in the case of the Asian firms the state's support becomes more explicitly embedded in their growth, although not apparent either from any of the firms published material, our questionnaires or interviews. In each of the states there is an organised network of firms with strong links to the state and, whilst each states is distinct in the particulars, this networking allied to state support and promotion characterises the prevailing style of economic activity in East Asia (Castells 2000:190). Our Korean conglomerate offers the strongest and most documented example of this interrelationship, being one of the four major *chaebol* in Korea that, at their zenith, infiltrated almost every aspect of the country's economic life (BBC 19th December 2000). In the context of this research there is insufficient space to fully discuss the origin, development and fate of the *chaebol*, but a brief outline is justified. A *chaebol* has been defined as '...a business group consisting of large companies which are owned and managed by family members or relatives in many diversified business areas...' (Yoo and Lee 1987:97). Again the word 'family' appears, reinforcing the view of a Confucian inspired code of behaviour that guides Korean society described earlier. But Rhee's definition is of what the *chaebol* are now, or at least were in 1987. When General Park Chun Hee assumed power as acting president following a military coup in 1961 they were not large firms but relatively successful small to medium sized indigenous firms. Park recognised the need to turn Korea from an agrarian society into a modern industrial state and established an Economic Planning Board to direct the country's economic plans. Those plans envisaged the four main *chaebol* as the instruments of such transformation and growth and the state would assist in them with financial incentives such as tax breaks, low interest loans and direct government subsidies. Growth of both the Korean economy and the *chaebol* was spectacular, notwithstanding difficulties during the 1970s oil crisis and shifts in market concentration. Even the assassination of the then President Park in 1990 and the bloody events that followed in 1979/80 when 'political purification' was the regime's byword did not halt the growth. Neither did the move back to democracy in 1987/8. Support for the *chaebol* by the state was consistent. But it was more than simply offering financial support as one example from our example firm illustrates. The firm had entered the semiconductor market in the late 1970s by importing products, packaging them in Korea and then re-exporting what was essentially a low tech, low added value export. By the beginning of the 1980s the firm had commenced its own fabrication, investing huge (subsidised) sums, but still playing catch-up with the higher tech of the Japanese and American producers. The challenge was to move from One-Megabit chips to the industry aspiration of 4-Megabit chips. The Korean government organised the '4-Megabit DRAM Project' via its Electronics and Telecommunications Research Institute with about 1,200 researchers and technicians, and a budget of over $120 million. The project was not to do the research but to coordinate the efforts of the major *chaebol* and resulted in our example firm announcing it was manufacturing 4-Megabit DRAMs only six months after the Japanese had begun to ship. By the 1990s it was the third largest producer of memory chips topped only by IBM and Toshiba. The state had struck one of a series of what Evans (1995: 140) calls

'Schumpeterian bargains' in inducing the firm to move towards more technologically challenging products. Whatever label we attach to such arrangements, they are further examples of the Korean state looking to support and further the interests of its home based firms.

However, taking the Korean example into the 1990s could also be cited to justify the argument concerning the maturity of firms (and indeed states) relative to the way in which they should be conceptually perceived. After the state had started to open its internal market to foreign investment in the first half of the decade, liberalisation was to become thrust on Korea as one of the results of the 'Asian Crisis' and chain of events following the Bank of Thailand's intervention to defend its currency against speculators in May1997. There was to be a drive towards the 'Washington Consensus' whereby state intervention was seen as crisis prone and external sector liberalisation as unquestionably desirable. The International Monetary Fund (IMF) would provide support/rescue packages to the states concerned subject to their developing and adopting credible economic strategies centred on establishing 'sound' market based economies. In Korea part of the aid package worth almost $60 billion was the strict understanding that the state reformed not only its economy but the *chaebol* (BBC 19th December 2000). The Asian Miracle was now a false dawn (Montagon 1999:21) and the underlying model of Asian State Capitalism, that had permitted excess investment in non-performing loans to industrial/manufacturing groups in Korea, pejoratively dismissed as 'crony capitalism' (Wade 1998). On the other hand the Asian State model of capitalism had served the area well in a capitalist phase of production (Pauly and Reich 1998: 176-177) it had proved less valuable in a phase of financial expansion. So would Asia cast of its past and adopt what Bagwhati (1998:12) describes as the ideology of the Wall street and US Treasury complex? There was already a feeling in Asia that terms such as capitalism, globalisation and liberalisation were merely other ways of saying Americanisation, and Americanisation was not an Asian aspiration ((Takashi 1998:45). Indeed, Saeki (1998) argues there are efforts in various countries to restructure the market economy in a manner consistent with that nation's social structure and culture, reflecting an understanding that economics can never be divorced from the specific social and cultural context.

Seven years after the intervention of the IMF it could be anticipated that the *chaebol* would have been reformed along with the Korean economy, and undoubtedly reforms have taken place. Yet these reforms have not diminished our sample firm as can be gathered from our earlier summary of its position in the market. As previously observed, the firm is now the world number one manufacturer of computer monitors with 22% market share, number one in VCRs with 25% market share, number one in CDMA mobile phones with 23% market share and number one (compared with number three in the early 1990s) in both DRAM and SRAM with 32% and 27% market share respectively. Moreover reform has certainly not opened up the board of this firm to the market, with nationality rather than ability appearing to be the first prerequisite for appointment. It still provides and participates in Korean community activities and, although its debt to equity ratio may now be more acceptable to western liberal economists, it still appears to be deeply embedded in Korea and vice versa. If one action draws attention to the firm's nationalist characteristic it is the recent closure of its plant in the North East of England. There is no sign that this has been matched with a reduction of production facilities in Korea, even though at the turn of the century there were calls for huge cuts in levels of employment in Korea (BBC 19th November 2000).

Overall, the Korean example may persuade those who might contend the 'old' nationalistic Asian firms have been forced to transform themselves into 'new' more global orientated firms that this is not so. Robert Gilpin (2001:183) points out that "...Differences could be eradicated by the market, as neoclassical convergence theory suggests, or through political negotiations to achieve harmonisation of national practices...". However he concludes that neither has yet been successful and differing national systems of political economy and differing policies/practices not only remain, but also continue to be significantly influential. The results of our own research interlink and confirm the findings of his top down analysis and comparison of the American, German and Japanese economies.

5.5. COMING 'HOME'

The final general characteristic of firms and their relationship with their home state that we identified was that notions such as 'home' and 'nationality' do not disappear once a firm starts producing outside the geographical limitations of its state of origin. In a way this might be seen as simply a composite statement of the points made in the four preceding sections and indeed, to an extent, this would be a valid perspective. However, the manner in which the notion of 'home' in particular was displayed by various examples in our sample does, we believe, justify specific consideration of the phenomena.

It was the manner in which three firms closed their production facilities in the North East of England that sparked this research and it is therefore worthwhile initially restating those instances. Siemens closed its semi-conductor plant and moved their production back to Germany. Fujitsu closed its semi conductor plant and moved their production back to Japan. Groves closed its crane plant and moved their production back to the US. Three firms from three continents that decided to retrench to their home states when market conditions, and/or their place in the market, demanded consolidation was the order of the day. The point has been made that this is not the response of economic man who would move production away from home, unless it also provided the most cost effective base. In each of these instances the home state was a higher cost production location than that of the host plant being closed. The closures did not favour lower cost locations where higher profitability could be projected, but they did offer the security and comfort of home. Within our sample we observed similar examples. The interviewee at one of our US automobile component manufacturers, part of whose output was destined for the US market, predicted that it would not be long before his firm replaced these imports with new production facilities in the US, as opposed to looking towards lower cost locations in Asia or Eastern Europe. The other US automobile component manufacturer was disposing of its North East plant to reinvent itself as a tighter and focussed firm in order to survive and prosper in the new century. Tighter and focussed seeming to be interpreted in terms of geographic spread as well as product range because the type of activity dispensed with in the North East will continue in the US. Even in the case of the Swedish manufacturer of domestic appliances, where considerable movement of production facilities had occurred in recent years, our interviewee could not recall a single case of a home plant closure.

On the other hand many instances could be cited where firms have moved to lower cost production locations. None of our examples were involved in clothing manufacturer, but almost all the plants in the North East in this market have been closed in recent years and production relocated in this way. In our sample we saw the Taiwanese firm moving production to India, China and the Czech Republic to make cost gains. We saw the Korean firm also moving production to plants in Asia and Eastern Europe, for the same reason. This could be suggestive of there being no pattern across our sample and individual firms experiencing differing feelings towards their home base. Such a view would be superficial and not as valid if one feeds into the equation the general health of the firm and/or the market. Where we saw moves towards the home state we also saw problems within the firm or its market. In the three instances of plant closure that sparked this research we saw two firms suffering the extreme problems in the semi conductor market at the time and a third seeking to create the synergies needed to make their enlarged organisation a success following acquisitions. Similarly the two US automobile component manufacturers are attempting to reshape their firms to compete in a changing auto manufacturing industry. Most dramatically the Norwegian engineering group was facing extinction without a rescue operation that resulted in its head office moving back 'home' to Norway. Moreover, even where firms were driving ahead with their growth and not going home with the production displaced from the North East, such as those from Korea, Taiwan and Sweden, there was no evidence of home production being similarly substantially relocated to lower cost areas; in particular there was no evidence of closure of established home plants.

The message contained in the varying actions of firms to the relocation of production appears to be that, when developing and growing successfully, firms will look to maximise profitability with their location strategy, whilst maintaining a secure home base. Yet when difficulties arise, and they are in effect threatened, they tend to consolidate towards that home base. We opened Chapter 2 by seeking to provide an academic understanding of national identity and we return there to provide legitimacy to such a view of the actions of these firms. Kelman maintained that, not only that personal identity was anchored in the state as embodiment of the group, but also that it was latent and emerged in salient situations. Whilst its emergence in firms in this manner can be seen in instances such as those supporting the US war effort, national identity implies a two-way relationship implicit in previously cited speech by JFK as US President. When encouraging his people to ask what they could do for their country, it was on the basis that they already asked what their country could do for them; back to the liberal view cited in Chapter 2 of the first ends of political society and government as the mutual preservation of lives liberties and, especially in the current context, estates. We therefore see firms consolidating the home base when problems arise, in the possibly subconscious but inbred knowledge that home will give them the support needed to preserve their 'estates'. The analogy of the family used earlier in this chapter is a useful one, particularly when one defines 'home' in the context of "...the scene of domestic life, with its emotional associations..." (Kirkpatrick 1983:599).

It is not pedantic to examine the definition of the words we use. Words express our meaning and our understanding and it is the very use of the word home, together with the national prefix, that gives expression to denials of claims to firms being conceptually transnational. It cannot be simply dismissed as verbal sloppiness when someone such as Kenichi Ohmae writing about 'The End of the Nation State' cannot resist the occasional slip into describing the nationality of firms and refers, for example, to some supposed TNCs as Japanese firms (1995:108). It is there we see the inherent contradiction of a firm being both national and transnational. Conceptually a firm cannot be both and, as long as it retains its national prefix, it is not a TNC. It may be argued that such prefixes just reflect a firm has its headquarters and/or history sited in a specific state, but our sample indicated the ties are more than a matter of geography or history. It points to an expression of the characteristics outlined in the preceding four sections. If, or when, we observe a firm where those characteristics are absent then it is likely that people at large, both academics and non academics, will cease to use the national prefix and references to home. We will be seeing a firm, or firms, that are not conceptually part of the structure of a home state. We will be seeing employees confirming that their firm is not a national one operating within a global market, but rather a state neutral international concern operating within that market. That was not the case in the research interviews undertaken here.

CHAPTER 6 - CONCLUSION

All firms are national constructs and should be conceptualised as such when producing models of world order in mainline theoretical approaches to the discipline of IPE.

This research has tested the above hypothesis against firms in the North East of England and has not found grounds that provide falsification. However, when commencing the research we were concerned with the manner in which the conceptualisation of the TNC within the discipline of IPE contributes to the debate within mainstream IPE as to whether either realism, or neoliberalism, and their variants offers the more convincing explanation of contemporary world order. Therefore in our conclusion we will initially review the implications of our not having falsified the hypothesis for these mainstream theoretical approaches, before proposing how we consider a TNC may be best conceptualised. We will then feed that concept back into theoretical approaches and conclude that our findings are more supportive of a realist understanding of world order than that of neoliberalism.

6.1. IMPLICATIONS FOR THEORY

To many people, whether they be labelled academic or non-academic, the notion of firms 'belonging' to a certain region or state is a given; a status that requires no explanation or definition of such conceptualisation. They know instinctively, for example, that the Asian firms interviewed are Korean, Taiwanese and Japanese, as opposed to some nationality sterile global commercial organisation. They accept and uncritically use terms such as 'home' and 'host' locations or refer to 'foreign' firms. But if the neoliberal understanding of world order is to be supported no such assumptions should be made. Those models seemingly accept that a firm suddenly and immediately becomes an autonomous actor on the world stage once they move from producing in a single state to more than one state. There is no suggestion that such firms must be of any critical size or display any specific characteristics. If a firm operates and employs say 10,000 people solely in the UK it can be accepted that it is subordinate to the UK state and not an actor on the world stage. This would be true whether the majority of its production was consumed in the UK or in states outside the UK. As soon as it opens a production facility employing perhaps 10 people in say France, it becomes a TNC and, as such, an actor of such standing that its relates and interacts with states around the world as an autonomous entity. Such a proposition makes little sense given the analysis of evidence from this research. Take for example those firms emanating from the US whose pre 1939 structure would clearly place them in the category of TNCs if conceptualised in the terms adopted by Casson et al, and of course the UN. When war was declared, all three firms related to only one state and that state was the USA as their home. They clearly saw their safety, their security and their future intimately entwined with that of their home state. More importantly many of the firms examined are not indigenous firms that have marginally moved into the definition of being a TNC, suggested by the above hypothetical example, as can be gathered by some of the market positions, sales and employment levels cited in the previous chapters.

So whether adopting a neoliberal or a realist approach to IPE, the Casson definition of how we conceptualise a TNC does not appear to be useful. However, such a view has more impact on the neoliberal argument than that of the realist, who does not give any greater status to a firm simply because it owns foreign production facilities. In that context the firm is still subordinate to the state and thus whether they call it a TNC, MNE, or MNC has no theoretical impact on the realist view of world order. The firm trading overseas is simply part of the home state's economic army seeking to maximise that state's share of the world market. If the firm finds it also necessary to produce overseas to maximise that share, this is a strategic commercial adjustment rather than a structural change of order. Take for example our Asian examples where in each case production in the North East commenced in the 1980s/early 90s, seemingly in response to the attitude of western states towards imports from Asia. Schwartz (2000: 262-280) details the manner in which the west circumvented the intentions of GATT and the WTO in that period by agreeing voluntary export restraints, giving Asian firms no alternative but to shift production to the west if they wanted to exploit the western market. Indeed it can be argued that local conditions in the North East are little different now than they were when our Korean firm opened its plant. What is different is that there is no imminent prospect of any trading constraint that will inhibit the import of products from lower wage cost plants. The *raison d'etre* for the Korean firm's Wynyard plant and the Taiwanese firm's presence in Ashington has disappeared and thus the closures. The firms' market ambitions provide the drive and the where follows much in the explanation from Hymer outlined in Chapter 2. Of the three Asian firms considered, only the Japanese component manufacture remains. It followed Nissan into the North East as a supplier needing to facilitate Japanese production practices; in particular, timescales for deliveries. In its case, Nissan was its principal market and, whilst it has subsequently expanded its market to other suppliers, one wonders what the future of the plant will be if, or perhaps when, Nissan moves on. The phrase 'perhaps when' reflects the lack of export restraints that may also encouraged Nissan to visit the North East and the frequent local rumours that production of new models will be moved to France, following the Renault involvement with the firm. We can speculate on the future, but the history of Nissan and its Japanese component suppliers again provide support to Hymer's theoretical explanations. All these firms have developed in their Asian home states and were satisfied to penetrate the UK and European market by way of exports, until threatened with restrictions from what are (or were) host states. Therefore to the realists, the earlier description of them as part of their home state's economic army, and therefore an integral part of the structure of that state, seems most appropriate. Those same realists need no distinct definition to conceptualise firms operating outside their home base as world order is a world order of states; states of which these firms are part.

On the other hand the lack of an empirically grounded conceptual definition of a TNC creates more of a problem to the neoliberal. If TNCs are not to be conceptualised as part of their home states, but as a group of autonomous actors performing alongside states, such a conceptualisation must be detailed in such a way that we know who are TNCs and who are not. The most widely used definition provided by Casson has previously been dismissed as inadequate for the discipline of IPE, but it is worth expanding on that view and one of the main reasons for that inadequacy. Concepts and definitions must be appropriate for their purpose and in the case of TNCs the definition used is not one designed or developed for the use of those considering how to understand world order. The definition comes from those with academic interest in business management and business systems. Producing in more than one state opens up new considerations in terms of system and management. Our previous hypothetical example of a large indigenous firm commencing a small production facility overseas would have to face those considerations, as would any firm operating in more than one state. Yet there is no logic in contending that this definition from that source and for those purposes has a general validity for all other disciplines and for all other uses. However, it could be argued that the UN adopting this definition has given it credibility for use in a politically related discipline, but this would be to extend the uncritical universal use of concepts across disciplines. The UN needs to know the statistical and practical implications of firms operating outside their home states and Casson's definition fits their needs excellently. It might like to know the extent to which those firms can be considered as autonomous, but by adopting this conceptualisation it is by no means confirming this characteristic. If neoliberals are to make their view of world order in IPE comprising state and non-state actors convincing, they need inclusive concepts that are appropriate for their theoretical construction.

The word that is the focus in such conceptualisation is 'autonomy' as being central to both neoliberal theory in IPE and liberalism in general. In IPE in particular, if TNCs (and any other actors) are to be considered as acting alongside states they must be seen as autonomous and separate as opposed to constituent parts of state structures. If they are not autonomous, in the sense that they act independently from the state, then the neoliberal contention fails. The importance of this need for autonomy can be seen when considering the IPE neoliberal need for legitimisation from liberalism in general. In Chapter 2 the liberal attitude towards national identity was outlined but, as in almost all aspects of liberal political and economic philosophy, it centred on what John Loche described as man's 'state of freedom in nature'. It may be tempting here to fall into debating whether we should use Loche's words as implying the negative or positive concept of freedom, and indeed the extent to which we can equate 'freedom' with 'autonomy'. Rather, it is useful to refer to a summary of this debate provided by John Gray (1986:57-61), who concludes that freedom refers to '...one who possesses the rights and privileges needed for him to think and act autonomously – to rule himself, and not to be ruled by another.' When the input of Adam Smith et al is added we start to see the neoclassical liberal economic model based on the central idea of the autonomy of economic actors, both individuals and firms who seek their self interest in economic matters; *homo economicus* acting as a rational individual indistinguishable by gender, ethnicity, religion, age or any other social characteristic (Biggart and Hamilton 1997:45). Yet the extent of freedom and autonomy within society and the state is limited. Even if it argued that the rational individual consents to those limitations in their own self interests and for their individual benefit, the result is what might be termed a limited autonomy, where the individual or firm willingly subjects itself to the will of the majority in the form of the state. If, when we then move to consider the neoliberal view of world order, TNCs reach a status where they are considered as worthy of consideration as acting alongside states, the implication is that they are no longer subjecting themselves to the limitations of their home state. They have matured from the limited autonomy characteristic of domestic firms to the complete autonomy of the TNC. The apron strings have been cut once an element of production moves outside the boundaries of the home state – at least according to the neoliberal view of world order and the most widely accepted definition of a TNC.

But the cutting of the apron strings is not apparently empirically validated by our research. In the previous chapter the ways in which our sample firms both supported their home state and were supported by that state were detailed and discussed. In each case there was evidence of a continuing strong interrelationship between the firm and the home state, over and above any interrelationships with any other state(s). Some aspects of this interrelationship were stable and ongoing, whereas other aspects reflected the needs of either party at particular times. For example all the firms showed a continuing commitment to home nationals in their dominance of the main boards. Perhaps more importantly, all of the interviewees saw their employers as home based firms operating internationally but with either loyalty to, or displaying characteristics of, that home state. In only one case did the interviewee express the opinion that their employer was moving away from that loyalty and those characteristics, and the implications of this exception will be discussed later. Moreover, there was even evidence supporting liberal ideas of national identity and, by retaining that identity, this runs counter to the neoliberal view of world order in IPE. Let us return to the actions of the firms from Scandinavia and the US in times of war and consider this in relation to the words of John Loche previously cited in Chapter 2. According to him, it was "...the mutual preservation of their lives, liberties and estates..." that makes "...men willing to quit their state of freedom in nature..." and "...willing to join in society with others...". Individuals needed protection from a foreign enemy and each other, as "...in the state of nature..." they were "...constantly exposed to the invasion of others..."

(1993:178). By coming to the aid of their home state in times of war, when their state was under threat, the firms were acting in their own interest in displaying national identity and accepting limitations on their freedom and autonomy. Yet, at the same time, they were accepting the need to belong to and have a home state that could provide for their own security. Therefore, on the one hand we have firms theoretically conforming to the neoliberal conception of TNCs who will act independent of any home state. On the other hand we empirically observe those firms explicitly displaying the classical liberal view of national identity in "...the mutual preservation of their lives, liberties and estates...". Moreover it is interesting to note that Loche did not simply refer to an enemy but a 'foreign enemy'.

The above example and context of military conflict between nations across the globe might be seen as, or argued to be, unrepresentative exceptional circumstances, or even an occurrence from a time gone by. It is nearly sixty years since the last such conflict ended and, especially following the break up of the Soviet Union, the threat of another such conflict is arguably minimal or even nonexistent. We could introduce home state prejudice in favour of its own firms in the aftermath of more recent and more limited military conflicts as illustrating the continuing interrelationship of support. The manner in which the US, according to the UK press, has seemingly favoured its own firms in awarding contracts for reconstruction of Iraq would be a topical example. However, that is perhaps too topical and an example that we may only be able to analyse objectively in retrospect. A move away from times of military conflict would be more productive in highlighting the practical face of national identity implicitly evident in the example of the French specialists in energy and transport infrastructure. As in the case of state military conflict, a crisis had arisen, but a crisis for the firm; a firm that urgently needed financial support in a form that was evidently not readily available on a commercial basis from non-state sources. The precise course of the negotiations is not in the public domain but it is difficult to believe the state came calling, or even that the French state was one of many, either calling or called upon. More believable is a scenario where the firm, its advisors, or its bankers, realising that a commercial solution was not available, sought help from its home in the form of the French state. Just because the firm had production facilities outside France, it still considered itself irrevocably connected to France and, if not expected, thought that an approach for help would not be rebuffed. Similarly the French state still saw the firm as French and ultimately offered help beyond a simple commercial transaction, help beyond its international commitments to the EU, and help of a nature it would not give to a stranger or someone else's child. We see another firm that is a TNC within the Casson and UN definition that is evidently not acting alongside states in general in the IPE world order. Instead it displays a special relationship with its home state, much as the US firms displayed their special relationship in times of military conflict.

The contribution of the Asian firms to their home society could be cited as further challenging the autonomy of firms also operating outside their home state. This reveals another weakness in the neoliberal concept of a TNC; the universal nature of the concept. This research, albeit in a limited geographical base and a limited number of firms, has shown that firms with their base in one region or state behave differently in some respects to those with their base in another region or state. Nowhere is this more apparent than when comparing the sample Asian firms with those with a US home base. The state support illustrated in the growth of the Korean conglomerate and the everyday continuing support returned both there and in Taiwan and India is not duplicated to the same extent in the US examples. The theory of this representing the stage of maturity in the firms' life cycle has already been commented upon, and more convincing is the theory that these firms emanate from an entirely different society in states with a different set of values. Biggart and Hamilton (1997:45) point to the individual decision-making studies of psychologists Tversky and Kahneman (1974) suggesting people are not the hyperrational actors suggested by the classical liberal economic model. Economic sociologist Amitai Etzioni (1988) has marshalled substantial evidence that people consider moral as well as economic factors in making economic choices and anthropologist Richard Schweder's (1986) anthropological studies of a community in India demonstrate that economic rationality is based on substantive beliefs, not abstract calculus. Moreover, Mark Granovetter (1985) has argued that the economy is embedded in social relationships and is not the aggregate activity of isolated individuals. Asian man as *homo economicus* becomes even more suspect when Hamilton and Biggart's own work is added to this list and, to a large extent, brings these works together (1988 and Orru et al 1991). They conclude that Asian economic action is based on different principles of social action, principles developed through historical experience of Asian nations. One example from our research typifies this difference. It is difficult to believe a western chief executive would delay closure of a plant with inadequate performance mainly on the grounds that he would loose face in the eyes of the host state's queen and her husband, as reputably happened in the case of our Korean conglomerate.

Whether it matters that the neoclassical view of world order is not valid universally is another matter, and certainly it has been argued that it is not the universality of theoretical models that is important, rather that the model meets the test of usefulness. Milton Friedman (1956) famously pursued this idea in relation to the utility of models of perfect competition and in that context one might accept his contentions. However, when we are talking of theory and understanding of world (or universal) order, the lack of universality is surely crucial to the validity of any approach. Ideal types may be useful in understanding competition but, in understanding world order, ideal types merely construct some hypothetical view of how the world would be if all states, firms and other non-state actors were some ideal type rather than how they are really. What we see in the neoliberal model, at best, is a theory based on the autonomy of firms in the west that will become universal once the firms in the east become more mature. Yet, as has already been shown, even the western firms considered in this research have not separated themselves from their home states. Moreover, even the 'west' is a diverse grouping as has been evidenced in our research, supporting the views expressed by analysts such as Paul Doremus et al (1998). Firms may be legally autonomous in the sense that they are regarded in most western states in the same way as the autonomous individual. For example, in the US the Fourteenth Amendment to the Constitution provides for corporations to be held as persons and could not be 'deprived of life, liberty or property' without due process. There is however a vast gap between being legally autonomous and being autonomous in all practical and behavioural matters. Firms may not legally have to fly their home state flag, but they do; both literally and metaphorically.

6.2. IN SEARCH OF A SUSTAINABLE CONCEPT

Those who read James Bond novels, or watch the films, will be familiar with the global company with the devilish chief executive seeking world domination. He and his company are independent and, playing second fiddle to no state, match the neoliberal concept of a TNC and fit very nicely into that view of world order. But he and his company are fiction and our research has failed to find any of the firms examined that did not retain strong links to its home state. Perhaps we did not examine the right firms and there are firms out there that have severed such links in exchange for what they see as the additional benefits accruing from real autonomy. Perhaps the views of our interviewee at the Swedish firm are correct when he suggests his firm may be in transition from the national to the transnational, but, as previously discussed we are unable to accept that conceptually we can accommodate the idea of degrees of transnationality. That we did not find firms that could justify a neoliberal concept of a TNC does not of course mean that they do not exist. However, it does mean that, if the neoliberal view of world order characterised by the interaction and interrelationship of state and non-state actors is to be maintained, it would need a different concept of the firms element of those non-state actors. By the failing of the concept of a TNC, the model of world order fails. That would leave neoliberals needing to either redesign that model or restating their concept of a TNC based on empirical evidence or in a manner that can subsequently validated. The model brings together many autonomous non-state actors and this research has only concerned itself with TNCs as one class or group of those actors. Other research may challenge the extent to which other actors are autonomous or non-state but for the time being let us take the neoliberals at their word regarding those actors and assume their non-state autonomy. This would leave the conceptualisation or inclusion of TNCs as the model's only shortcoming. Having said this, even that founding father of modern IPE, Robert Keohane, moderated his earlier neoliberal leanings into what he refers to as neoliberal institutionalism and others have labelled as realist (Ashley 1986). In 1971, with Joseph Nye, he outlined the interrelationship of an array of transnational state and non-state organisations, commenting that "...By far the most important of these organisations is the multinational enterprise..." (Nye and Keohane 1971:377). By 1977 he was convinced that non-state actors "...continue to be subordinate to state..." (Keohane 1989:8) and that multinational corporations were "...organizations with roots essentially in one country that operate transnationally..." (1989:17). Our research suggests that this is still the case. However, excluding TNCs by viewing them as part of the structure of their home state is too much of a realist stance for the neoliberal to be comfortable and therefore, to give the neoliberal stance any credibility, it would be necessary to look again at the conceptualisation of TNCs.

Earlier, a hypothetical firm was offered to illustrate how a marginal move of production to a second state justified a conceptual change from being considered a domestic firm to a TNC. Such an example could be argued as marginally damaging the existing conceptualisation around the edges but not its main thrust. However, the firms we have examined in detail are generally not what might be argued as only marginally TNCs. The history, development and size of these firms was detailed to ensure that the substance of the firms was fully evident and appreciated. The Danish drug company described itself as the world pharmacological leader in psychiatry and neurology. The Swedish manufacturer of domestic appliances has been producing internationally since 1931. The French construction group contends it is the largest construction company worldwide and the world leader in concessions, construction and related services. The French specialist in energy and transport infrastructure employed 143,000 people worldwide in 2001. The German firm is the world's leading chemical company. The Korean conglomerate is the world's number one producer of VCRs, CDMA mobile phones, DRAM and SRAM. The US IT firm is the world's largest in that field, employing 280,000 people in 160 countries. These features are repeated to highlight the size, spread and longevity of the example firms and emphasise that they can in no way be viewed as empirically marginal TNCs. If these firms retain a clear identity with their home state, with which they are mutually embedded, it would be illogical to view their characteristics as exceptions not to be repeated in huge numbers of other so-called TNCs. And it is that word 'characteristics' upon which we must focus.

Our hypothetical example has shown the danger of relying on a conceptualisation that defines itself purely in terms of the geographic location of production as the defining characteristic of TNCs, in the context of neoliberal notions of world order in IPE. Our research has shown its failure to translate into the real world. Indeed it can be argued that it is the conceptualisation's focus on location of production that is its real weakness. In searching for autonomous actors that interact with states, multi location is irrelevant. In a neoliberal world the autonomous firm could locate in any single state where conditions most suited it at any particular time. Autonomy is the thing that should define these firms rather than multi location. We might contend that matters would be clearer if the word transnational could be consigned to some terminological refuse bin in order that we could start again, using terms that had a precise or universal meaning. The derivation of the word is responsible for some of the confusion, in that Chambers dictionary defines the prefix 'trans' as meaning "...across, beyond or through...", but that does not justify the lack of academic rigour in its use. We have the term 'international' to prefix firms trading beyond national limits and 'multinational' to prefix firms with operations in more than one country. The question therefore is why we need to refer to 'transnational' firms. Surely, in academic circles, we must expect, if not demand, that it is for some reason more substantial than it being fashionable or trendy. Unfortunately we cannot realistically use the terminological refuse bin, but we can ensure that the TNC is conceptualised as something distinct from the international or multinational by interpreting the 'trans' in TNC in the sense of beyond; corporations beyond the national. This reinforces our views on the notion of degrees of transnationality, in that conceptually there is no tipping point when a firm becomes more transnational than national. The transnational is beyond the nation, not moving away from the nation. Our French specialist in energy and transportation infrastructure and Norwegian engineering group would have been seen as 'moving away from the nation', until difficulties arose and they displayed they, and their home states, showed their true colours. By interpreting inter as meaning beyond we can develop the TNC as a concept of value in mainline approaches to world order other than realism and its derivatives.

If then the TNC aspect of the neoliberal model is to be credible we must look to conceptualise these firms in a manner that focuses not on location of production, but on the ways in which they display their autonomy. In one respect this is the approach taken by Hu (1992), as outlined in Chapter 1, where he concluded by outlining the criteria to be considered in considering TNCs as repeated below.

- In which nation or nations is the bulk of the corporation' assets and people located?
- By whom are the local subsidiaries owned and controlled, and, in which nation is the parent company owned and controlled?
- What is the nationality of the senior positions (executive and board posts) at the parent company, and what is the nationality of the most important decision makers at the subsidiaries in host nations?
- What is the legal nationality of the parent company? To whom would the group as a whole turn to for diplomatic and political support in case of need?
- Which is the nation where tax authorities can, if they choose to do so, tax the group on its worldwide earnings rather than its local earnings?"

Yet answers to these questions in this form do not seek to define a specific firm as a TNC; rather they focus on discovering which state should precede the firm's name in describing its status. It is a conclusion/assumption that the neoliberal TNC does not, and could not, exist. That could be the case but, if it is a conclusion or assumption, it is a dangerous and presumptuous one to reach, without examining every firm on a continuing basis. Moreover, most of the questions focus on location, in preference to behaviour. Taking the first as an example, it could be asked what relevance there is to the location of the bulk of the corporations assets, in an era when international acquisitions are commonplace and could well lead to assets and control being geographically separate. This focus on assets etc is the sort of approach that leads to the United Nations creating a transnationality index by rankings obtained from ratios of foreign assets to total assets, foreign sales to total sales and foreign employment to total employment. One of our sample had an index of 88.3 in 1997 (United Nations 1997), which presumably makes it very transnational when compared to a firm such as Shell that was only ranked 73.

And if we receive different answers to different questions do we then consider the firm a non-state actor? Although the questions are useful in highlighting some areas in which a state can be embedded in a firm, they demand numerical and/or geographic answers that can be misleading, and the boundaries become blurred, when trying to assess whether a firm and a state are mutually embedded. To maintain that as, for example, a firm's CEO carries a US passport the firm is per se US is a large jump and Marks and Spencer in the UK did not suddenly change its national characteristics when appointing (and subsequently dispensing with) a Belgian CEO/Chairman. We therefore depart from Hu in starting from the assumption that an autonomous non-state firm could exist, now or at some time in the future. So, rather than adopting his stance with tests aimed at denying their existence, it would be preferable to understand how will we recognise one, if and when we see one.

More relevant than location of production is the way the firm behaves and whether it displays characteristics that point to its autonomy, in the sense of its independence from a home state. This view represents a conclusion reached by relating the results of the current research with realist behavioural theories of the firm outlined in Chapter 2. That body of theory asserts the interrelationship and interdependence of structure and agency in that individuals bring to firms a plurality of social selves, developed within the diverse structural properties of the social systems in which they participate as an essential condition of agency. We can say that the bulk of a firm's assets are in its state of origin, yet that says nothing about its autonomy or lack of it.

It could be claimed to simply indicate where the firm started its development before seeking to expend its operations and market beyond that base. Such a stance would confirm Hymer's view of the firm's raison d'etre as to maximise their share of the market, initially in their domestic sphere but thereafter looking to repeat the process abroad by investing in foreign operations. So to examine the extent of assets in the firm's state of origin merely restates its history, not its current status of perhaps stage in its life cycle, for those supporting the idea of the TNC as an advanced stage in that cycle. Realist behavioural theory would imply that all firms would initially continue to be have nationalistic ties to its home state as the majority of its decision makers would likely be drawn from that home state and bring with them values drawn from their background in that state. If or when the body of decision makers was truly cosmopolitan the individuals would bring cosmopolitan values. Yet even then questions would arise as to the extent to which those values would overcome and expel those nationalistic values that had previously become embedded in the firm over many years. Take for example our Norwegian engineering group that relocated its head office to London. Arguably this was the visible indicator of its having severed its embedded home state ties. The rescue and move back to Norway suggest that those embedded ties were even deeper than could be defined solely by the firm's physical characteristics. Yet, if one also accepts that the influence of structure may be latent during certain periods as suggested by Harre, it does not appear possible to assess the extent of those non-physical characteristics other than by examining the way in which the firm behaves, particularly in times of stress such as experienced in our Norwegian example. Unfortunately 'behaviour' is a very wide and variable term that is not readily definable in universally quantifiable terms.

However, at the start of this discussion five main interlinked and overlapping characteristics or modes of behaviour were identified from the firms examined in this research. It has been contended that, by displaying these characteristics, firms do not warrant consideration as non-state actors in neoliberal models of world order, but rather as part of the structure of their home states. Therefore, to warrant consideration as non-state actors, it is logical to contend that a firm must display its autonomy by not displaying these characteristics.

The neoliberal TNC is conceptualised as being autonomous from any state and that autonomy would be defined as not displaying or demonstrating the characteristics identified earlier. In other words –

1. The firm displays no characteristics or behaviour significantly different from other firms in other locations, which can be attributed to national and regional social and cultural histories.

2. The firm has shed any embedded nationalism from its state of origin and there are no longer indications of it continuing to be embedded in that state.

3. The firm gives no greater the level of support to one state over and above that offered to another, except where justified by economic need.

4. The state of origin displays no greater support to the firm over and above that offered to foreign firms.

5. Notions such as 'home' and 'nationality' are not evident in the firm's behaviour particularly in times of stress.

The importance of this conceptualisation is that, if adopted, it does not deny the existence of the neo-liberal TNC in the way Hu's criteria based assessment seems to. It approaches the task in an agnostic rather than atheistic manner in conceding that the autonomous TNC could exist, even if we have yet to find one.

6.3. APPLYING OUR CONCEPT TO THEORY

In our introduction we outlined our objective as contributing towards the conceptualisation of the transnational corporation within the study of international political economy and its relevance is the way in which it can contribute to what are arguably the two most important and interrelated debates within mainstream positivist IPE; whether either realism or neoliberalism and their variants offers the more convincing explanation of world order, and, perhaps prerequisite to that enquiry, the extent to which globalisation is leading to the eclipse of the state; if indeed 'eclipse' is the appropriate term rather than transformation/change. The conceptualisation proposed in the previous section fulfils the first part of that objective and it is now necessary to spell out the implications for theory, although they are perhaps less explicitly outlined in that section.

Having outlined the manner in which, based on our research, a TNC should be conceptualised, we now need to see how this would impact on the two contesting mainstream theoretical approaches to world order. To do this, let us first return to the core of realism as offered by Krasner.

> *"The constitutive actors in the international system are sovereign states. Other actors such as multi-national corporations, or non-governmental organisations are subordinate to states in that they must operate within governing structures established by states...."* (1996:114-115).

As realism considers world order as being the interaction and interrelationship of states, it does not need a concept of the autonomous TNC, as previously stated. It does not exist and is a part of the construct of its state of origin. Certainly our research suggests this contention as valid. Yet by providing parameters by which we can identify such a beast, if or when one appears, we provide a potential future challenge to realist views. However, our research suggests it is a 'future' potential challenge; a challenge to be made as, or when, we find a firm or firms that pass our tests for autonomy from a home state. We could speculate as to how realism would handle that challenge, but until such firms are identified it does provide an empirically grounded mainline IPE theory.

On the other hand our research, and consequent proposed conceptualisation of what constitutes a TNC, provide an immediate challenge to the neoliberal understanding of world order, based on the interaction and interrelationship of both state and non-state actors, as is immediately evident when returning to Krasner's summary of the core of neoliberalism.

> *"There are many different kinds of actor, including state-owned enterprises, multi-national corporations, public international organisations, non-governmental organisations, private foundations, and terrorists, as well as states."* (1996:110).

Admittedly the TNC is only one of those non-state actors. It is however, arguably, one of the most critical of those non-state actors, if not the most critical. After all, if we remove the TNC from the neoliberal IPE, which other actor provides the 'E'? It is possible to construct a model to include only the other actors detailed, but none of them fill the theoretical void left by the absence of the firm. Whilst, as previously stated, it is not within the scope of this work to examine in detail the extent to which these other groups of actors are themselves autonomous, it is not unreasonable immediately to exclude 'state-owned enterprises' as not being autonomous. We will leave it to other research to consider the extent to which 'public international organisations' are autonomous, or actors exercising such power as states delegate to them to exercise on behalf of, and in the joint interests, of those states. The notions of private foundations and terrorists as autonomous actors to be considered as interacting and interrelating with states amongst others generate their own debates. In addition, other commentators have proposed other groups to be considered. For example Castells (1997:304) includes organised crime, transnational religions and public opinion movements. Nonetheless, there is a feeling that all these actors are added to the neoliberal model of IPE only after the model of world order has been extended from only states to include transnational capital and production in the form of the autonomous TNC.

Yet it is to Castells and similar thinkers that neoliberals may have to turn in order to seek continued validity of a their model, or at best a variation of it. He has argued that world order at the end of the second millennium should be seen as a series of networks. His analysis concentrates on power and the complex relationships of sources of power, both causal and consequent to the changing nature of the state. By adopting this focus, of necessity, all the members of the various groups of actors proposed by the neoliberals are included in this spider's web of networks. In this way he may offer neoliberalism a temporary retreat pending the arrival of what may be truly conceptualised as a TNC. However, in its present form, Castells' analysis could be claimed to be more realist than neoliberal in view of the hierarchical position in which he places the state within these networks. In supporting arguments put forward by Hirst and Thompson (1996) he cites Carnoy (1993) in agreeing that '...multinationals depend heavily on their home states for direct and indirect protection.' (Castells 1997:307). He continues that '...nation-states have been transformed from sovereign subjects into strategic actors, playing their interests, and the interests they are supposed to represent...'. It is doubtful whether Castells would appreciate his words being used to support a realist or neoliberal argument, as he appears to wish to offer a fresh view of world order that reflects the changes in global societies in the late twentieth century. The dawn of the 'Information Age' has bought the voiding of meaning and function to the institutions of the industrial era (1997:354). Yet the words quoted earlier regarding the multinationals, states and playing of interests, are entirely consistent with the results of the current research in placing firms as part of the structure of their home state.

On the other hand networking observed in our research did produce what is probably an unintended impact on local corporate culture, as evidenced by the instance of the German Chemical Company. We saw the firm's home office intentions to influence and shape that culture in its own image as far as possible, and we saw the effects of these intentions and efforts limited to management in the host location. This limitation was created by the volume of work on the site that was outsourced to other firms, both indigenous to the host state and, for want of better terminology, other international firms. Large numbers of a locally sourced workforce had no direct contact with the firm or its intended culture and bought to the plant their own culture that was predominantly local. To the interviewee this appeared to have more impact on direct staff than the efforts of either the home base or local management. Therefore, whilst it may have initially been thought that networking and outsourcing might have produced a more cosmopolitan culture by drawing from a range of firms with a range of home bases, this does not seem to be the case for this firm and probably many, if not most, others. It is possible to envisage such a culture would be created where networking means bringing into direct contact teams where members originate from a variety of states. However the more extensive networking arrangements are where firms specialise in aspects of the production process that are outsourced to those specialists. The workforce of those specialists could be argued to be subject to a variety of national and international influences but, if our German example sets the tone, the predominant influence is likely to be that which is more constant and shared by both direct and indirect labour, i.e. the local whether it be home or host location. We therefore see networking in this form reinforcing the national in a manner that perpetuates the distinct home and host corporate cultures, rather than building towards a stateless culture of international production.

Returning then to the wider conceptualisation of the network approach. It may look to include all actors performing on the international stage in the same way as the neoliberals, but it does not suggest those actors are autonomous. It proposes a metamorphosing state acting in a network of states that overlies and interacts with networks of other actors. The state has changed, which is hardly surprising but, in that changed condition, it still retains its primacy in the structure of world order with other actors seeking its recognition and support in furthering their interests. Krasner's summary of the core of realism is not changed by the increasing tendency for actors to network.

6.4. LEGITIMATION

In concluding we have restated our hypothesis of the firm as a national structure and provided a view as to how a TNC should be conceptualised, if and when one is identified. It is not proposed to repeat in full the manner in which both the hypothesis and conceptualisation attain academic legitimacy. This is provided in Chapter 2 but it is worthwhile providing a summary.

- **Firms do not exist in reality; only people exist and it is they who come together to form the social groupings known as firms.**
- **Individuals bring to these firms a plurality of social selves developed from the diverse structural properties of all the social systems in which they participate.**
- **One social system is the nation and the associated social self provides the individual with a national identity that assumes a central place within that person's composite personal identity. Its centrality ensures that national identity influences the individual's actions in other social spheres, including the firm.**
- **The firm is therefore conceptualised not simply as an economic unit, but partly as civil society fortifying the base with a role in harnessing and utilising the national popular, whilst implicitly and explicitly propagating national values, along with the other institutions that constitute civil society.**

As has already been made clear, the inability within this research to falsify the hypothesis does not deny the possibility of it being falsified in other research concerning itself with different firms or a different time frame. If it is to be falsified then the change that has to be observed is that whereby individuals no longer identify themselves with a particular nation. Or at least that any such identity diminishes to the extent that it no longer plays a central role. This is what the flag-bearers of a strong globalisation thesis (what Held et al. (1999:3-5) refer to as a 'hyperglobalist thesis') in a normative sense would have us believe is already happening, and will continue to happen at an increasing pace. 'Global citizenship' has become a buzzword and indeed many of the firms we considered have identified themselves in that way. But global citizenship in those cases appears to be an add-on to their national identity. They are concerned, at least publicly, with global issues such as the environment. However, it has not had the effect of their acting impartially when relating home and host. It may well be that national identity is a decreasing factor in individual identity, and it may well be that it will continue to decrease, but our research suggests that time is yet to come.

We have focussed on realism and neoliberalism as the two of the mainline theoretical approaches to IPE and the above comments may well highlight a fundamental difference between those approaches. We have referred to them as theoretical approaches or schools of thought, but perhaps at least one of them might be more properly considered an ideology. Perhaps realism is concerned with how things are and neoliberalism with how they should and could be. In Chapter 2 the influence of Robert Gilpin was acknowledged and it is only fitting we return to him. He (1995:241-2) preferred the term ideology in referring to contrasting approaches to political economy because they entailed '...a total belief system concerning the nature of human beings and society...' and '...allege to provide scientific descriptions of how the world *does* work while they also constitute normative positions regarding how the world *should* work...'. Our research on the aspect of firms within the two approaches points to realism as providing the answer to the first part of this description and neoliberalism the second. If, in its conceptualisation of the firm's place in world order, we consider neoliberalism as an ideology whose time has not yet come, but may be coming, then it becomes more persuasive.

6.5. FURTHER RESEARCH

We have provided a summary of the characteristics that should be expected of a TNC; a summary by which we would know one when we saw it. However this research limited itself to 462 firms with host production in the North East of England. Although it has been argued here as conceptually inappropriate for IPE, in using the Casson definition the UN has claimed there are 61,582 TNCs or firms controlling production facilities in more than one state. An arguable weakness in our research is obviously whether we can statistically call our sample representative and, moreover, whether a 'representative sample' has any place in identifying whether or not any firms have developed into TNCs (by our conceptualisation). There is thus huge potential for further research attempting to falsify our hypothesis in other locations, and in other firms that do not operate in the North East. Restricting this research to firms operating in the North East of England, and limited resources, also meant that the input from the 'homes' of the firms considered only included published materials. No questionnaires were completed by, or interviews undertaken with, home-based managers; questionnaires and interviews that might further verify our findings, or alternatively contradict them. There is therefore scope for further research that connects and compares the extent of national embeddedness in both home and host managers within multinational producers.

It is not only the limitations in the geographic reach of our research that should drive further research, but the limited *time frame* within which the research was carried out. We can only claim that our hypothesis was not falsified at a single point in time. Hollis and Smith (1991: 88) in discussing the understanding of international affairs refer to their not just being '...hard to reduce to intellectual order...', but '...changing character even as one tries...'. The potential for change over time in the subject area of this research has been identified in the previous sections. Whether and when this change will occur can only be seen following further research within a later time frame.

APPENDIX A

Reference Number

University of Newcastle upon Tyne

A Survey of National Identity in Companies

QUESTIONNAIRE

In considering the following questions please answer as many as possible, indicating when individual items are not considered relevant to your company or if the information is unavailable/not known. The information provided will be treated with complete confidentiality and numbering solely provides a check on the return of completed questionnaires.

C·U·R·D·S
Centre for Urban & Regional Development Studies

University of Newcastle

Department of POLITICS

A1 **Which of the following statements most closely reflects the manner in which your operations in the North East developed?**

The Company bought a firm with established operations in the North East.

The Company created and established a new operation in the North East.

The Company chose another route to establishing its operations in the North East.
(if so please outline below)

....

....

....

A2 **When did your company commence its operations in the North East?** ....

A3 **Which of the following statements most closely reflects your group's trading in the UK prior to your current operations in the North East?**

The Company had operations elsewhere in the UK.

The Company traded on products imported from outside the UK.

The Company licensed another firm to manufacture its products in the UK.

The Company did not trade in the UK.

The Company chose another route to trading in the UK. *(if so, please detail)*

....

....

....

A4 **Did the establishment of the operations in the North East attract grant support?**

Yes No

If **'Yes'**, *please outline the body or bodies providing that support and the amount(s).*

....

....

....

A5 **Did subsequent development of operations in the North East attract grant support?**

Yes No

If **'Yes'**, *please outline the body or bodies providing that support and the amount(s).*

....

....

....

B1 In one sentence how would you describe your company's operations in the North East?

....

....

....

B2 Where is the market for your product or services and what percentage of your local turnover by value sterling is represented by sales in the following geographic areas?

North East England	Yes	No	%
Elsewhere in the UK	Yes	No	%
Elsewhere in the EU	Yes	No	%
Elsewhere in Europe	Yes	No	%
United States	Yes	No	%
Asia	Yes	No	%
Other *(please detail below)*	Yes	No	%

....

....

B3 *How stable are the above percentages of turnover?*

	Decreasing	Stable	Increasing
North East England			
Elsewhere in the UK			
Elsewhere in the EU			
Elsewhere in Europe			
United States			
Asia			
Other			

B4 How are the above trends reflected in overall sales in each of these areas?

	Decreasing	Stable	Increasing
North East England			
Elsewhere in the UK			
Elsewhere in the EU			
Elsewhere in Europe			
United States			
Asia			
Other			

B5 **Does your company, its parent or other subsidary duplicate your activities in other locations?**

North East England	☐ Yes	No
Elsewhere in the UK	☐ Yes	No
Elsewhere in the EU	☐ Yes	No
Elsewhere in Europe	☐ Yes	No
United States	☐ Yes	No
Asia	Yes	No
Other *(please detail below)*	☐ Yes	No

....

B6 **Which, if any, of the following statements do you feel most closely resembles your group's strategy in operating outside its home country?**

We are seeking growth in trading outside our home base by bringing production geographically closer to the market.

We are seeking to maximise home trading by utilising the most cost effective geographic locations for production.

We are seeking to maximise profitability with no geographic constraints in terms of markets or location of production.

B7 **Does your ultimate parent company exert any control over the choice of your suppliers of materials, components or services?**

Yes ☐ No

C1 **Is any of your group's research and development (R&D) carried out locally in the North East?**

Yes No

If **'Yes'**, *which of the following statements most closely describe the extent of that R&D?*

Local R&D is largely concentrated on developing products to be produced and marketed locally. **/or**

Local R&D develops products to be produced and marketed throughout the group.

and

☐ Local R&D concentrates on developing new products. **/or**

Local R&D concentrates on refining existing products.

If **'No'**, *where is your group's R&D carried out?*

Mainly in the group's home country.

Mainly in a country other than the UK or the group's home state. *(please specify below)*

....

D1 **How many people does your company employ in the North East?**

Full Time .... Part Time ....

D2 **How are the above figures made up in terms of the nature of employment and have they increased or decreased over the last three years?**

	Number	Mainly men	Mainly women	Increased	Stable	Decreased
Managerial	....					
Professional and scientific	....					
Technical and supervisory	....					
Craft – skilled	....					
Operators – semi-skilled	....					
Administration	....					
Other	....					

D3 **Within the category of 'Managerial', how many people would you describe as matching the following criteria?**

Acquired or recruited from the North East.	....
Recruited from elsewhere in the UK.	....
Recruited from outside the UK.	....
Transferred from elsewhere in the Group in the UK.	....
Transferred from the Groups home country.	....
Transferred from elsewhere in the Group outside the UK.	....

D4 **Which of the following statements most closely resembles the corporate culture of your operations in the North East?**

It is similar to that of other businesses in the UK in our field.

It is similar to that of other businesses in our field around the world.

It is similar to, and/or influenced by, the corporate culture of our parent company's home-based operations.

It is shaped by diverse influences from our Group's operations in various national locations.

Other *(Please suggest an alternative)*

....

....

....

D5 **Does the appointment of senior staff within your operations in the UK require any prior approval by your parent company?**

Yes No

E1 In which country and at what address is your ultimate parent company located?

....

....

....

E2 Has it ever been located in another country?

Yes No

If **'Yes'**, *which country and when did it relocate?*

....

E3 Do you know the nationality of the Directors of your UK operations?

Yes No

If **'Yes'**, *please indicate the numbers of the nationalities shown*

UK Nationals .... Same nationality as Group's home base .... Other ....

E4 Do Directors of your UK operations require to be approved by your parent company prior to appointment?

Yes No

E5 Are any of the Directors of your ultimate parent company UK nationals and if so how many?

Yes No Number ....

E6 Is there a predominance of Directors from one country in your ultimate parent company and if so which?

Yes No Country ....

E7 Are the following decision-making responsibilities taken mainly at a local level?

Operations	Yes	No
Research/design and development	Yes	No
Sales and Marketing	Yes	No
New Investment	Yes	No
Budgeting	Yes	No
Setting Financial Targets	Yes	No

E8 Which of the following statements most closely describes your practice in preparing business plans?

Our business plan is prepared by local management and approved by local directors without reference to our parent company.

Our business plan is prepared by local management and agreed by local directors before being approved by our parent company.

Our business plan is prepared by local management, within parameters established by our parent company.

Other *(Please suggest an alternative)*

....

....

....

Please supply the following details:

Name ....

Position in Company ....

Can we contact you again if further elaboration or discussion regarding the information supplied is felt to be useful?

Yes **No**

If **'Yes'**, *please supply the following additional details:*

Correspondence Address:

....

....

....

Telephone: .... **E-mail:** ....

If you would like to comment further or enlarge on the information you have given, please use the back of the questionnaire.

Please return your completed questionnaire in the reply paid envelope provided.

For any queries or further details regarding this research please contact:

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E-mail: c.j.potter@ncl.ac.uk

APPENDIX B

«JobTitle»
«Company»
«Address1»
«Address2»
«Address3»
«City»
«PostalCode»

(Date)

Dear Sir/Madam

Foreign Direct Investment in the North East

I am undertaking research on the characteristics of firms who have established operations in the North East by way of direct investment into the area from overseas. The objective is to examine the extent to which empirical data matches hypothetical models constructed by political theorists. These models appear in most cases to have been built on information gathered from secondary or anecdotal sources and could well have led to erroneous assumptions. I am therefore looking to obtain information direct from the firms concerned and, as yours is one such firm, would very much value your help in completing the enclosed questionnaire to be returned in the prepaid envelope provided

I would draw your attention to the undertaking made on the front page of the questionnaire in that all and any information provided will be treated with complete confidentiality.

As you will see your assistance would be invaluable in pursuing and completing my research and your early response would be greatly appreciated.

Yours faithfully

Mr C.J.Potter

APPENDIX C

«JobTitle»
«Company»
«Address1»
«Address2»
«Address3»
«City»
«PostalCode»

(Date)

Dear Sir/Madam

Foreign Direct Investment in the North East

Towards the end of January I wrote to you asking for your help in research I am undertaking on the characteristics of firms who have established operations in the North East by way of direct investment into the area from overseas.

As I have not heard from you, it may well be that you have decided that you are unable to hep in this instance. Alternatively you may have thought about responding but

a. The questionnaire was lost it in a mass of other paperwork. OR

b Other more urgent matters took priority. OR

c. The original letter went astray. OR

d. It was the umteenth questionnaire that had arrived on you desk and you just had not the time to respond to them all.

I would still like your help and input on the research in question and, in case any of the above is applicable, it may be you are now more in a position to respond. I am therefore taking the opportunity to let you have a further copy of the questionnaire together with a pre paid envelope in the hope that you can assist.

Yours faithfully

Mr C.J.Potter

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