AN INTRODUCTION TO THE MULTINATIONALS

MICHEL GHERTMAN
AND
MARGARET ALLEN

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Michel Ghertman

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Introduction

> I hope that the reader will leave behind the universal attitude which confuses fact and value, wish and reality. If we say that Dillinger's gang in a certain situation is stronger than Al Capone's, that means neither that we admire the first nor pity the second.
>
> C. Castoriadis, *On War*, Paris: Fayard (Coll. 'Les réalités'), 1981.

The public, academics and politicians look at multinational companies in a variety of radically different ways. To some, multinationals, with their influence linked to the power of money, consolidate the power and riches of a few to the detriment of the majority. Those with such views may even go so far to allege that multinationals are able to manipulate or overthrow foreign governments. Others, in contrast, regard multinationals as the most modern and efficient form of company organization and, therefore, indispensable, beneficial vehicles for economic and social progress.

In 1974, a survey[1] showed that in general, the image of multinationals is much more negative than positive: they are modern monsters, uncontrollable organisms with many tentacles.

> The images are strong and concise, dominated by an impression of power and hidden activity, which are two versions of the same fear. They arouse many strong feelings, including those of a cold hybrid monster and secret, nefarious acts. All these associations are metaphors

> for something monstrous or abnormal; the image most often evoked is that of highly complex organisms reaching out farther and farther to grab (monsters 'with antennae', octopuses 'with tentacles', 'multi-headed' hydras). Another frequent image is that of an enticer (which 'devours', 'sucks', 'swallows' or 'gulps'). We also find metaphors of obscurity – something which functions 'in the shadows', surrounded with mystery . . .[2]

Are such assertions exact, or, on the contrary, are they stereotypes? This is obviously one of the major questions which this book will seek to answer. Before so doing, however, it is necessary first of all to define what multinationals are, understand the history of their development, and analyse their functions and economic, political, social and cultural role in society today.

The definition of a multinational company throughout this book is 'any company originating in one country and having continuous activities under its control in at least two other countries, that is, foreign countries, which provide more than ten per cent of total group turnover'.[3] The company in the country of origin is generally known as the parent company, or sometimes the Head Office and the extensions into the host countries as foreign subsidiaries. The latter may be under the former's financial control (that is, majority shareownership), managerial control (through a management contract), or technological control (through the transfer of technology). The definition covers both industrial and commercial firms and, increasingly, services like banks, advertising agencies and consulting and engineering companies. A multinational is not necessarily a company in the private sector of industry like Shell Transport & Trading, B.A.T. Industries, Barclays Bank or General Motors of America; it may belong to the State. Examples of the latter are British Leyland and Cable British Airways in Britain, Renault or Elf-Erap in France, or Tungsram, the Hungarian multinational. Again, a multinational is not necessarily a large firm: there are many small and medium-sized multinationals.[4]

Until today, the various definitions of multinational companies[5] have revealed only a part of the full range of their activities, since they have dealt solely with large industrial firms. They left aside the service industries even though more and more of the multinationals' economic activity involves services, which are, therefore, increasingly typical of the multinational phenomenon.

Depending on different authors, companies with foreign subsidiaries may be called multinationals, plurinationals, large interterritorial units, conationals, supranationals, or transnationals, but these differences in vocabulary are not particularly important. In this book the original term of multinational enterprise or company, which is widespread in a majority of university milieux throughout the world, will be used.

It is necessary, however, to mention the United Nations, as well as the different agencies attached to it, and the many researchers in Latin America, who since 1974 have systematically used the term 'transnational' to designate the very large multinationals originating in industrialized countries. This is a political choice and excludes the small and medium-sized multinational firms and all the multinationals, including some very large ones, where the parent company is in Eastern Europe or the developing countries.[6]

The transfer of technology is a form of multinationalization which is becoming increasingly important.[7] For example, a British building contractor or property developer with no subsidiaries abroad may well make a large proportion of its turnover through technology transfer outside Britain. Such transfers are complex and made up of complementary elements including plans for the construction of factories, roads, dams, hospitals or schools; furnishing equipment and materials for the particular development; training of local labour (staff and workers); getting equipment to the right place at the right time, supplying parts and maintenance. The ultimate form of transfer, and the one that best illustrates its success, is the ability of the seller to transfer to the buyer the possibility of itself creating new technology and having the means to do so. The term external transfer of technology is used when a company, which is already a multinational, or which becomes a multinational at that time, transfers technology to an indigenous firm of a country where it was not previously present. In contrast, an internal transfer occurs when the parent company transfers technology to its subsidiaries.

Such transfer activities are essential for the survival and success of the company. They demand a great deal of effort by the firm's general management and its top-level engineers and technicians.[8]

In contrast to the multinational, the company which has activities limited to a single country should be referred to as uninational, or mononational. These terms are not generally in use in the United Kingdom, but are preferable to others.[9] In particular, the term 'national company' must be avoided as it is most often used to designate state-controlled firms which have been created, or nationalized by the State. A number of these firms, however, may be multinationals. This is particularly true in France. Thus there are private or state-controlled multinationals in the same way as there are private or state-controlled uninationals.

Nevertheless, many uninational companies export a great deal; they remain uninational as long as they do not invest abroad in factories and/or offices, which would permit them to exercise their activities locally like an indigenous firm with legal status in the host country. A firm, for example, which exports its products by means of wholly independent import merchants is not a multinational. On the other hand, a firm which exports through its own subsidiaries *is* a multinational, if the subsidiaries have fixed assets like buildings, offices, warehouses or transportation equipment in the host country.

An example will clearly differentiate a uninational company from a multinational. A Scottish whisky distiller or French winemaker who exports to the United States through a New York import agent heads a uninational firm. If the same distiller or winemaker builds a distillery or buys