

I suggest that a way we might look at the question of polity on a global scale is through the eyes, I hesitate to say it, of a multinational corporation, but I am talking about how companies have experienced their globality. To begin, I want to just throw out some images of what has happened to companies in the last century as they have proceeded to move into the international arena and then to suggest possible new forms of what might emerge. I think for us the discipline is to hold ourselves to the sheer secular aspect to determine first of all whether we have clarity on actually ^{how} the companies are operating and then to spin off, to use it for our own polity as a question asking device so that we can assure, so to speak, a certain hardheadedness in our reflections.

I guess I would begin first by talking -- and I am just throwing up some very rough models, the first being classical. There are people around the table here who know more about this than I do, and so the way I'll operate is for me to throw up images to reflect on them, and then maybe we can see where to go from there. Just to use an image for the classical model, when you refer to say United Fruit or Kennacott Copper or the companies in the exploitive industries, what you have there is a home office with a number of other offices. The lines of communication and the entire structure of that company is in effect a flow from the field to the home office. Let's use that as an image to hold it, although another image has been used, and they call this ethnocentric.

Now this has the advantage of securing supplies, as in the 18th Century and 19th Century, for the home country. Of course, the problem was that all of the orders, all of the systems, and all of the personnel came out of the home country office. The perversions that arose we sometimes style as colonialism in the extreme, although in the less extreme what happens is that ~~in~~ these little areas out here become enclaves of the company and become divorced from the total economy. They develop their own dynamic, a replica or a reflection of the home office country itself.

Then there has developed something called the international holding company. The difference there, and to give you an example I guess I would name the company I work for - Sears, its operations fall in that category, looks like this. You have the international operations out here, and you have, imaginably, arrows running both ways. What's happening there is that you have a flow of information back and forth, but in addition there is a great deal of independence for each of these companies or branches. Typically they have a great deal of autonomy. To give you an example, in the case of Sears the principle of international operations is that you invest let's say a couple million dollars in a particular country and from then on it makes it or it doesn't on its own. It reinvests what it makes if it blossoms. If it doesn't, it shuts down and you don't see it anymore.

That has obvious disadvantages, as the multinational companies have discovered, but what happens is that each of these companies becomes very closely identified with the local culture. Their hiring policies reflect the local culture. You find for instance, and I'll use Sears since I know it, 20,000 employees abroad and only 65 of those are U.S. nationals. You have that kind of identification with the local culture. The weaknesses I suppose are that -- the lack of the international aspect. We call it international holding company, but the emphasis is on holding rather than international. You have a flow of knowledge out to the field and a flow of profits back. That's not necessarily bad because of the

investment that goes on, but essentially those kinds of simplified arrangements exist -- and probably an international holding company would not work except in a simplified situation such as a retailer that operates primarily from his own country. It would not work for a large manufacturer which is why such a company would go to the multinational corporation. The term used to hold this is polycentric. It has a number of different centers, largely autonomous or independent.

The multinational corporation is next. We have among us Seacord and Raedeke among us who know IBM. IBM or IT&T are examples. What has happened there is that these centers develop a communication system that perhaps in the first place looks like the international holding company, but it goes one step further and all of these corporations or centers out in the field form a communication net that is total among those subsidiaries. Typically, although it varies, the subsidiaries are 100% owned, or the multinational corporation prefers that they be 100% owned because that allows them to better coordinate their activities. The principle behind this, of course, is global rationalization, along one or a limited number of product lines. That allows them to set up, say, a tire manufacturing company by General Motors in Malayasia, a ball bearing manufacturing company in the Phillipines, an axle company in South Vietnam and so forth. Then it pulls those particular products together at one particular point and assemble them or in each country there is a point of assembly.

This has been called geocentric because of the global integration under which the multinational operates. What the multinationals run up against is the growing nationalism in the states and countries that supply its resources and products. There are a large number of countries today that actually demand that any new investments from foreigners be no more than 49% of any particular company. For example, you have the Andean Common Market. Most recently India is having a phase-out of foreign company control, so new investment is no more than 49% and existing investment the same to a large extent. But even those countries realize that they cannot go it alone, so it is developing regionalism or within a regionalism.

We have a regional market developing such as the Common Market in South America. Because of lowering the barriers within those countries, you develop a regional market, but the regional market is accessible to you only if you follow the control policies that have been established such as control of the majority by national interests. What you could say is happening, and I cannot point to a concrete example of how you might identify this, is these various regions are developing gradually an autonomy of their own. Because of that you might ask yourself whether within the Andean Common Market or perhaps even within South America as it develops you will not have a sort of multinational corporation developing around regions. In each case they would have a regional rationalization. For instance, in the Andean Common Market that looks like the area of metal products and allocating what is produced in the various countries. To make sure that all the countries are taken care of in one particular industry or another.

If that continues, you end up then with a number of these regional systems. Suppose you take a company like IBM or General Motors that is subjected to regional pressures like that, the question is how does it maintain a global coordinated effort if it has to divest itself of control. Even though they may divest themselves, there still will have to be interchange between the parts. For me, it

it raises the question of global polity or how any corporation like that operates to maintain that. Obviously it has choices of breaking up. But there is also the possibility of a new type of dynamic coming into being. There are just hints I suppose of this thing. Incidentally, I guess what I would call this if I look at it from a global perspective and then ask myself what is happening, it suggests to me anyway that this is a multinational and this is something you might call multirational. That is, it is a corporation that operates regionally subject to the cultural preferences, the different rationalities, the different mindsets of the different parts of the globe. A multirational company. The examples I would point to -- for instance, take the cooperative business between countries of the Common Market, and they cooperate at only one specific level and that is research and development, because they are not large enough to have their own research and development centers themselves, and that's closely regulated, but that would be an example perhaps.

You might even point to more institutionalized phenomena, like the Commission of European Communities which acts like the motor of integration. I mean it doesn't have any direct authority. It is a very limited thing. How it operates in a sense is as a regulatory body, but it also is a visioning body and is continually prodding the states in a particular direction. Now that is not a private enterprise, but that is an institution. You might look at the international monetary fund and the clearing house arrangements they have set up where you have participation by just a multitude of states.

Or another question -- can you imagine let's say a company even getting itself into a situation like this? I remember an International Harvester executive in a question and answer period and asking what chance, considering the tax laws proposed by labor and so forth against multinationals, what is the possibility of International Harvester moving its headquarters to Europe in the future? There was just an absolute blank look on his face. For him that was not even conceivable, and yet I ask myself whether in the near future those pressures might lead to something like that. In fact, a number of Canadian companies have transferred their offices to Europe for various reasons. So there is a possibility of that kind of mobility. If that does take place, you might end up with that kind of regionalization which is a combination, I suspect, of a multinational corporation and a holding company. The obvious difficulties of something like this, the problems of education that arise and how you hold indeed a global operation. There are, we know there are, companies doing that. For instance, the management agreements, technical assistance agreements, and licensing agreements in which you can maintain control of various subsidiaries although you don't have full control.

So that is just a spin on several types of corporations. We could ask ourselves a number of questions about these, and let me list a number of questions that occur to me without getting into answers at this point. We could ask questions about the organizational complexity of each of these forms. For instance, if you ask yourself about the organizational complexity of the classical corporation you might find that it is a complex in the home country but a simple type of organization abroad. Or if you are talking about the international holding company you find that it varies with a great deal of independence abroad, so that the organizational complexity is highly varied. If you talk about the multinational corporation, you might come up with something like increasing complexity with interdependence. If you ask about the complexity of organization of the multirational corporation, you find something like federal or confederal type arrangements where certain decisions are taken at a level here whereas the majority of substantive decisions are taken in the various spheres.

You could ask the question of what is the authority or decision-making? What does that look like for each of these organizations? Or what about the standards of performance that keep companies competitive? Is it a standard of personnel or just a standard of product quality? What about incentives that are used to motivate their employees and the communication system? What about identification? How do these companies identify with their host country? There is an obvious difference depending on which of these forms is being used. What about the recruitment policies? Who do they recruit and how do they recruit? What about training? How do they train? What are their different approaches? You get into the question of style. What about their R & D? And the question of symbol as well.

One way of analyzing this kind of question of international politics is to go through and ask questions like that and pick out just what we know, I think, from our experience, exactly how each operates, and together we would have an operating philosophy for the company. At this point, what are your reflections? I guess the question to ask ourselves is -- Is any of this relevant for us? If it is, in what way?