ABSTRACT

The multinational business enterprise is treated as a newly emerging transdisciplinary subject of research. After a historical background sketch, there follows a discussion of the significance of the phenomenon of the multinational firm and its implications for various segments of society—government, labor, business, academia, etc. These segments are all seen as probable clients who are likely to tax the research library's resources. Evidence of increasing research interest in recent times concerning multinational business is demonstrated, in spite of severe methodological and bibliographic hazards likely to be encountered. A three-part, 38-page bibliography of materials in various formats (abstracts, indexes, directories, guides, statistical handbooks; books; and serials) concludes the study. (Author/DS)
MULTINATIONAL BUSINESS ENTERPRISE
AND ITS IMPLICATIONS FOR LIBRARY RESEARCH

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ABSTRACT

The multinational business enterprise is treated as a newly emerging transdisciplinary subject of research. After a historical background sketch, there follows a discussion of the significance of the phenomenon of the multinational firm and its implications for various segments of society--government, labor, business, academia, etc. These segments are seen as all probable clients who are likely to tax the research library's resources. Evidence of increasing research interest in recent times concerning multinational business is demonstrated, in spite of severe methodological and bibliographic hazards likely to be encountered. A 3-part bibliography of materials in various formats concludes the study.
The phenomenon of multinational business enterprise has aroused a sweeping range of opinion, from vituperative accusations such as "...a corporation conceived in deception and lawlessness..." (New York Times Book Review, page 1, July 8, 1973) to self-serving protestations that the multinational firm is the great panacea for economic inequality. These opposing points of view seem to illustrate the need for considerable objective research on the multinational firm.

In an attempt to assist the serious student of multinational business carry on meaningful research in this area, three approaches seem advisable: first, the multinational firm is placed in the context of the history of international trade and commerce; second, certain hazards and roadblocks in the way of research are discussed; third, a bibliography of reference sources, monographs, and periodicals is offered. Where this bibliography is incomplete (as it inevitably must be), it is not through the arbitrary exclusion of materials of any printed format, national origin, language, or viewpoint.

HISTORICAL BACKGROUND

Business operations extending beyond national boundaries have existed since earliest known civilization and appear to have developed thousands of years before Christ. Arab nomads with their caravans of camels established oases and resting
stations across the desert in connection with their trade with Babylonia and Assyria. Much later, English, French, and Dutch traders of the 17th and 18th centuries found it desirable to send agents to other countries to buy and sell their goods. Perhaps the most notable example of this kind of commercial company was the British East India Company which was chartered in London in 1600. Colonial America, dependent upon foreign commerce, also found it necessary to establish representatives and branches abroad to sell American exports and select goods for importing to the colonies.

The early commercial companies were primarily trading firms, rather than manufacturing organizations, and operated for the most part within the colonial territories or "spheres of influence" of their own nations.

During the 19th century, British capital was invested in railroads and other businesses in the U.S., Canada, France, and India. Foreign investment also flowed from France to Indochina, Algeria, the Suez Canal (in the 1860's), and other colonies. Germany and the Netherlands were also exporters of capital during this period.

Foreign capital investments generally fall into two main categories, direct investments and portfolio investments. The distinction between the two lies in the nature of ownership. Foreign direct investment involves legal control of the asset; that is, product, technology, management and market access, as
well as capital. Foreign portfolio investment constitutes investment only in bonds and minority holdings of equity and does not involve legal control of the company whose shares are being purchased. In other words, it is possible to have foreign investment without foreign control.

Although large investments were made in the underdeveloped areas of Asia, Africa, and the Americas, little of this capital flow was in direct investments outside imperial boundaries. When European capitalists invested in railroads, canals, and the like, in the U.S., Argentina, or other countries, they did it by purchasing securities of American governments or corporations. However, Mira Wilkins has pointed out in The Emergence of Multinational Enterprise, Harvard University Press, 1970, that by the turn of the 20th century, American corporations were already producing abroad such products as sewing machines (Singer), printing presses (Hoe), and farm equipment (McCormick). George Eastman was manufacturing film in London and Standard Oil was extending its marketing investments beyond national borders.

The early 20th century saw the development of such international manufacturing and merchandizing corporations as British Petroleum, International Nickel, Royal Dutch Shell, Unilever, Philips, Imperial Chemicals, Coca Cola, and Woolworth. Multinational corporate investment continued to grow up to 1914. After World War I,
foreign business, spurred by the erection of barriers to international trade, spread further until the depression of the 1930's checked its growth. After World War II, multinational corporate investment flowered again as American firms invested heavily abroad in a variety of merchandizing and manufacturing operations. This was coupled with an increasing European and Japanese expansion into the American continent.

On Monday, June 18, 1973, the New York Times editorialized that in the past two years Imperial Chemical Industries of Britain have taken over Atlas Chemicals; Wyandotte Chemicals was acquired by a West German firm; and Enka was purchased by the Dutch conglomerate, Axel. Japanese firms like Sony, Mazda and Mitsui are investing heavily in their own facilities in the U.S., effectively demonstrating that multinational investment is not the prerogative of the U.S. alone.

To further illustrate this two-way flow of multinational activities, the Task Force on the Structure of Canadian Industry reported in 1968 that by 1964 foreigners owned $33 billion in Canadian assets while Canadians owned $13 billion abroad, constituting a $20 billion balance of international indebtedness. This figure compares with a $4 billion balance in 1949.

NEW TRADE PATTERNS

It has become increasingly clear that the centuries-long
pattern of international trade, export/import in nature and carried on by essentially national business firms, is no longer characteristic of the international business activities of today. The new wave of corporations is multinational in ownership and workforce and engages in both manufacturing and marketing operations. In the developed Western economies the majority of industrial and financial activity takes place within the corporate sector. The corporation utilizes labor and capital and is also engaged in the formation of capital. It creates new products and develops new techniques of production. It advertises, researches and develops, and is involved in both long range and short term planning and decision making. As it attempts to maximize profits, maintain or increase its market share, it also attempts to grow, to "empire-build", and as a consequence is described by some experts as constituting an invisible empire in itself. Many students of the international firm believe that the concentration of power and the control of resources by the multinational corporations will intensify, and that the number of persons whose lives will be affected by them will increase accordingly in the future.

ECONOMIC AND POLITICAL IMPLICATIONS

The multinational corporation, by its nature, can play a dominant role not only within national markets, but in world markets as well. It can "purchase" raw materials from a subsidiary of the parent firm and bypass the open market. The move-
ment of raw materials from one division of a multinational firm to another accounts for a significant proportion of commodity flows. Similarly, foreign direct investment accounts for a high percentage of long-term capital movements. One of the concerns expressed by Canadians centered around the possibly adverse effects of intra-company transactions whereby the Canadian subsidiary is required to purchase materials from the parent company rather than at the local level, in order to enhance the parent company's sales record. It was felt that this would limit the expansion of Canadian manufacturing and result in trade deficits for that country.

Foreign control, which is implicit in foreign direct investment, means that some decisions are made outside the boundaries of the host country. The extent to which decision making within the host country is eroded depends primarily on the power of the foreign firm relative to that of the government of the host country. Thus, national independence is eroded to the extent to which the host country surrenders its own power to make decisions in its national interest.

Current interest in the international firm stems not only from the economic and political consequences implicit in multinational ownership and control, but, to a large degree, from the rapid expansion of U.S. business investment into the economies of other countries. In Canada, direct investment grew from $2.7
billion, or 40% of the foreign long-term investment in 1945, to $15.9 billion, or about 60% of foreign long-term investment in 1964. According to the Task Force on the Structure of Canadian Industry, of this $15.9 billion, U.S. direct investment accounted for $12.9 billion, or 80%, while $1.9 billion, or 12%, was owned by United Kingdom residents. In 1963, the U.S. controlled 97% of the capital in automobile manufacture, 90% of the rubber capital, 54% of the chemical capital, and 66% of the capital employed in electrical apparatus. Robert Sherrill, writing in the April 16, 1973, issue of Nation, states that of the 300 giant corporations, two-thirds are based in the U.S. and account for 80% of all direct U.S. foreign investment.

Another area of concern is related to the fact that American direct investment has been concentrated in the high-technology industries, "relegating native enterprises to conventional tasks". (See Caroline M. Miles, "The International Corporation", International Affairs 45: 259-268, April, 1969.)

It must be stated, though, that just as the international firm is not a new phenomenon, neither is the concern for its economic and political implications. One of the earliest books to articulate this apprehension was Fred McKenzie's The American Invaders, published in London, 1902. More recently, Servan-Schreiber's The American Challenge, Atheneum, 1968, analyzed this economic penetration into European economies by American business firms.
GOVERNMENTAL CONCERN

In the U.S. Congress is beginning to direct its attention to the multinational corporation and the world economy. A Senate Finance Subcommittee on International Trade has solicited papers from business, labor and the government on issues relative to the patterns of world trade and investment, and on the multinational corporation's relationship to U.S. labor in manufacturing industries. Senator Frank Church is reportedly setting up a Senate Foreign Relations subcommittee to study the global impact of the multinationals. In the House the late U.S. Representative Hale Boggs speaking on July 27, 1970, in his capacity as chairman of the Joint Economic Committee's Subcommittee on Foreign Economic Policy, voiced that committee's concern with the impact of multinational corporate activity on productivity, the transfer of technology, and international payment flows.

The U.S. government has, in addition, become concerned about the possibility of American firms evading regulation of their activities at home and engaging in conduct abroad that would not be permitted in the U.S. Paralleling that concern is the anxiety of other governments who view the U.S. government's attempt to impose anti-trust statutes, balance of payment guidelines, and other trade regulations on foreign subsidiaries of American firms as a violation of their national sovereignty.
LABOR

Speaking before the previously cited Boggs Subcommittee, representatives of organized labor expressed their concern with the wholesale exporting of thousands of jobs and its related impact on the U.S. labor scene. Attention has also been directed toward wage levels, productivity measurements and unit labor costs of multinational corporations. On the other hand, Herbert Maier of the International Confederation of Free Trade Unions noted that most trade union organizations were "favorably disposed to the mobility of products, techniques, and know-how to the extent necessary to secure the full utilisation of human and material resources." It is, however, generally recognized by labor that a comprehensive re-evaluation of the existing institutions and instruments governing international trade and industrial relations should be undertaken.

Neil Jacoby, writing in the May, 1970, issue of Center Magazine, has stated that the multinational corporation is beyond doubt the most powerful agency for regional and global economic unity that our century has produced and is only at the beginning of its ultimate development and its impact on nations and the world order. Others, of course, have viewed the development less favorably. These conflicting points of view may be due in part to the fact that until now, according to Robert Sherrill in Nation,
April 16, 1973, no government agency or private group of scholars has treated this problem with the serious attention it deserves.

INTERESTED PARTIES

The few preceding paragraphs, then, allude to at least four interested parties. The multinational business enterprise has aroused the concern of

1) the underdeveloped nations, where the social and economic impact may be the most dramatic;
2) the leading trading nations, where continuing monetary crises have been at times attributed to short-term capital outflows of the home-based multinational firms;
3) any nation, developed or not, that is concerned with the two elements of sovereignty and economic well-being;
4) the organized labor movement, seeing its traditional adversary, management, on an escalated offensive.

To this list could be added

5) the international bodies--the U.N., E.E.C., et. al.--which have a vested interest in monitoring multinational business enterprise;
6) the firms themselves, as competitors;
7) academic scholarship, interested in this subject, like others, "because it's there".
It would be quite a surprise if, with all the interest generated in multinational business, there were not increasingly more research done each year. Indeed, Charles Nehrt's *International Business Research*, 1970, page 265, has in tabular form the following yearly distribution of research projects in this area:

<table>
<thead>
<tr>
<th>Year</th>
<th>Projects</th>
</tr>
</thead>
<tbody>
<tr>
<td>Pre-1960</td>
<td>18</td>
</tr>
<tr>
<td>1960</td>
<td>25</td>
</tr>
<tr>
<td>1961</td>
<td>17</td>
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<tr>
<td>1962</td>
<td>31</td>
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<td>1963</td>
<td>22</td>
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<td>1964</td>
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<td>1965</td>
<td>44</td>
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<td>1966</td>
<td>52</td>
</tr>
<tr>
<td>1967</td>
<td>51</td>
</tr>
<tr>
<td>1st Half 1968</td>
<td>33</td>
</tr>
<tr>
<td>Total Past Research</td>
<td>321</td>
</tr>
<tr>
<td>Current Research</td>
<td>108</td>
</tr>
</tbody>
</table>

The above figures, despite their slight year-to-year fluctuations, depict a definite increase in attention focused upon the multinational firm. In addition, Nehrt analyzes changing trends in various subcategories of the above totals. The reader is referred to the table directly for the complete statistics, but a few dramatic and noteworthy trends may be mentioned. A diversification of interest is appearing, as a departure from clusters of research in what Nehrt calls the traditional functional areas such as marketing, taxation, and labor relations. Newer fields are being found—management recruitment, training, and compensation; business and organizational strategy; joint venture tactics; as well as coincidental fields such as the international monetary system,
studies in developing nations, and the like.

ROADBLOCKS TO RESEARCH

At this point in the evolution of the multinational company, despite so many parties interested in studying it, there are some inherent obstacles in the way of the researcher regardless of which party he represents. Because it is the authors' intention to increase the researcher's awareness of potential sources of information in this area, it may also be useful to make some prior mention of the obstacles to be encountered.

First on the list of hazards is the interdisciplinary nature of the research itself. A striking range of disciplines may need to be brought into play to study the multinational firm. Relevant use can be made of law, business and finance, economics, political science (for questions of nationalism and sovereignty), sociology (for its organization theory), anthropology (on the inherent cross-cultural factors), history, and science and technology (due to the vital matter of technology transfer).

It is because, as Nehrt explains, page 184, the multinational firm exists interactively within a diverse environment that so many interdisciplinary approaches to study can be taken. Thus, as the firm interacts within various contexts, for example, the communications and human relations scholars become involved, as do students of information transfer. At the points of friction between business
and government or between business and labor, conflict resolution studies are appropriate. Internally, the multinational firm can be submitted to systems analysis, as well as externally in its interactions with other systems. In short, the models of no one field can hope to completely encompass the multinational firm.

The second difficulty involved in research is definitional—what is and what is not "multinational"? Yair Aharoni suggests a fair sampling of possible criteria in the Quarterly Review of Economics and Business, Autumn, 1971, pages 27-37. One criterion is structural—Does Company X locate its managerial function internationally? Has it got management heads of diverse national origin? Does it have internationally diverse ownership? Is it international in portfolio only? A second criterion is performance—How significant a portion of earnings, assets, sales, and number of employees is involved in the international operations of Company X? A third criterion may be behavioral—Does Company X act "multinationally"? That is, does its organization chart show merely an international division, or is the company aligned instead by product or by region so that decision-making is without primary regard to borders or national locations?

Each criterion employed, alone or in combination with the others, is likely to result in a differing list of companies. As Louis Wells stated, in the Summer, 1971, issue of International Organization, pages 447-464, despite the definitional ambiguities,
there are some 200 to 300 firms whose operations are such as to fit them into any description of "multinational". However, there is such a large number of borderline cases left that generalizations about the whole group are risky.

The third major obstacle in the way of research is the difficulty of obtaining relevant data. An excellent, if somewhat discouraging, cataloging of this problem can be found in an article by Stefan Robock and Kenneth Simmonds, appearing in the May-June, 1970, issue of the Columbia Journal of World Business, on pages 6-19. To start with, there exists no international organization responsible for collecting all data on multinational firms. Instead, statistics are typically gathered from firms at their local bases by whatever governments are empowered to tax them. The total resulting picture is merely the summation of the available fragments. These "local"—i.e., national—statistics gatherers vary widely in quality and scope of coverage. Part of the reason the firms based in the U.S. and Britain appear to have 74% of the total direct private international investment figure may be the strength of statistical gathering and reporting in those two countries relative to other countries.

Of greater importance to statistically involved research than the above, however, are the gaping areas of no coverage at all. Certain techniques developed purposely by multinational firms tend to elude
tabulation. The financing of foreign projects through loans payable in goods or raw materials, the "internal" transfer of goods across borders with the aim of avoiding local taxes, price controls, high credit rates, import or export quotas and the like—all the preceding dwarf the more easily gathered figures on direct capital flow and thus cause significant statistical distortion.

Analogous to the hard-to-get fiscal data are the equally problematical statistics relating to technology transfer, a hurdle dealt with by James Quinn in the Harvard Business Review, November-December, 1970, pages 147-161. Certainly, as Quinn states, international licensing and royalty payments are well enough documented. However, such proprietary transfer is not the whole picture. There is another type delineated by Quinn, the so-called non-proprietary transfer of technology, that is hidden as an element within each investment, within each plant and equipment expenditure, within each product sold or distributed, and within each "r and d" facility set up abroad. More intangible yet are factors of cultural interchange between colleagues within the firm that can result in technology transfer. And still more elusive is the probable multiplier effect of technology transfer, whereby broadening ripples of technological and social innovation are created and which the student of the multinational firm can with all probability only pursue in a vain attempt at quantification.
A bibliography is not a miraculous tool to enable the researcher to scale any of the previously described obstacles easily. This bibliography, however, may be a start in the process, since it was constructed half with some dim notion of the pitfalls facing research in the area of the multinational business enterprise, and half with the optimistic hope that the necessary and relevant information is available, somewhere.

The following materials are arranged in three sections. Part I contains abstracting and indexing tools, directories, guides, and statistical handbooks which are most useful for research in this area. Part II comprises pertinent books on the multinational firm. Since any attempt to include the extensive body of existing periodical literature would have greatly increased the size of the bibliography, it was decided to simply list in Part III those periodicals where the relevant articles could be found, with the aid of the tools listed in Part I.

PART I: ABSTRACTS, INDEXES, DIRECTORIES, GUIDES, AND STATISTICAL HANDBOOKS


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