

FIVE

TRANSNATIONAL CORPORATIONS

The Primary Movers and Shapers of the Global Economy

APPLIED CASE STUDY

In this case study, we will look at two different transnational corporations (TNCs). While both are German companies with recently established British operations, they differ strongly in terms of their degree of globalization, type and frequency of cross-border activities, and the uses they make of their global networks. This comparison will illustrate the many different ways in which companies can be transnational, and the diversity of strategies they employ to this end.

1. ZwoBank

'ZwoBank AG' (a pseudonym) was a Frankfurt-based universal bank which, while it was one of the largest banks of its kind in Germany at the time and maintained an above-average number of foreign branches, was still fairly limited in its international operations, still a not-atypical state of affairs in German banking. It maintained a branch in each of the major global cities (London, New York and Tokyo), plus representative offices in other banking centres such as Luxembourg. This was not so much for the purposes of engaging in international activity as, first, to take advantage of different financial markets and regulatory regimes to produce different financial products for sale in Germany, and, second, to provide support for German clients with overseas operations.

ZwoBank had originally employed a hands-off policy towards its overseas operations, with different branches being given a good deal of autonomy and knowledge transfer between branches being limited, with the general manager of each

branch reporting to ZwoBank's general management. However, at the time of the study the bank was improving its global reach by implementing a 'matrix' structure whereby the heads of each department in each branch reported to a 'global head' in Frankfurt.

ZwoBank's UK branch, ZwoBank London, had originally been established in the 1970s as a representative office, consisting of a small number of people with limited local activity, and a full branch was opened in the early 1980s, with a staff of about 200 people. The bank did not attempt to develop strong local ties, instead forging most of its links with other European and Asian bank branches in the UK. Although the number of actual expatriates at the branch was small, about one-third of the staff were German, Austrian or Swiss, meaning that there was a strong German cultural presence within the British office.

2. BMW

BMW started out in the early 1910s as a domestically focused aircraft and, later, automobile manufacturing company, but branched out after the Second World War, coming to global prominence in the 1970s and 1980s as a manufacturer of luxury and sports vehicles. Although its image is primarily of a 'German company', its products are status symbols worldwide, and BMW is attempting to establish an international identity by encouraging staff exchanges at all levels among its operations, establishing an 'international stream' of managers (i.e. programmes whereby general managers spend periods in different branches), and taking a global approach to staffing.

In 1994 BMW acquired the Cowley Works plant in Oxford, UK. This plant had been established in the 1910s by a local automobile manufacturer, Morris Motors, and had a long and convoluted history prior to the takeover. Having flourished in the mid-twentieth century, it fell into financial difficulties in the 1970s and, after periods of ownership by British Leyland, Honda and BAe, was acquired by the BMW group. BMW initially also pursued a hands-off policy but, in the late 1990s, incorporated the plant more into the global group (through encouraging international staff transfer, and branding the plant with a logo incorporating the group's own), while still encouraging it to retain a distinctive local identity (participating in local philanthropic activities and including a separate name and brand for the operation).

3. Comparison/contrast

A comparison of the two shows some interesting similarities and differences. Both firms are 'global' in the sense of having overseas operations and participating in

global production networks. However, where ZwoBank nonetheless retained a strongly German focus through its choice of operations and personnel, BMW attempted to develop a sense of itself as a more international company through the use of international management programmes and exchanges, and also, paradoxically, through encouraging its branches to develop local links (giving the company itself connections with communities around the globe). This is despite the fact that ZwoBank's strategy focused on greenfield expansions and links with global cities, whereas BMW's strategy would seem more locally grounded, including more brownfield acquisitions in cities which are less well known for their global connections.

To some extent, the differences can be put down to the two companies' histories of globalization and sectors. ZwoBank, as a financial institution, makes its profits from exploiting the differences between financial markets around the world. However, its focus on a domestic client base ties it inevitably to Germany. Its expansion has largely been externally driven, in response to the globalization of the financial sector. BMW, meanwhile, while it too retains a global focus, produces manufactured articles which are developed and sold worldwide, while also being dependent on local workforces; thus, it pursues a global focus while also encouraging philanthropic activities in local communities. Its expansion, in turn, has been internally driven, pursuing global markets by developing an identity as a global corporation rather than as a purely German corporation with overseas branches.

Both companies can thus be said to be GPNs in the broad sense, but to differ strongly in terms of their approaches and strategies. They also differ strongly in terms of their degree of global and local engagement, and not always as expected, with BMW managing a more international focus than ZwoBank. These differences can be linked to the companies' histories, sectors, and past and current strategies for expansion.

QUESTIONS

1. Which of Bartlett and Ghoshal's models of multinational strategy (pp. 138–40) fits ZwoBank the best? Which fits BMW the best?
2. How do each of the companies compare with the different models of TNC expansion, and typologies of production networks, discussed in Chapter 5?
3. Compare and contrast the two companies in terms of their convergence and divergence activities, and plot them along the 'global integration–local responsiveness' grid (Figure 5.8).
4. Discuss the impact of locality on each of the two firms, and compare and contrast their local integration strategies.

FURTHER READING

- McDowell, Linda M. (1997) A tale of two cities? Embedded organizations and embodied workers in the City of London. In Roger Lee and Jane Willis (eds) *Geographies of Economies*. London: Arnold. pp. 118–129.
- Moore, Fiona (2005) *Transnational Business Cultures: Life and Work in a Multinational Corporation*. Aldershot: Ashgate.
- Moore, Fiona (2007) Work-life balance: contrasting managers and workers in an MNC. *Employee Relations*, 29 (4): 385–399.
- Whisler, Timothy R. (1999) *The British Motor Industry, 1945-94: A Study in Industrial Decline*. Oxford: Oxford University Press.