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**Decision-making structures
in US and Japanese
manufacturing affiliates
in the UK:
some similarities and contrasts**

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Note:
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DECISION-MAKING STRUCTURES IN UNITED STATES AND JAPANESE
MANUFACTURING AFFILIATES IN THE UNITED KINGDOM:
SOME SIMILARITIES AND CONTRASTS

1. Introduction

The aim of this paper is to compare and contrast some aspects of the decision-making process in United States manufacturing affiliates in the United Kingdom in the early 1950s, with that in their Japanese counterparts in the early 1980s. In so doing, it identifies some of the more important country-of-origin differences in the decision to invest in the United Kingdom, in ownership patterns in organisation structures, and in the way in which decisions are taken; and also some of the changes which have occurred both in the international economic scenario and in the character of multinational hierarchies over the intervening three decades. It also relates these issues to recent advances in the theory of international production, i.e. production financed by foreign direct investment.

2. Data sources and method of analysis

In the early 1950s, the author undertook a survey of some 205 United States manufacturing subsidiaries in the United Kingdom.¹ These affiliates accounted for between 90 and 95 per cent of the output of all United States manufacturing offshoots. The survey covered all aspects of their operations, including their organisational form and locus and patterns of decision-making. Each of the subsidiaries was visited and interviews conducted with one or more senior executives. Not all the executives were prepared to give information about the structure and mechanism of their decision-taking, but 150 were, and the data on United States owned subsidiaries used in this paper were derived from this source.

Nearly 30 years later, the author undertook a similar survey of Japanese manufacturing affiliates.² Some 26 of these were identified and visits paid to 22 of them. Once again, information was sought and for the most part obtained of the ways in which decisions were taken, both within these subsidiaries and between the subsidiaries and their parent companies.

The main part of this paper compares and contrasts the locus of decision-making authority and the characteristics of the decision-taking process in a variety of functional areas. However, it is difficult to identify the extent to which such differences that do emerge are specifically due to the country of origin of the affiliates, and how far they reflect other distinguishing features between the two groups of firms, e.g. size, industrial composition, ownership patterns and, perhaps most important of all, the 30 years' difference in the time of the surveys.

At the end of the day, the attribution of similarities and differences to one or more causes must be a matter of judgement. Data simply do not permit any econometric evaluation of explanatory variables. But, as we hope the paper will show, we can get a long way by examining the features of two groups of firms, their motives for investing in the United Kingdom, the very different economic and cultural background from which they originate, and the major differences in the economic environment facing inward investors in the 1980s from in the 1950s. It is these and similar questions we take up in the next section.

3. United States and Japanese participation in the United Kingdom industry

3.1 The extent and pattern: The facts

In December 1953, United States manufacturing affiliates employed about 3 per cent of the total labour force in the United Kingdom manufacturing industry and accounted for about 4 per cent of all manufacturing sales. Since the corresponding figures for 1981 (Business Statistics Office) were 10 per cent and 15 per cent respectively, it can be seen that United States direct investment in the United Kingdom industry was considerably less significant than it is today. Nevertheless, it already had a long history. Since 1929, at least (when the first US census of overseas assets was conducted), the United Kingdom had consistently remained the second largest recipient of the United States direct investment in manufacturing (after Canada) and in the 1950s was by far and away the most favoured location in Europe.³

Thirty years later, Japanese manufacturing MNEs were just beginning to make their presence felt in the United Kingdom. In December 1982, there were only 26 Japanese manufacturing affiliates⁴ (compared with at least 250 United States subsidiaries in 1953). They employed 5,375 people (compared with over 250,000 in American subsidiaries in 1953) - a minute fraction, just 0.05 per cent of the total United Kingdom manufacturing labour force, and only 0.5 per cent of the employment in all foreign manufacturing affiliates. Their corresponding shares of United Kingdom and foreign-affiliate manufacturing sales were 0.08 per cent and 0.40 per cent. In the main, Japanese manufacturing investment in the United Kingdom is of very recent origin. The first post-war manufacturing affiliate - YKK Fasteners - was not set up until 1969, and it is only since 1979 that the scale of Japanese participation has become at all noticeable.

The industrial structure of the two groups of foreign affiliates is set out in table 1. While more than one-half (54 per cent) of employment in United States affiliates in 1953 was within the engineering and motor vehicles sectors, no less than 76 per cent of the labour force of Japanese affiliates in 1983 was in consumer and industrial electronics. The chemical sector accounted for 12.7 per cent of employment of United States affiliates and 2 per cent of Japanese affiliates.

However, in spite of these differences, there is one important similarity between the two groups of affiliates, viz. they both strongly favour the more technologically advanced and/or faster growing sectors of United Kingdom industry, and those producing branded consumer goods with a high income elasticity of demand and advertising intensity. In 1953, for example, 43.8 per cent of employment in all United Kingdom firms was in the traditional sectors of metal manufacturing, textiles, food, drink and tobacco, woodwork, and paper and printing, which accounted for only 14.5 per cent of employment of United States affiliates. In 1983, less than 10 per cent of employment of Japanese subsidiaries was in these industries; of the rest, nearly three-quarters was in the consumer electronics sector alone.

3.2 The extent and pattern: The explanation

In the 1958 study, little attempt was made to explain the extent and pattern of United States participation in United Kingdom industry in terms of any general theory of foreign direct investment (FDI) or international production. It was, however, noted that the sectors in which the concentration quotient⁵ of United States affiliates was greater than 1, were those in which their parent companies had first evolved an innovatory and/or

Table 1: Percentage distribution of employment of United States and Japanese manufacturing affiliates by selected industrial sectors

	US (1953)		Japanese (1982)	
	Employment	%	Employment	%
Chemicals	31 300	12.7	106	2.0
Electrical goods	13 600	5.5	4 059	75.6
Non-electrical engineering	77 000	31.3	698	13.0
Vehicles	56 000	22.7	0	0.0
Precision instruments	16 200	6.6	324	6.0
Textiles and clothing	3 900	1.6	42	0.8
Others	48 200	19.6	146	2.7
	246 200	100.0	5 375	100.0

Source: J.H. Dunning: American investment in British manufacturing industry (London, Allen and Unwin, 1958); and idem: Japanese participation in UK industry (London, Croom Helm, 1986).

entrepreneurial advantage and that this, in turn, reflected the particular factor endowments, market requirements and the institutional infrastructure of the United States economy. The specific competitive or ownership-specific advantages of United States firms identified in the 1958 study⁶ were: (a) their ability to innovate particular kinds of goods and services; (b) their managerial and marketing skills in producing and selling these goods; and (c) their capacity to exploit large-scale and fairly homogeneous markets. On the one hand, because of its high wage costs, the United States had the incentive to produce labour-saving products and to engage in capital or technology-intensive production methods; on the other hand, its large and reasonably homogeneous home market and the high income of its consumers generated patterns of demand which, when emulated by other countries, gave United States firms a powerful competitive edge over their international rivals.

The nature of the ownership advantages of Japanese firms over United Kingdom firms in the 1980s is similar in some respects, different in others. It is similar in that the advantages arise from the possession of individual rent-earning assets, rather than those to do with cross-border transaction cost minimising activities.⁷ Since the end of the last war, Japan has been seeking to catch up with the United States and Europe in its manufacturing capabilities. To break into foreign markets dominated by its international competitors, its firms had either to introduce new products which, because of their limited innovatory capabilities, they found very difficult to do, or to tempt consumers to switch their purchases to their own products, e.g. by lower price and superior product design, quality and reliability which was, in fact, the strategy chosen by Japanese firms. Nowadays, the particular competitive advantages of Japanese MNEs, especially in consumer goods industries, is

self-evident. By efficient work organisation, use of the latest equipment and a rigorous and comprehensive system of quality control - both of intermediate and final products - they have captured markets from their competitors. In addition, as might be expected from late-entrant firms into the product cycle, the Japanese have sought to differentiate their products. This they have done (especially in the motor vehicle industry) mainly by providing ancillary equipment normally reserved for up-market products. Coupled with aggressive marketing tactics, Japanese MNEs have created distinct ownership advantages in the production of fairly standardised and mature products, which has often enabled them to outcompete their Western rivals in United Kingdom markets.

The main difference, then, between the competitive advantages of United States affiliates in the 1950s and Japanese affiliates in the 1980s is that the former rested on the innovating capacities of the investing companies and on the more successful application of management and marketing skills; while the latter arise from quality control, product differentiation and cost advantages, an emphasis on good industrial relations, and efficient procurement policies.⁸ The pharmaceutical and vehicles sectors in the 1950s in which the United States affiliates were particularly dominant were recipients of the first kind of advantage; the consumer electronics and the vehicle sector in the 1980s, of the latter. Looking to the future, however, there is some reason to suppose that Japanese MNEs in both consumer and industrial electronics are beginning to generate innovatory advantages of their own. Certainly, like the parent companies of the United States affiliates of the 1950s, they are among the most technologically progressive and fastest growing companies in Japan.⁹

3.3 The geographical distribution: The facts

The geographical focus of Japanese manufacturing MNEs in the 1980s is very different from their United States counterparts in the 1950s. Outside North America, which attracted 27 per cent of the Japanese cumulative foreign investment stake in March 1983, Asia accounted for 33 per cent, Latin America 20 per cent, and Europe only 7 per cent. By contrast, in 1955, the United States direct investment stake in foreign manufacturing facilities was mainly concentrated in Canada 45 per cent, Europe 30 per cent, and Latin America 15 per cent.

Within Europe, the United Kingdom has always been the preferred location for United States MNEs, though, since 1955, other European countries have increased their share of new manufacturing investment. In 1983, Japanese participation in European industry was rather more widely spread, with Spain accounting for 35 per cent of the employment in manufacturing affiliates, Belgium 17 per cent, and the United Kingdom 13 per cent. However, in the last two years, the growth of new investment has been most pronounced in the United Kingdom, and by the end of 1984 the United Kingdom had overtaken Spain as the leading recipient of Japanese manufacturing affiliates in Europe.

Within the United Kingdom, the concentration of Japanese affiliates in the less prosperous regions is even more marked than that of their United States predecessors. Table 2 sets out some details. Within these regions, while Wales has been particularly favoured by Japanese affiliates, Scotland ranked highest for United States investors. This probably reflects the different industrial composition of the two groups. In the rest of the United Kingdom, Japanese affiliates have been drawn to the expanding towns and cities of the Midlands, e.g. Milton Keynes, Telford and Northampton; by contrast, in the 1950, United States affiliates strongly favoured a South-East location, and especially the Outer London area.

Table 2: Percentage distribution of employment of United States, Japanese manufacturing affiliates and all United Kingdom firms by broad geographical area

	US (1953) %	All UK (1953) %	Japanese (1983) %	All UK (1979) %
<u>Regions of above average unemployment</u>				
Northern England	10.6	28.6	10.0	26.6
Wales	2.8	4.4	68.0	4.5
Scotland	12.1	10.1	9.1	9.4
South-West England	6.5	9.8	5.4	6.9
	32.0	52.9	92.5	47.4
<u>Regions of average or below average unemployment</u>				
Midlands	10.1	16.5	0.2	16.7
South-East England	47.0	25.2	5.4	32.9
East Anglia	10.9	5.3	1.9	3.0
	68.0	47.0	7.5	52.6

Source: Dunning (1958 and 1986), op. cit.

3.4 The geographical distribution: The explanation

The initial raison d'être for both kinds of inward investment has been to serve markets previously supplied by the parent company. The literature suggests that the location of such import substitution investment will be influenced mainly by market size and character, the prospects for growth, production costs, transport costs, investment and other incentives, tariffs and other artificial barriers to trade, and performance and other requirements imposed by host governments. In the 1950s, the shortage of dollars, both in Europe and in some Commonwealth countries, encouraged American firms to surmount this obstacle by supplying these markets from the United Kingdom; in the 1980s, the appreciation of the yen and voluntary restrictions on Japanese exports to Europe were the most important incentives for Japanese firms to relocate their production.

In consequence, both United States and Japanese affiliates exported a substantial part of their output - 36 per cent in the former case and 31 per cent in the latter. However, whereas the strategy of United States firms towards the exports of their United Kingdom affiliates was largely defensive, and/or preparatory to investment in individual recipient markets, that of the Japanese has been part and parcel of an aggressive integrated strategy in

which ab initio Europe is regarded as the target market but with that market mainly to be supplied from a single production base.¹⁰

Within Europe, both the Americans and Japanese favoured the United Kingdom, first and foremost, for language reasons; and next because of the similarities (relative in the Anglo-Japanese case) of commercial, legal and educational systems in the investing and host countries. Size of the domestic market was a stronger pull in the case of United States investors than that for Japanese investors. Indeed, in the latter case - particularly in the major sectors of involvement, i.e. consumer electronics - local demand conditions appeared to be less important as a locational choice than production opportunities as, in most cases, the United Kingdom plant is intended to serve the European market.

Within the United Kingdom, government attempts to steer new industry to the regions of above average unemployment, or those dominated by older or less dynamic sectors, was as strong an influence on the siting decisions of Japanese affiliates in the 1980s as it was 30 years earlier for American affiliates. In general, the evidence suggests that foreign-owned firms are more likely to respond to government persuasion and incentives than are domestic firms.¹¹ Perhaps, the only major endogenous locational factor which has assumed more significance since the 1950s is road and air communications; at the same time, government policy towards steering new investors towards regions of above average unemployment is rather more relevant in the 1980s than it was in the 1950s.¹² Within the two groups of firms, the relatively greater importance attached by Japanese companies to the attitude and motivation of labour makes them anxious to avoid regions with a heritage of industrial conflict;¹³ the age and sex structure of employment in Japanese affiliates is also different than their United States predecessors,¹⁴ even within particular industrial sectors.

3.5 The form of involvement

Decision-taking structures and procedures in MNEs strongly reflect the extent to which parent companies perceive it is necessary to control the use of resources by their affiliates. This, in turn, might be expected to influence attitudes to the ownership of foreign assets.

In our 1950s study, we gave little attention to the ways in which United States firms chose to exploit their competitive advantages. In our survey of Japanese affiliates, we asked quite specifically why the hierarchical rather than the contractual route of resource transference was chosen. The reasons given by the management of consumer electronic affiliates were threefold: (1) to ensure full quality control over both intermediate and final products; (2) to rationalise markets (and eventually production) in Europe; and (3) to benefit from co-ordinating economies stemming from a common parentage. In the case of other sectors, the reasons for equity investment were more varied, but the protection of property rights in the case of the process (notably chemical) sectors, and the perceived need to control marketing strategy were the most commonly cited.

Thirty years previously, the characteristics of market failure making for United States investment exhibited both similarities and differences. Earlier, we suggested that the ownership advantage of United States MNEs, vis-à-vis their United Kingdom competitors, reflected the particular pattern of resource endowments in the home country. Where the transaction costs of transferring these assets or their rights to United Kingdom firms were higher than those within the same United States firm, then the transfer was internalised. Our reading of the rationale for foreign direct investment by

United States firms in the 1950s is that the competitive advantages based on idiosyncratic product or process innovations were internalised, partly because of the (perceived) inadequacy of technological capacity (including support skills) in the United Kingdom and partly to capture firm economies of scale; those based on marketing efficiency were internalised to protect quality control, e.g. of selling and after-sales servicing, while those resting on the managerial professionalism and philosophy and on entrepreneurship were generally uncodifiable and required face-to-face contact.

Differences in the structure of United States and Japanese MNEs and the perceived need of their senior management to control the use and co-ordination of resources within their affiliates also explains the relative preference of the latter for a 100 per cent equity investment. In mid-1983, only five of the 26 Japanese manufacturing subsidiaries in the United Kingdom were less than 100 per cent owned, and just one of the nine electronics subsidiaries.¹⁵ In 1953, 73 per cent of United States affiliates were wholly owned and the balance were joint ventures. The Japanese experience with joint ventures in the United Kingdom has been singularly unfortunate.¹⁶ By contrast, Anglo-American joint ventures, both past and present, have been generally quite successful.¹⁷ We take up some of the reasons for the different ownership structures in the following section of the paper.

4. An economic theory of management and control of foreign affiliates

Why should the management of the foreign affiliates of MNEs not be fully autonomous? Why should parent companies wish to exert control or influence over either the structure or process of decision-taking in their offshoots? Economic theory suggests there may be three main reasons: first, when viewed as self-contained profit centres, the objectives of affiliates may not always accord with that of the firms of which they are part;¹⁸ this conflict will arise if (i) there are differences in the perceived goals of the affiliates and those of their parent company and/or (ii) there are costs or benefits arising from decisions taken by, or on behalf of, the affiliates which are external to those affiliates, but internal to their owners; second, the price of decision-making or related services may be higher in the host than in the home country; and third, for one reason or another, the efficiency of these services may not warrant the delegation of decision-taking authority.

Using the framework of the previous section, the first and third reasons suggest that the choice both between centralisation and delegation of decision-taking within an organisation and the nationality of the main decision-makers may be likened to that between the hierarchical and market route of transferring competitive advantages. For example, it might be hypothesised that the more the ownership advantages of an MNE stem from its common governance of geographically dispersed by inter-related activities, and/or proprietary knowledge which is idiosyncratic, uncodifiable, costly to transmit and in danger of being abused or dissipated, the more likely that either the top decision-takers of the affiliate will be filled by nationals of the home country, or that their decisions will be most closely guided or controlled by the management of the parent company.

The second reason for not decentralising decision-making is to do with the differential costs of decision-making resources across national boundaries. Given the same "output" where the (marginal) cost of decision-making is less in the home country than in the host country, then such decisions are unlikely to be delegated. Quite apart from economies of scale in decision-making, management and management support costs may vary

across boundaries. In some cases, management may need to be physically close to the market and decisions customised to local requirements; in others, it may need to be near to the main centre of activity. Thus, while it may be more efficient for decision-making on labour matters to be localised, those to do with innovatory activities may need to be centralised.

Using this framework, it should be possible to predict the extent and the areas in which decision-making in United Kingdom affiliates is controlled by their parent companies. It should also be possible to identify and evaluate country-specific differences in the control and location of decision-making. Why, for example, is production management in Japanese subsidiaries less autonomous in its decision-taking than used to be the case (and we believe still is) in United States subsidiaries? Why is a Japanese national more likely to head up the finance and accounting department in a United Kingdom subsidiary than an American expatriate is in a United States subsidiary? It is these and similar questions which we will attempt to answer in the following section.

5. The structure of decision-making patterns in United States and Japanese affiliates

The way in which parent enterprises influence or control decision-making in their affiliates tells us something about the nature of the hierarchical relationships within MNEs, and especially whether the affiliate is viewed as an independent entity, or as a part of a co-ordinated network of international activities. As has been suggested, we would expect the competitive advantages of MNEs to be more of a transaction cost-minimising kind, rather than those resting on the proprietary ownership of a specific asset, e.g. a patent.

Table 3 summarises our perception of the similarities and differences between the extent to which decision-making in various functional areas of United States and Japanese affiliates were (or are) influenced and/or controlled by their parent companies. Taking up the argument of the previous section, we would expect the influence to be greatest where the competitive advantages of the parent company (*vis-à-vis* indigenous or other MNE firms producing in the United Kingdom) were the most pronounced, and for parental control over the use of these advantages to be exercised where there was some danger of their being mismanaged or dissipated by the affiliate. We now highlight the main findings of our two studies.

5.1 Overall managerial philosophy and attitudes towards decision-making

In general, Japanese affiliates in the 1980s would seem to exercise a much closer influence on, and control over, general managerial philosophy and style than did their United States counterparts in the 1950s. This is partly a function of type of activity, pattern of ownership and age of affiliate,¹⁹ but, perhaps most significantly, of the more holistic approach adopted by the Japanese to decision-making.²⁰ The attention paid to encouraging the right work ethic, group consciousness and team support, requires a cohesive and integrated policy towards decision-making, the control and monitoring of which must be centralised. Hence, for example, in an area in which Japanese influence and control are *prima facie* quite loosely exercised, *viz.* wages and industrial relations, the managing director of the affiliate is likely to require that the policies of his personnel department towards recruitment, work organisation and standards, discipline, wage and incentives, promotion, and industrial relations is explicitly consistent with the overall philosophy.

Table 3: Comparative managerial influence and control exerted by United States and Japanese parent companies over United Kingdom affiliates

Area of management	US affiliates (c. 1953)	Japanese affiliates (c. 1983)
Overall managerial philosophy and strategy	Moderately reflects that of US parent company (though varies between sectors) US nationals or expatriates, mostly a minority on board of directors of affiliates.	Strongly influenced and moderately controlled by parent company. Chief executive of affiliate normally a Japanese national. Japanese nationals or expatriates comprise majority of local board of directors.
Product policy	Truncated range of products supplied by parent companies. Minor modifications and adaptations to UK customer requirements.	Affiliates supply only one major product line which, when adapted to local needs, is of the same quality as that produced by parent companies. Product policy decided centrally.
Production methods	Less automated, particularly in ancillary, e.g. mechanical handling equipment.	Mainly same as in Japanese parent companies but in some cases scaled down to suit lower volumes produced.
Procurement policy	Left mainly to UK purchasing managers, but stricter tolerances and standards required, cf. those demanded by UK firms.	Strongly influenced and controlled by parent company. Very rigorous quality control procedures.
Wages and salaries	Loosely controlled; tendency to pay well above average rates; many incentives and bonuses.	Moderately influenced and loosely controlled. Pay slightly above average rates. Few incentives. Time rates disliked.
Industrial relations	Loosely influenced and controlled, but bargaining conducted at plant level. Majority of affiliates unionised; some just one union.	Expected to conform to overall managerial philosophy; hiring and firing policy decided centrally. No, or only one, union preferred.
Marketing	Strongly influenced and controlled by parent company. Marketing methods replicate US practices. A lot of attention given to after-sales servicing.	Destination of output decided and controlled by parent company. Most output sold to separate marketing affiliates. Nothing especially noticeable in marketing methods, except Japanese are tough negotiators over price and salesmen maintain more face-to-face contact with clients than is normal UK practice.
Research and development	Strongly influenced and controlled by parent company. Some R & D in UK mainly to do with machinery design, product and materials adaptation. Some development research in industrial instruments, pharmaceuticals and vehicles.	Strongly influenced and controlled by parent company. Little R & D in UK, but some product design research starting in CTV sector.
Accounting and financial control	Moderately influenced, especially in new methods of production planning and control. Accounting usually standardised on US lines.	Strongly controlled by parent company. Usually a Japanese is in charge of this managerial area.

Source: Data derived from Chapters 4 and 9 of Dunning (1958) and Chapter 4 of Dunning (1986).

and strategy of the company, viz. to produce a high quality defect-free product at a competitive price. By contrast, the emphasis of the United States managerial control in the 1950s was more directed to ensuring that the United States product and process innovations and marketing methods were smoothly and economically transferred to a United Kingdom environment; and more generally, that in all branches of management and decision-taking a degree of professionalism was injected.²¹

The greater importance attached to including the Japanese approach to management and the perceived higher costs of decentralising decision-taking within Japanese MNEs;²² is shown by the fact that whereas the chief executive of 40 per cent of United States subsidiaries in 1953, which had been set up since 1940, were managed by United States expatriates,²³ the corresponding figure for Japanese expatriates in 1983 was 85 per cent. Moreover, whereas all but three (i.e. 86 per cent) of the executives interviewed in Japanese affiliates asserted that they were markedly influenced and controlled in their overall management objectives and strategy by their parent companies, the corresponding proportion of executives in United States subsidiaries who so opined was 33 per cent of all subsidiaries and 55 per cent of those set up within the previous 12 years.

5.2 Linguistic and cultural factors

Linguistic and cultural differences between home and host countries also explains why in many areas of decision-making the Japanese influence and control is greater than was that of the Americans. Basically, one can identify three sets of communication channels in which the affiliates of MNEs may be involved viz. (i) between themselves and their parent or other home-based companies; (ii) between different groups within the affiliates, e.g. management and workers, technical and sales staff etc.; (iii) between themselves and their local suppliers, customers, competitors and government. In order to avoid misunderstandings due, inter alia, to language and/or different ways of gathering, monitoring and presenting information, it is not surprising that in one-half of Japanese affiliates the heads of finance and accounting departments are Japanese nationals; and that, usually, Japanese production managers and chief technicians are appointed to ensure a free exchange of knowledge and ideas between themselves and their counterparts in Japan or heads of R & D departments. By contrast, efficient face-to-face communication within subsidiaries and between the subsidiaries and other local firms, customers and government bodies, requires not only a full understanding of the local language, but of culture, business customs and psychology and commercial law. This is why a United Kingdom national usually heads both personnel and procurement departments.²⁴ Accepting this, however, special attention is given to training these managers in the Japanese way, while there is usually a senior Japanese on the staff of these departments.

In the case of United States subsidiaries in the 1950s, these constraints were not as apparent; and it was in the areas where the parent company considered indigenous management lacked the required skills, experience, or initiative that United States expatriates were most likely to be in charge. Examples included sales, production management and marketing, accounting and finance to a lesser extent, and personnel and industrial relations very rarely.

In all Japanese affiliates, the number of Japanese nationals employed at the end of 1982 was 144 or 2.7 per cent of all employees. The great majority of these were in senior management, technical or professional positions. In a sample of 150 United States subsidiaries in the 1950s, we identified only 34 in which the chief executive was a United States expatriate; and 15 in which

Americans were employed on other managerial capacities. We believe linguistic and cultural factors largely explain these differences, although it is the perception of existing Japanese management that it is their parent companies' intention to indigenise their United Kingdom management as soon as possible.

5.3 Employee compensation and industrial relations

While both groups of affiliates claimed that they conformed to local customs and norms, there is a good deal of evidence that, in somewhat different ways, they have actively influenced these. Some illustrations are given in a later section of this paper. For the moment, we would point to some differences in personnel and wages policies. Most United States subsidiaries in the 1950s adopted an aggressive style to labour recruitment and were willing to pay well above the competitive wages to attract the right kind of labour; they also gave substantial monetary incentives to encourage productivity.²⁵ Nearly two-fifths of United States subsidiaries claimed they assimilated their parent plant's wages policy "in all major respects" and a further 22 per cent that United States principles were "adopted and modified to suit the particular needs at hand." All these firms stated that they aimed to pay their workers "above the minimum trade union rates".²⁶ Several United States firms were renowned for introducing new incentive and profit-sharing schemes in the United Kingdom in the 1950s. At the same time, only 15 per cent of subsidiaries were fully unionised and federated. Labour selection and training methods also followed American lines.

By contrast, Japanese affiliates in the 1980s are more inclined to adapt their labour practices to local needs. In particular, they are particularly sensitive to local criticism of their recruitment policies. They appear to make every effort not to poach from other firms; they have broadly conformed to nationally agreed wage levels; they offer few bonuses or monetary incentives; and almost, without exception, they are fully unionised. Their distinctive impact is shown in the area of hiring policy where they seek to recruit employees, able and willing to work as part of a team; the adoption of a more open and consultative style of industrial relations; the creation of quality control circles; the provision of first-class working and social conditions; and the fact that they prefer to deal with only one trade union. The fact that most of their workforce - in the colour television sector at least - is semi-skilled female labour and is normally recruited in areas of high unemployment, has no doubt made it easier for them to adopt a more paternalistic stance towards, and be more demanding of, their workers; this, however, is in marked contrast to the friendly and informal style of management which was a conspicuous feature of American affiliates 30 years earlier - and, to quite a large extent, remains so today.

5.4 Innovatory and production activities

The innovatory activities of both groups of affiliates were decided upon by their parent companies, as were major items of capital expenditure. However, the fact that there was much less research and development (R & D) undertaken in Japanese than in United States affiliates,²⁷ is more a function of the age of affiliates than anything else. Several Japanese affiliates in the electronics sector have indicated their intention to engage in R & D activities within the next few years. Both United States and Japanese affiliates aimed to replicate their parent companies' production methods as far as they could; of the two, probably the United States subsidiaries were forced to make the most adaptations, mainly because

differences in market characteristics and the cost of factor inputs between the United States and the United Kingdom in the 1950s were greater than those between Japan and Europe in the 1980s. Both groups of affiliates tended to be more capital and technology-intensive than their indigenous competitors; however, again mainly because of their more recent origin, Japanese affiliates were less diversified either in product or process structure than their United States counterparts.

5.5 Product policy

In general, the range of products produced by Japanese affiliates in the United Kingdom in the 1980s is much more truncated than that of their United States counterparts in the 1950s. Again, we believe this reflects the former's more recent involvement than the nationality of their ownership. Partly for this reason, too, United States subsidiaries were given more freedom to introduce new products or modify existing products and except for affiliates supplying internationally branded goods for the export market, there was less centralised control over product quality. In the latter area, however, there is absolutely no compromise by the Japanese. After all, it is quality and reliability which the Japanese regard as their most important competitor advantage in penetrating the European market. The insistence on a strict adherence to standards and inspection procedures is practised at every stage of the value added chain, including procurement (see section 5.6) and after sales policy.

Until 1983, the great majority of Japanese affiliates supplied only one major product. In the last two years, there has been a steady trend towards more product diversification, with most colour television affiliates now starting to assemble video recorders and some branching out further, e.g. to supply micro-ovens, steam irons, etc.

5.6 Procurement policy

In most major respects, decision-making on sourcing methods and policies was similar in United States and Japanese affiliates, though the Japanese more closely involved their parent companies in the establishment and monitoring of purchasing standards.²⁸ Indeed, almost all the criticisms of United Kingdom suppliers by United States subsidiaries and the perceived impact of the latter's purchasing demands on the former were reiterated (with even more fervour) by Japanese firms 30 years later. Whether it is an inherent feature of foreign-owned companies to castigate their local suppliers and claim a beneficial impact on their performance, we do not know but we were a little surprised that so little change had apparently taken place in the perceived capabilities of the supplying sectors over the intervening 30 years. We believe that part of the explanation is that United States and Japanese affiliates bought, or buy, from different sorts of suppliers, and part, that the purchasing requirements of the two groups of firms reflected that fact that their end-products were at different stages of the product cycle. For example, because United States firms were more innovatory in the products they introduced into the United Kingdom they tended to find their local suppliers lacking in experience, vis-à-vis their United States counterparts. Japanese companies, on the other hand, are producing similar products to their United Kingdom competitors; their main difficulties related to the quality, price and delivery timetables of the materials, components and parts they required. We now look into this and related questions in a little more detail.

5.6.1 Extent of subcontracting

In 1954, United States subsidiaries bought between one-half and two-thirds of their gross output, mainly from United Kingdom firms. In 1983, the respective figure for Japanese affiliates was 68 per cent, but only 42 per cent of this (29 per cent of the value of sales) was procured from United Kingdom firms. The marked difference in the origin of supplies may appear surprising as many of the products of Japanese firms were already being produced in the United Kingdom by their competitors, which was not the case with United States firms 30 years earlier. However, whereas in the mid-1950s, an overvalued dollar and higher United States wage costs made most United States imports uncompetitive, in the early 1980s, in spite of the rising value of the yen, the prices of many inputs in Japan were still below their United Kingdom equivalents. Two other differences between the two groups were that there was much more exacting and detailed quality control and testing procedure exercised by Japanese affiliates over their suppliers' products and that the parent companies of these affiliates generally operated central purchasing departments and bought components on behalf of their European affiliates.²⁹ This difference partly reflects the younger age³⁰ and smaller relative size of Japanese affiliates³¹ and partly the more closely integrated procurement policies pursued by Japanese companies.³²

5.6.2 Purchasing standards

While in United States affiliates the decisions on "make or buy" and "buy locally or import" were taken by local purchasing managers, without approval by the parent companies in the great majority of Japanese affiliates, these decisions were centralised. Indeed, for the more important components and parts, e.g. a colour television tube, the parent company of the buying subsidiary normally tested samples of products of alternative suppliers and, more often than not, required a detailed cost breakdown of the product. It was the parent company, too, which made the final decision of whether a particular specification was up to standard or not. Since, too, unlike their United States counterparts in the 1950s, Japanese affiliates were freer to import their inputs from their home country, the parental control over the "buy locally or import" decision was of more practical significance. In the late 1970s, United States affiliates were importing a higher proportion of their inputs than in the 1950s; but their main intra-group imports were between their European subsidiaries than between the parent companies and their affiliates. None of the Japanese affiliates in the United Kingdom in 1982 imported any components and parts from their European sister affiliates.

5.6.3 Impact on local suppliers

Both groups of subsidiaries asserted that they provided their local suppliers with more information and technical assistance than did their United Kingdom counterparts. While the Japanese like to stress that they treat their suppliers as part of their own family, 30 years earlier at least one United States affiliate claimed a similar relationship.³³ Dissatisfaction on quality of inputs, prices and delivery dates were also voiced by both United States and Japanese affiliates. As a consequence, their reject rates tended to be greater than those of their United Kingdom competitors, and were only reduced by a much closer co-operation between suppliers and purchasers.

In the course of both surveys, we visited the major suppliers of the affiliates for their views. These, too, told a common story but with a few important differences. Most suppliers agreed, for example, that their United States and Japanese customers were stricter in their demands for close

tolerance, adherence to specifications and delivery dates. They were also uniformly more willing than the average United Kingdom firm to supply detailed information in the form of specifications, blue-prints, drawings, designs, etc. In general, it appears that contemporary Japanese firms are more prepared to give advice on product design, equipment and production methods and work organisation than their earlier (or indeed their current) United States counterparts, who were often afraid of being accused of interference. In particular, there was widespread agreement - even among the very large United Kingdom supplies - that their Japanese customers had helped upgrade their quality control, inspection and testing procedures and, in some cases, had forced them to reappraise their production philosophy.³⁴ Certainly, as compared with their dealings with their United Kingdom customers, domestic supplies found the relationship with their Japanese counterparts less distant and more co-operative and stable.³⁵ Cultural factors, e.g. with respect to forming and fostering relationships, and the method by which decisions are made are important here.³⁷

All but one of the 20 suppliers considered in our survey said that they were regularly visited by their Japanese customers;³⁷ about one-half of suppliers thought that Japanese firms had the edge on their United Kingdom counterparts, especially in the frequency of visits by managers, design and production engineers and technicians. Much more than in the case of their American counterparts, Japanese parent companies were brought in to advise on the suppliers' production problems. They were also universally regarded - and much more so than their United States counterparts - as extremely prompt payers of bills.

On the other hand, there was some criticism that foreign-owned customers made insufficient allowance for differences in the supply conditions in the United Kingdom, cf. the United States and Japan and the fact that it was not always economic (inter alia, because of the size of the order placed) to install the equipment necessary to meet the tolerance set by the parent company. In the case of suppliers to Japanese affiliates in particular, standards were regarded as unnecessarily or unreasonably rigorous; while United States subsidiaries were accused of being inconsistent in their orders, and treating the supplier as a stop-gap until they could build up capacity to manufacture for themselves. This criticism was not directed at Japanese affiliates whose long-term commitment to their suppliers was generally appreciated. Indeed, 90 per cent of the suppliers appeared to be satisfied with their dealings with Japanese firms.

5.7 Marketing methods

Most of the Japanese manufacturing affiliates sold directly to their own sales and marketing affiliates unlike their United States predecessors which marketed the output of their factories directly. In the 1950s, United Kingdom marketing methods lagged behind those of the United States and it was in this area, along with product and process innovation, that United States affiliates made their most distinctive impact. Again, details are set out in Dunning; the point at issue here is that no fewer than 87 per cent of the subsidiaries producing consumer goods and 43 per cent of those supplying producer goods said that they assimilated sales and distribution techniques of their parent companies, though "some adaptation was often required to the particular circumstances at hand";³⁸ and apart from the chief executive, the sales or marketing director was more likely to be a United States national than any other departmental head.

The impact of United States subsidiaries in the 1950s on United Kingdom marketing procedures was also considerable; far more so than it is today. This extended to methods of dealing with wholesalers and distributors, training facilities, after sales-servicing and advertising and market research.

By contrast, Japanese subsidiaries in the 1980s appear to adapt their selling methods more closely to (what they perceive to be the best of) the European norm. There is nothing very distinctive about any aspect of their post-production activities except their insistence on the same attention to quality and detail in their after-sales servicing as in the manufacturing process. However, it is our impression that Japanese-trained salesmen are both tough negotiators over price and that they maintain rather closer contacts with their clients than is the normal practice. Few marketing decisions, however, have to be referred back to the Japanese parent company for approval, except with respect to the markets actually served. Here, as in production policy, the Japanese affiliates follow a regional (i.e. European) strategy as dictated by the head office. This has also been the trend in United States subsidiaries, though here it is more likely to be the regional office in Europe rather than the headquarters in the United States that makes the decision on "who produces what and sells to where".

5.8 Production control, budgetary planning and costing

The distinctive contribution of United States subsidiaries in these areas in the 1950s was much greater than that of the Japanese in the 1980s. However, very strict control is exercised by the Japanese parent companies over accounting and financial control in their affiliates; and in about one-half of affiliates a Japanese expatriate is in charge of the finance department. Apart from meeting local accounting requirements, all the financial data provided by Japanese affiliates is in pursuance of instructions by their parent companies and all methods of planning and budgetary control conform to Japanese practice. In no major respect is there any leeway for autonomy in decision-taking in this area which the Japanese regard as important to success as maintaining control over the quality and cost of the product being produced.

5.9 The composition of the board of directors

Another indication of the extent to which decision-taking in foreign affiliates might be controlled or influenced by their parent companies is the structure and composition of the former's board of directors. In 30 per cent of the United States manufacturing subsidiaries in the 1950s, at least one-half of the board consisted of United States nationals; the corresponding proportion for Japanese affiliates in the 1980s was 85 per cent and in seven affiliates the entire board consisted of Japanese nationals. Of the 107 directors of all Japanese affiliates, 81 (76 per cent) were Japanese nationals, although 62 of these were absentee directors, i.e. not resident in the United Kingdom.

Once again it would be dangerous to attribute these differences entirely or even mainly to the nationality of the parent companies. Other studies have revealed that the percentage of expatriates on subsidiary boards is directly related to (a) the percentage of shareholding of the parent company, (b) the age of the affiliate and its site relative to the parent company, and (c) the extent to which the affiliate is part of a regional or global product or marketing strategy. Since the 1950s, the proportion of United States

fully owned in the United Kingdom has increased, as these same affiliates have become part of the European strategy of United States MNEs. On the other hand, from the start, Japanese affiliates in the United Kingdom have been regarded by their parent companies as the bridgehead for a full-scale penetration of the European market.

6. Evaluation and conclusions

This paper has demonstrated that there are several important differences between the decision-making structures and processes of United States manufacturing subsidiaries in the 1950s and those of their Japanese counterparts in the 1980s. In general, decisions tended to be less centralised in the former than in the latter group of affiliates and where they were decentralised, it was more likely for a Japanese expatriate to be in charge than an American expatriate.³⁹

An earlier section argued there were three reasons why decisions were centralised and each of these is reflected in the different attitude of American and Japanese MNEs to the management of their United Kingdom affiliates. Thus, in order to ensure maximum efficiency of their affiliates, the Japanese currently believe that they must have direct control over production management and planning, procurement policy, finance and accounting procedures and work organisation; they do this either by centralising decision-making or by ensuring that either Japanese expatriates are in charge of these functional areas or that local managers are inculcated with the Japanese philosophy and trained to meet the standards expected of them. The Americans, on the other hand, believed that the United Kingdom managerial weakness in the 1950s lay in the unprofessionalism of United Kingdom management, lack of marketing expertise and unfamiliarity with the more technically advanced product methods. Decisions relating to these matters then tended to be centralised and/or taken by United States expatriates.

We have asserted that the possibility of conflicts arising between the interests of United Kingdom affiliates and those of the organisation of which they are part, arises particularly in the case of MNEs pursuing a globally or regionally oriented product or marketing strategy. In the 1950s, very few United States affiliates in the United Kingdom were operating such a strategy and most subsidiaries were treated as self-contained profit centres. This is no longer the case - at least in the more internationalised of industries, e.g. motor vehicles, pharmaceuticals and consumer electronics, and in several strategic areas, notably product marketing and sourcing policies, decision-making in United States MNEs such as Ford, IBM, Caterpillar and Eli Lilly has become increasingly centralised. By contrast, the entry of Japanese MNEs into the United Kingdom is part of a long-term European development strategy; from the start, the tasks assigned to the affiliate have been designed to promote the goal rather than the welfare of the United Kingdom operation as such. With this vision in mind, it is then not surprising that important decisions tend to be taken in Tokyo or Osaka rather than in Cardiff or Washington, Tyne & Wear.

At the same time, one must not neglect differences in cultures between the two investing economies. The consensus approach to decision-taking by the Japanese makes for a good deal more discussion among the parties affected by any discussion made than was (or is) evident in United States subsidiaries - for all the emphasis in United States culture on industrial democracy. Inter alia, this means the decision-making process is less formal but more protracted in the case of Japanese MNEs although in the last resort there is an even clearer recognition of the role of the manager as a decision-taker in Japan than in United States enterprises. At the same time, in our interviews

with both groups of firms, we gained the strong impression that many of these cultural differences could be transferred from parent companies to subsidiaries but that the Japanese perceived this might take longer and require a lot more direct influence from Japan (or Japanese expatriates working in the United Kingdom) than the Americans did 30 years ago.

On the third reason for decentralisation of decision-making, i.e. that to do with the lower decision-making costs in the country of the affiliates rather than that of the parent company, there was a considerably greater pressure for United States enterprises to relocate managers in the 1950s than that of the Japanese in the 1980s. However, in both cases, the costs of employing expatriates is (and was) between 50 and 150 per cent higher than their domestic costs (i.e. due to differences in tax rates, additional housing, education, travel, settlement, etc. costs). In the 1950s, the average salaries of United Kingdom managers and management-related staff would have been about one-half of his United States counterpart; today (with the depression of the pound) it is nearer two-fifths. By contrast, United Kingdom and Japanese managerial and related costs were about the same in the early 1980s and for this reason, Japanese MNEs have less incentive to decentralise the decision-making function. On the other hand, the greater unfamiliarity of the Japanese with the English language and business customs and their lack of knowledge about United Kingdom supplies, industrial relations and ways of dealing with central and local government, make it more likely that they would favour "on-the-spot" rather than distant managers, in so far as they are better able to take decision in those decision-making areas which are United Kingdom rather than Japanese focused. Thus, the Japanese affiliates were almost, without exception, fully unionised and inclined to adapt their labour relations to local practices.

Finally, let us examine some of the other differences between the two groups of decision-makers, i.e. those which cannot be attributed to their country of origin and how these might react on their decision-making structures and procedures.

(a) Age. We have already touched on this throughout our paper. Since younger and less experienced affiliates are more likely to be subjugated to their parents in decision-taking than their older counterparts, we would expect, for this reason, decision-taking to be more strongly centralised in Japanese MNEs. However, while recently established United States subsidiaries in the 1950s were less autonomous in their decision-making than those set up prior to the Second World War,⁵⁰ they were considerably more autonomous than their Japanese counterparts in the 1980s.

(b) Size of affiliates. After taking age and industry differences into account, there appears to be no significant difference in the absolute size of United States affiliates in the 1950s with their Japanese counterparts 30 years later.⁴⁰ However, relative to their parent companies, the Japanese affiliates were considerably smaller, hence, their economic influence in the multinational hierarchy of which they are part may well be that much less.

(c) Product diversification. We have indicated that in 1982, almost all Japanese affiliates were single-product firms. This is in contrast to United States firms in the 1950s - even those recently established. One might expect less autonomy on the part of United States subsidiaries. The need to adapt products to local customer requirements makes for more local decision-making; again this need would appear to be more pronounced in the case of United States affiliates.⁴¹

(d) A regional or global product market strategy. In our view, this is one of the most important factors leading to centralised control. Throughout this paper, we have suggested that such a strategy (albeit in its infancy) is being practised by Japanese MNEs with investments in the United Kingdom; in fairly marked contrast to the "controlled autonomy" allowed to United States subsidiaries in the 1950s. New United States subsidiaries now entering the United Kingdom to supply the European market might well be persuaded to follow the Japanese strategy, which is partly industry specific and partly a reflection of the United Kingdom's membership of the EEC. Such a strategy affects the structure and process of decision-making in almost all functional areas - especially where the MNE is promoting a world product, e.g. of the Coca-Cola variety and is geocentric in its approach to resource management.

At the end of the day then, it is our judgement that while the general level of control exercised over decision-making in United States and Japanese affiliates is associated more with specific characteristics other than the country of origin or the parent company - and notably that of the age and industry of the affiliate and the degree of multinationalisation and strategy of the parent company, the direction (or emphasis) of control and the manner in which it is exercised is strongly country specific. In its turn, of course, this may have a time dimension. As Japanese firms become more multinational, as they compete with United States and European MNEs on equal terms, as they become more immersed in different cultures, and as their competitors adopt their more successful managerial and other styles, then they may lose some of their cultural idiosyncracies - as indeed have United States affiliates in the United Kingdom in the last 30 years. But for the moment, these idiosyncracies do explain many of the differences in the structure and processes of the decision-taking pattern of the two groups of firms studied in this paper.

Notes

¹ The results of which were published in J.H. Dunning: American investment in British manufacturing industry (London, Allen and Unwin, 1958); thereafter referred to as Dunning (1958).

² See J.H. Dunning: Japanese participation in UK industry (London, Croom Helm, 1986); thereafter referred to as Dunning (1986).

³ In 1955, 57.7 per cent of all United States manufacturing investment in Europe was in the United Kingdom, a slight decline on the 1951 figure of 58.1 per cent.

⁴ By June 1985, this number had increased to 37 and the numbers employed (including those in SP Tyres (previously Dunlop)) to over 14,000.

⁵ Defined as the share of the total employment of United States manufacturing affiliates accounted for by a particular sector, divided by the corresponding share of employment in all United Kingdom firms. Dunning (1958), op. cit., pp. 19-20 and 78.

⁶ Pages 21/34 of Dunning (1958) gives examples of new products and production methods originating from the United States in the 40 years prior to the First World War, and suggests reasons for the reluctance of United Kingdom manufacturers to adopt and exploit the basic inventions of the period. See also p. 78 ff.

⁷ For an elaboration of the difference between asset (or production) and transaction cost advantages of MNEs, see Teece (1983) and Dunning (1983).

8 In the terminology of Vernon (1974), United States MNEs investing in the United Kingdom were mainly innovation-based oligopolies while the Japanese investors, at least in the product areas in which they were involved in the United Kingdom, are mature or even senescent oligopolies.

9 In 1981/82 their R & D sales ratio world-wide was 3.1 per cent, nearly twice the average for all Japanese manufacturers.

10 To begin with, however, Japanese subsidiaries tend to supply the United Kingdom market with locally produced goods; and then as output increases to service continental European markets in place of Japanese exports. In the case of United States affiliates in the 1950s the majority had been supplying European markets since before the Second World War (see Dunning (1958), pp. 291-298)).

11 Dunning and Yannopolous in Dunning (1981).

12 The opportunities afforded by some expanding cities and towns, e.g. in the South Midlands, are also more widespread.

13 One of the reasons why Nissan whose Washington, Tyne and Wear for its new vehicle assembly plant (rather than the Midlands) was the attractiveness of recruiting of labour with little or no tradition in this industry.

14 In the consumer electronics sector, for example, the Japanese employ proportionately more female school-leavers than their United States counterparts 30 years earlier.

15 In 1984, the joint venture between Hitachi and GEC became entirely owned by Hitachi.

16 As described in Dunning (1986).

17 Though it is also the case that since the United Kingdom joined the EEC, the preference of United States MNEs for 100 per cent owned manufacturing affiliates in the United Kingdom (and elsewhere in the EEC) has increased.

18 It is to avoid this kind of conflict that MNEs prefer full rather than partial ownership of their affiliates.

19 Influence and control tends to be greater the more idiosyncratic the ownership advantages are, the younger the age of the affiliate and the greater the equity participation of the parent company.

20 This is explored in some detail in Dunning (1986).

21 In our 1958 study, it was shown that top management in United States subsidiaries were younger and better educated and trained than their counterparts in United Kingdom-owned firms.

22 cf. United States subsidiaries in the 1950s. This is partly due to country-specific factors and partly to differences in the decision-taking skills required to transmit and implement the ownership-specific advantages of Japanese firms. See particularly Chapter 4 of Dunning (1986).

23 For all United States subsidiaries the corresponding percentage was 23 per cent.

24 In only two subsidiaries was a Japanese national in charge of the personnel department; procurement, however, was often the overall responsibility of the chief executive.

25 Dunning (1958), p. 254 ff.

26 *ibid.*, p. 256.

27 Three-quarters of United States affiliates undertook some R & D in their United Kingdom affiliates, compared to 15 per cent of Japanese affiliates.

28 As described in some detail in Chapter 7 of Dunning (1958) and Chapters 6 and 7 of Dunning (1986).

29 Some 48 per cent of the purchases of Japanese affiliates were obtained directly from their parent companies; the corresponding figure for United States firms was less than 10 per cent.

30 For example, the evidence suggests that the ratio of local to imported source components tends to increase quite dramatically in the first five years of a colour television affiliate's life in the United Kingdom.

31 The average output of colour television sets produced by a Japanese affiliate in the United Kingdom was 12 per cent of that of their nearest equivalent Japanese plant; for other affiliates, it averaged 27 per cent. In 1954, nearly half of the employment in United States affiliates was in plants whose outputs was at least 25 per cent that of the parent companies.

32 Most Japanese affiliates assert they do not "buy British" because of uncompetitive prices, unsatisfactory quality, or the failure of suppliers to keep to delivery schedules. However, there may be other benefits of a centrally controlled purchasing policy which would explain the very high propensity of Japanese affiliates to purchase their Japanese inputs from their parent companies or sister affiliates.

33 Dunning (1958), p. 201.

34 As one electronics subsidiary said, "The Japanese have helped us to promote a philosophy of 'things should get better every day' and to pay attention to detail and to inculcate into each worker on the shop-floor a sense of responsibility not to accept anything less than his best".

35 In particular, Japanese affiliates make a special effort to build up long-term relationships with their suppliers. We did not find this feature so evident in the case of United States affiliates. Once again, this reflects differences in the purchasing customs of Japanese and United States parent companies and does not appear to be a time-related phenomena.

36 The Japanese prefers the consensus rather than a chain of command method of arriving at decisions.

37 Normally twice to three times a year.

38 Dunning (1958), pp. 264-273.

39 In Japanese affiliates, the number of Japanese nationals were 2.7 per cent of all employees in 1982 whereas, in 1957, the corresponding proportion of United States nationals was negligible.

40 See Dunning (1958), pp. 108-112.

41 In 1953, the average number employed by 59 United States subsidiaries set up since 1940 was 361; the average number employed by the 26 Japanese subsidiaries in 1982 was 205.

42 Similarly, the scaling down of home production processes is more evident in Japanese than in United States subsidiaries. On the other hand, recent developments in automation have generally led to less flexibility in manufacturing methods; hence, decisions about these can be more easily centralised than in the past.

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