

Managing the Transnational Corporation

Module Introduction and Overview

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1 Introduction to the Module

Welcome to the module *Managing the Transnational Corporation*. This module is about exploring the management of transnational corporations (TNCs). In doing so, the module considers the transnational as a distinct social, cultural and strategic entity. This is important since TNCs have a global focus which involves engaging with actors from (often) very different cultural backgrounds, and yet these corporations inherently seek to retain (and sometimes impose) their own distinct corporate identities and determine their own strategic orientation. This apparent contradiction can often create tensions, particularly with regard to negotiating with nation states and sub-national authorities over new investments, subsidies and determining tax liabilities or with trade unions over wages, working conditions and/or human resource practices. On the other hand, engaging with diverse actors and cultures may unlock new opportunities for TNCs, particularly if they can successfully exploit the variety of capabilities across their foreign affiliates. If these capabilities can be successfully harnessed within the TNC's strategic goals, then this might enhance the TNCs prospects for growth and development.

This module explores these issues through a variety of perspectives from different strands of literature. This allows us to capture the essence of the transnational corporation, but at the same time appreciate the differences in the nature of management practice across the globe. For instance, there are often noted (and sometimes subtle) differences in the management styles and strategies of Western and Asian TNCs. Such differences can raise tensions, particularly in the case of international joint ventures. A salient issue is the extent to which management practices have converged towards a global norm.

The module begins within an overview of the various definitions and theories of the transnational corporation, drawing largely upon material from the international business literature (Unit 1). This provides the basis for an understanding of the nature of international production and the external environment that TNCs operate within, and the extent to which global markets shape their strategy and behaviour. In Unit 2, we explore the strategic focus of TNCs in further detail by considering their organisational architectures and their relationships with affiliates. In doing so, we also consider some of the control mechanisms (and incentives) TNCs employ to ensure compliance across their global activities. We also explore the leverage advantages that TNCs have in negotiations with nation states, suppliers and workers.

Units 3 and 4 explore some of these tensions in more detail. In Unit 3, we critically analyse the tensions arising (within the TNC) from the desire to differentiate global operations by creating different units (with different objectives, routines, cultures etc.), as against the TNC's need to integrate global operations around a common strategy. We specifically explore this in the context of *Human Resource Management* and in doing so, we examine how TNCs seek resolve these tensions. Unit 4 then considers how and why processes of management control and co-ordination differ across TNCs. In this, we consider how management decisions designed to emphasise control

and/or coordination might be seen in terms of being varying forms or emphasis of strategic response and TNCs and their managers adapt to changes in the global business environment.

In the second part of the module, there is a particular emphasis upon the impact of different cultures upon the management of TNCs. For instance, in Unit 5 we consider the impact of 'diversity' across the TNC, focusing specifically upon the TNC's innovation strategy. The unit explores the challenges faced by managers as they manage diversity and innovation in globally displaced (virtual or multicultural) project teams. In Unit 6, we consider international joint ventures with a focus upon the impact of both national and organisational cultures upon HRM practices. This issue is also considered in Unit 7, where the question is raised as to whether TNCs are able to pursue a global HRM strategy to achieve global competitiveness. Finally, Unit 8 considers the extent to which the TNC is a distinct, social and cultural entity; in this regard we ask whether culture is a factor that serves to distinguish managing in TNCs.

To guide you as you consider the theoretical issues and conflicts arising from transnational production, the module will use a range of examples and case studies. These will illustrate the theoretical principles and assist you to understand and apply financial reporting in the international context. There are also many review questions and exercises incorporated into the module to facilitate your learning.

At certain points we will ask you to reflect on various aspects of the policy process where you work. It will be valuable for you and your fellow students to share these reflections on the VLE. These short notes setting out the issue and the approach will enrich your and your fellow students' experience of the module.

Please feel free to raise queries with your tutor and with your fellow students, if there are issues that are not clear to you. Do this as soon as you find a problem, because waiting will hold you up as you work through the module.

2 The Module Authors

Dr Phil Tomlinson is an Associate Professor in Business Economics in the School of Management at the University of Bath. His research interests focus upon economic governance, transnational corporations, globalisation and regional development and industrial policy, where he has published extensively in some of the world's leading journals. In addition, his research has been received by UK government departments and policy-makers, policy think tanks, such as NESTA and The Work Foundation, the UK Trades Union Congress (TUC) and various Industry Trade Associations and the wider business community. He has also taught short courses and run workshops at other universities both within and outside the UK, including the University of Deusto in Spain and, for CeFiMS, at Hong Kong Space University.

He has worked closely with CeFiMS and SOAS for over ten years, teaching and writing materials for modules including Decentralisation and Local Governance, The Japanese Financial System, Microeconomic Principles and Policy and Privatisation and Public Private Partnerships.

Dr Keith Jackson is a tutor at SOAS, University of London, where he has worked in various management and academic roles since 1993. He also works freelance as a consultant in international HRM and management education, with ongoing teaching and consultancy assignments in China, France, Germany, Japan, Switzerland and Turkey. He is an honorary visiting fellow at the Cass Business School (London) and an editor for the journals *Asia Pacific Business Review* and *South Asian Journal of Global Business Research*. His PhD was on 'the management of trust'.

This module also draws on material from the module, *International Human Resources*, written by **Dr Richard Common**. Dr Common was a UK Civil Servant before becoming a researcher at the London Business School and then the London School of Economics. He has lectured in public sector management at a number of Universities in the UK, and at the City University of Hong Kong. He joined the Business School at the University of Hull in 2001, and then in 2007 moved to Manchester Business School as Senior Research Fellow. Dr Common has a Master's degree from the London School of Economics and gained his Doctorate from the University of York. He has published extensively on public sector management reform, including (in 2001) *Public Management and Policy Transfer in Southeast Asia* (Aldershot: Ashgate).

3 Study Resources

This study guide is your main learning resource for the module as it directs your study through eight study units. Each unit has recommended reading either from the key text or from the supplementary module readings. The module also comprises a range of case studies.



Key text

You will be provided with access to the following key text for this module:

Ietto-Gillies G (2012) *Transnational Corporations and International Production, Concepts Theories and Effects*. 2nd Edition. Cheltenham UK: Edward Elgar.

This is a very comprehensive and useful book covering a range of theoretical perspectives about the emergence of transnational corporations and some of the issues that arise from their relationships with other actors in the global economy. The book also provides a contemporary picture of the importance of transnationals in today's global economy.

Module readings

The key text's coverage has been complemented and supplemented by articles and extracts from other texts. You are provided with access to a range of academic journal articles, extracts from supplementary text books and other reports or material.

4 Module Overview

The module is structured around eight units, which should be studied on a weekly basis. It is expected that studying each unit, including the recommended readings and activities, will take between 15 and 20 hours.

However, these timings may vary according to your familiarity with the subject matter and your own study experience.

Unit 1 The Nature of the Transnational Corp. – An Overview

- 1.1 Why is it Different to Manage a TNC?
- 1.2 What is a Transnational Corp. (TNC)?
- 1.3 What is in a Name? Transnational or Multinational?
- 1.4 Review of Theories of Transnational Production
- 1.5 Case Study
- 1.6 Historical Roots, Recent Trends and the Largest TNCs
- 1.7 Conclusion

Unit 2 Major Issues Facing TNCs

- 2.1 Introduction
- 2.2 Organisational Architectures in TNCs – Strategy and Structure
- 2.3 Control Mechanisms and Incentives
- 2.4 Exploiting International Leverage Situations
- 2.5 Conclusion

Unit 3 Differentiation and Integration

- 3.1 Introduction
 - 3.2 Differentiation and Integration
 - 3.3 Conclusion
- Guide to Answers for Terence Jackson, 'The Strategic Organization'

Unit 4 Coordination and Control

- 4.1 Key Features of TNCs
- 4.2 Interpreting TNCs as Systems
- 4.3 Controlling
- 4.4 Staffing as Controlling
- 4.5 Illusions of Control – Examples from the Non-profit Sector
- 4.6 Coordination
- 4.7 Outsourcing
- 4.8 Assessing the Ethical Performance of TNCs – a Case Study from Nigeria
- 4.9 Conclusion

Unit 5 Innovation

- 5.1 Defining Innovation
- 5.2 Managing Innovation
- 5.3 Case Study: 3M
- 5.4 Innovation and Diversity
- 5.5 Virtual Project Teams
- 5.6 Innovation – Risk and Opportunity
- 5.7 Conclusion

Unit 6 HRM in International Joint Ventures

- 6.1 Introduction
- 6.2 Joint Ventures and National Culture
- 6.3 Organisational Culture and IJVs
- 6.4 HRM in Joint Ventures
- 6.5 Conclusion

Unit 7 Global HRM

- 7.1 The HRM Paradigm
- 7.2 Distinguishing Between HRM and Personnel Management
- 7.3 Junzi – the Confucian Gentleman
- 7.4 Psychological Contracts in East Asia
- 7.5 International HRM
- 7.6 Global HRM
- 7.7 Conclusion

Unit 8 Cultures

- 8.1 How Do Cultures Evolve?
- 8.2 Socialisation and Cultural Identity
- 8.3 South Asia as a Context for Managing in TNCs
- 8.4 National Cultures
- 8.5 The Cultures of TNCs
- 8.6 The Re-emergence of Indian TNCs
- 8.7 Conclusion

5 Learning Outcomes

When you have completed your study of this module, you will be able to:

- understand TNCs as distinct social, cultural, technological, economic and strategic entities relevant to the emerging global economy
- explain the nature of international production, and evaluate critically the main theoretical approaches that explain why firms have become transnational
- evaluate the various organisational alternatives that exist for transnational corporations and assess their effect on coordination and control, the potential for innovation, international human resource practices, and culture

- demonstrate an in-depth knowledge of a range of relevant case studies and explain their implications for both theory and practice
- compare and contrast various processes of control and coordination across TNCs, and explain why they vary, especially in response to new opportunities and challenges, and the leverage abilities of TNCs in relation to nation states, suppliers and labour
- assess critically the extent to which 'culture' is a distinguishing feature of TNCs generally, and when comparing nationally and regionally headquartered TNCs to each other.