Multinational Corporations in Political Environments

Ethics, Values and Strategies

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Usha C. V. Haley

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For George T. Haley

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Foreword

By Ingo Walter:

This volume represents a valuable addition to the literature on the multinational firm, which dates back to the 1960s and continues to evolve in depth and richness. It brings out many of the subtleties associated with the interlinkage of the multinational and host countries. These include, at the very outset of the volume, the role of the multinational firm as a change agent affecting an array of interests at various levels of aggregation. This is followed by a first-rate review of the conceptual foundations of the multinational enterprise. Both discussions are then brought to bear on the involvement of multinationals in South Africa under apartheid — one of the most complex and politically-charged stories in recent memory. In retrospect, did multinationals prolong or accelerate the demise of apartheid? And conversely, what was the impact of the political pressures exerted on them, in the US and elsewhere, to withdraw or modify their South African operations in the waning years of the old regime? There is, of course, no way to run the world twice, but the analysis provided by Professor Haley provides a solid foundation for thinking about such issues. The final part of the book focuses specifically on the issues of adaptation and withdrawal,

which are critical to an assessment of this question. For all of these reasons the book is likely to remain a valuable reference work on multinationals for years to come.

Ingo Walter
Charles Simon Professor of Applied Financial Economics
and Director, New York University Salomon Center
Stern School of Business
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By William D. Guth:

There is considerable business and governmental interest in sanctions today, more than there was in the 1980s when multinational corporations in South Africa were the focus of organized stakeholder opposition. Stakeholder opposition continues against companies such as Nike, Shell and Disney and governments such as Myanmar's. Until the study reported in this book, however, all of the systematic research on sanctions had been done at the level of the nation state; at the level of the company, we had only anecdotal evidence. This is the first book that systematically studies why multinationals leave host states and the circumstances that prompt their leaving at the level of the company. Professor Haley has shed considerable new light on our understanding of the impact of stakeholder sanctions by including the values of top managers compared to those of other stakeholders as critical elements shaping companies' decisions. This important book identifies which sanctions by both governments and private pressure groups "work" and which do not, and explains why. It identifies the responses of corporate managements to these pressures, and demonstrates how frequently, and explains how and why, management turns situations that appear to be victories for the sanctioning parties into business-as-usual under a different format.

William D. Guth
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Acknowledgements

This book stems from my doctoral dissertation completed a decade ago at the Stern School of Business, New York University. Fascinated by newspaper reports and stakeholders' activism surrounding multinational corporations in South Africa, I was surprised to find that our existing theories did not explain adequately why multinationals left a country, how they left and in what form they left. I undertook the brave (or foolhardy) task of devising such an explanation. The dissertation took three years and extracted its toll in other respects too. Two years into its writing, the end appeared nowhere in sight. At that time, Professor Donald Lessard, visiting from MIT, was delivering an invited lecture on international business at Stern. Seeing this dejected, struggling and penurious doctoral student, Don stopped to provide some insights and encouragement. He said, "These years will soon be a memory and when you leave, you will be bombarded by opportunities. You will not have the time again, to think about one idea for three years as you are doing now. Take advantage of the moment."

Don's words have rung true. After leaving Stern, I was sucked into a whirlwind of opportunities to understand and to influence multinationals and governments in Italy, Mexico, Singapore, Malaysia, Australia, Vietnam, India, China and South Korea. I wrote over 70 books and journal articles, yet, never had the time to think about one idea, by itself, for six months — let alone for three years. Recently, while discussing at Harvard efforts to

sanction Myanmar, and while correspondingly exploring with friend and activist Professor David Boje, efforts to pressure Nike, I was struck again by the applicability and freshness of the ideas I had explored earlier. This book is the result. I believe the ideas hold greater validity than they did a decade ago, as the benefits of hindsight have now come to bear as well as the opportunity to influence new developments.

The ideas in this book owe a great deal to the people who supported my efforts and provided guidance over the period of my dissertation as well as later through my professional career — Professors Ingo Walter and William Guth, who co-chaired my dissertation committee. Both Ingo and Bill generously provided the opportunity to explore concepts with them as well as commented copiously on rewrite after rewrite. Both provided their unique and stellar wisdom, knowledge and experience to the understanding and completion of this monumental book project. Both showed by example as well as deed that knowledge in business schools should aim to understand as well as to influence. Professors Thomas Pugel and Janice Beyer also provided many helpful comments on my dissertation over a decade ago, especially on the methodology, which I have incorporated in part into this book. To Ingo, Bill, Tom and Jan, I express my gratitude and thanks.

Others helped on this book project. Editor Karen Quek at World Scientific, read chapters and granted more time for the completion of this project when needed, supporting its goals from the outset. In the Management Department at the University of Tennessee, Knoxville, Professors Oscar Fowler and Michael Stahl contributed greatly to an intellectually stimulating environment that encourages scholarship and research on international and strategic issues. Ms. Jackie Cook and Ms. Jane Moser in the Management Department helped me with diagrams and tables in a timely and efficient fashion. Thank you, Karen, Oscar, Mike, Jackie and Jane.

On the home front, I owe thanks to my kittens, Comet Baby and Marmalade for making life more enjoyable and less stressful. Finally, I owe a debt of undying gratitude to my husband, George Haley, who put up

with me during my dissertation and later, provided comments on the manuscript and moral and emotional support throughout. To George, I dedicate this book.

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