

# CONTENTS

<i>List of figures</i>	vii
<i>List of tables</i>	ix
<i>List of contributors</i>	xi
<i>Acknowledgements</i>	xii
1 ECONOMIC ORGANISATION AND THE MULTINATIONAL FIRM	1
<i>Ram Mudambi and Martin Ricketts</i>	
<b>PART I</b>	
<b>Theoretical Issues</b>	<b>19</b>
2 THE ECONOMICS OF INTERNAL ORGANISATION WITH SPECIAL REFERENCE TO THE MULTINATIONAL ENTERPRISE	22
<i>Mark Casson</i>	
3 THE ECONOMICS OF BUSINESS PROCESS DESIGN IN MULTINATIONAL FIRMS	56
<i>Peter J. Buckley and Martin J. Carter</i>	
4 INCORPORATING THE MULTINATIONAL ENTERPRISE INTO THE THEORY OF INTERNATIONAL TRADE	79
<i>James R. Markusen</i>	?
<b>PART II</b>	
<b>Interfaces and Organisation</b>	<b>99</b>
5 THE CONJUNCTION OF COMPETITION AND COLLABORATION IN INTERNATIONAL BUSINESS	102
<i>John Burton</i>	

## CONTENTS

6	A MODEL OF BUYER-SUPPLIER RELATIONS WITH IMPLICATIONS FOR THE MULTINATIONAL FIRM <i>Ram Mudambi and Susan McDowell Mudambi</i>	126
<b>PART III</b>		
	<b>Current Applications</b>	<b>145</b>
7	A SINGLE EUROPEAN MARKET FOR DEFENCE EQUIPMENT: ORGANISATION AND COLLABORATION <i>Keith Hartley</i>	148
8	EUROPEAN UNION REGULATIONS AND CORPORATE GOVERNANCE <i>Alistair Alcock</i>	167
9	SUPPLIER RELATIONS IN THE MULTINATIONAL AUTOMOTIVE INDUSTRY <i>Mari Sako, Richard Lamming and Susan R. Helper</i>	178
	<i>References</i>	195
	<i>Author index</i>	209
	<i>Subject index</i>	212

# FIGURES

1.1	The relationship between the decision categories	9
1.2	Vertical relationships	9
1.3	The value chain as a business system	11
1.4	Functional disaggregation of the firm	12
1.5	Overseas market entry decisions – modes of foreign market entry	13
1.6	Nike: production of sports shoes	15
1.7a	Non-networked multinational organisation	16
1.7b	Networked global organisation	17
2.1	Decision tree for all investigation procedures	29
2.2	Marginal revenue and marginal cost curves: a numerical example	33
2.3	Optimisation of regular investigation procedures: the comparative statics of a numerical example	34
2.4	Optimisation of firm's investigation procedures when both regular and optimal procedures are available and risk aversion prevails	36
2.5	Alternative procedures for one-round negotiations	39
2.6	Determination of manager 1's best responses to manager 2's investigation procedures	41
2.7	Equilibria of one-round negotiation process	42
2.8	Decision tree for manager 1 in two-round negotiations, with absolute loss aversion	44
2.9	Comparison of firm and market when firm has access to option strategies but incurs evidence costs, and market involves two rounds of negotiation	46
3.1	Three architectures for two-country output decision process	63

FIGURES

4.1	Absolute country size (countries identical) – 100 is the value used in other simulations	86
4.2	Ratio of two-plant to one-plant fixed costs (countries identical) – 1.60 is the value used in other simulations	87
4.3	Countries differ in size	89
4.4	Countries differ in relative endowments	89
5.1	Analysing competition: the Five Forces Framework	104
5.2	Formulating competitive strategy: the Porter approach	105
5.3	Porter's generic strategies	107
5.4	Competitive strategies in international industries	107
5.5a	GM-Japanese carmaker CBAs	110
5.5b	Ford-Japanese carmaker CBAs	111
5.5c	Chrysler-Japanese carmaker CBAs	111
5.6	Why CBAs grow and grow: Ohmae's analysis	114
5.7	Analysing collaboration: the Five Sources Framework	118
5.8	Formulating collaborative strategy	119
5.9	The two faces of business strategy: formulating composite strategy	120
5.10	The 'deepening alliances' scenario	122
6.1	Model of buyer-supplier relations	133
6.2	Summary of resultant effects	137
6.3	A location-based taxonomy of buyer-supplier linkages	139
7.1	Competition and scale effects	156
9.1	Percentage of suppliers providing customers with detailed breakdown of process steps	183
9.2	Gap in perceived customer commitment 1993/4	184
9.3	Europe and US move towards partnership	184
9.4	Japan moves towards non-partnership	185
9.5	Median number of days batch lasts customer in Europe	187
9.6	Median number of days batch lasts customer in the UK	187
9.7	Production batch sizes remain largest in US	189
9.8	Delivery batch sizes remain smallest in Japan	189
9.9	Average annual cost change (1988/90–1992/3)	190
9.10	Average annual margin change (1988/9–1992/3)	190
9.11	New product development process: per cent of suppliers with sole responsibility for design	192

# TABLES

2.1	Five dominant output rules	29
2.2	Dominant investigation procedures	30
2.3	Optimal assignments of personnel under alternative procedures	31
2.4	Information costs incurred by alternative procedures under optimal assignments	31
2.5	Organisational style and structure under different investigation procedures	32
2.6	Valuation of alternative procedures: the numerical example	35
2.7	Price and quantity outcomes of one-round negotiations	37
2.8	Dominant one-round negotiation procedures	40
2.9	Values of alternative negotiation procedures: a numerical example	41
3.1	Information assumptions	70
3.2	Information structures	71
3.3	Decision functions	73
3.4	Expected gross profits	73
3.5	Expected gross profits and organisation losses	74
6.1	Numerical sensitivity analysis – the effects of relational investments and TSA	135
6.2	Numerical sensitivity analysis – the effects of quality of communication	136
6.3	Numerical sensitivity analysis – the effects of the time discount factors	136
7.1	Defence expenditure	149
7.2	EU defence industries	150
7.3	Leading defence companies, 1993	152
7.4a	National procurement, 1993	152
7.4b	National procurement and exports	153

## TABLES

7.5	Number of different types of defence equipment: Europe v USA, 1993	154
7.6	The four scenarios	157
7.7	Perfect collaboration	158
7.8	UK collaboration	159
7.9	EU international companies	160
7.10	Work allocation	163