

# MOVERS AND SHAPERS OF THE GLOBAL ECONOMY: TRANSNATIONAL CORPORATIONS

*Lecture 5*

*EAS 501*

*Tuesday, September 9, 2025*

# Structure

- Dicken Chapter on Transnational Corporations
- Brief Introduction to Industrial Ecology
  - Focus on Life Cycle Assessment
- Discuss Goldstein and Newell Article
  - Scholars ignored individual corporations
  - Why important?
  - Political Industrial Ecology of Supply Chains
- Agro-Food Supply Chains
  - Identify a specific commodity and corporation
  - Use your skills to identify TNC configuration, governance, etc

# Nature of the TNC

- Definition
  - ‘A transnational corporation is a firm that has the power to coordinate and control operations in more than one country, even if it does not own them’
  - Two basic characteristics
    - They are networks within networks
    - Control and coordination is more complex than a domestic firm
- The myth of the ‘global’ corporation
- Geographical embeddedness
- Connections to globalization

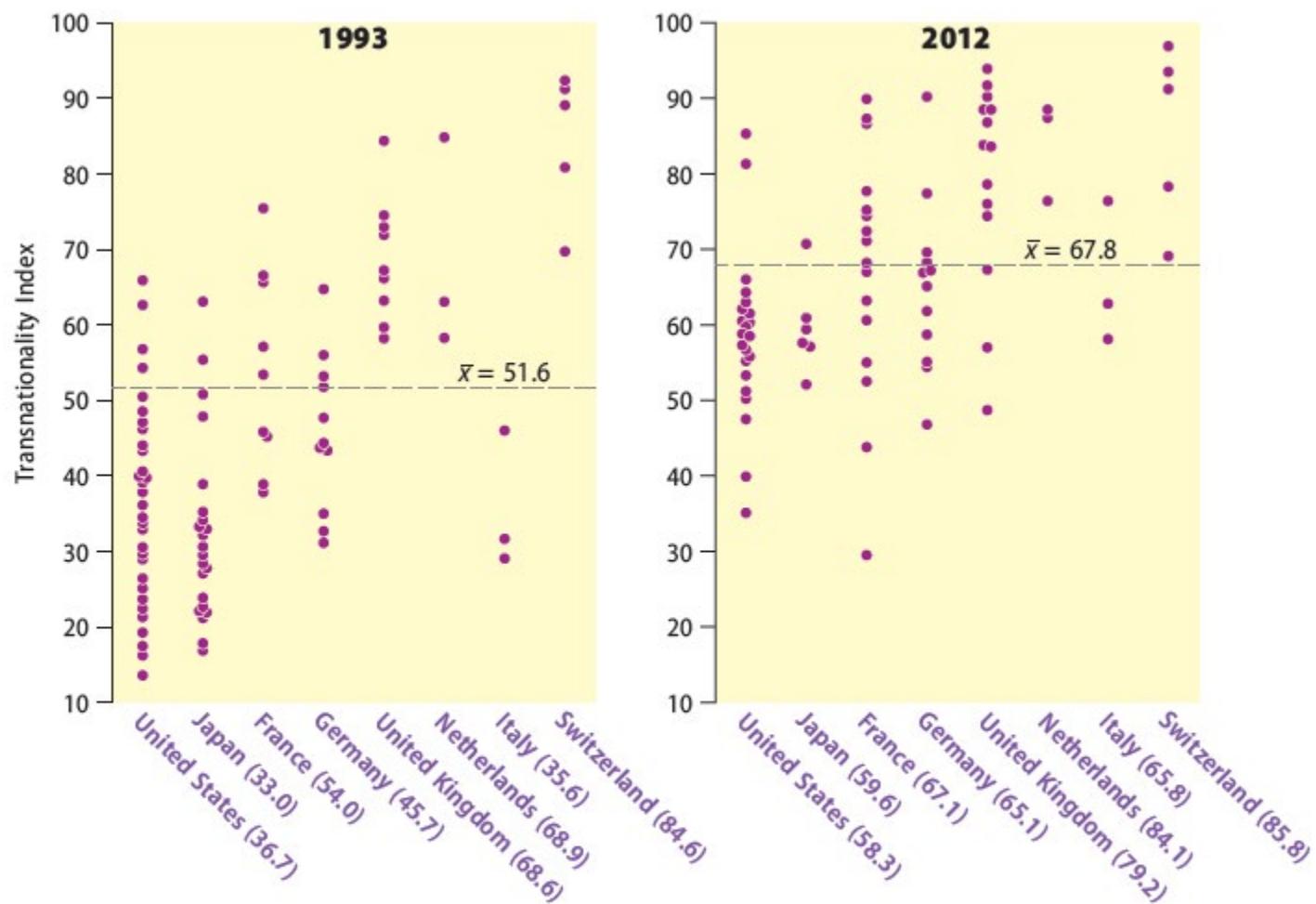
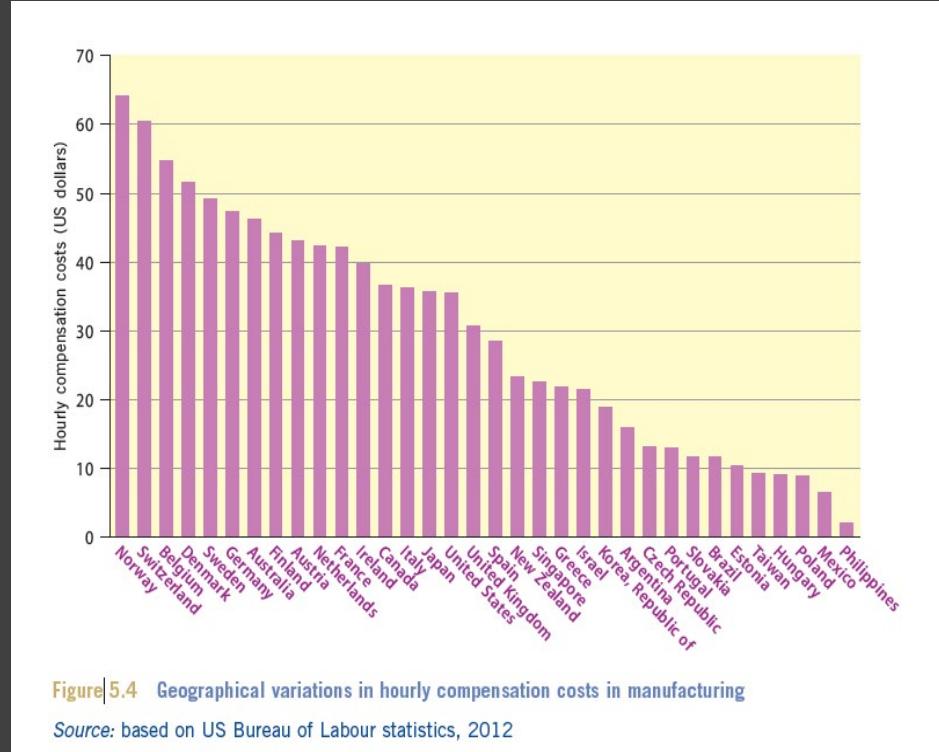


Figure 5.1 Transnationality indices by country of origin

Source: calculated from UNCTAD, *World Investment Report*, various issues

# Why Firms Transnationalize

- Market Seeking
  - Size of market
  - Structure of market
  - Accessibility of Market
  
- Asset Seeking
  - Natural Resources
  - Access to knowledge
  - Access to Labor



# Diverse Pathways of TNC Evolution

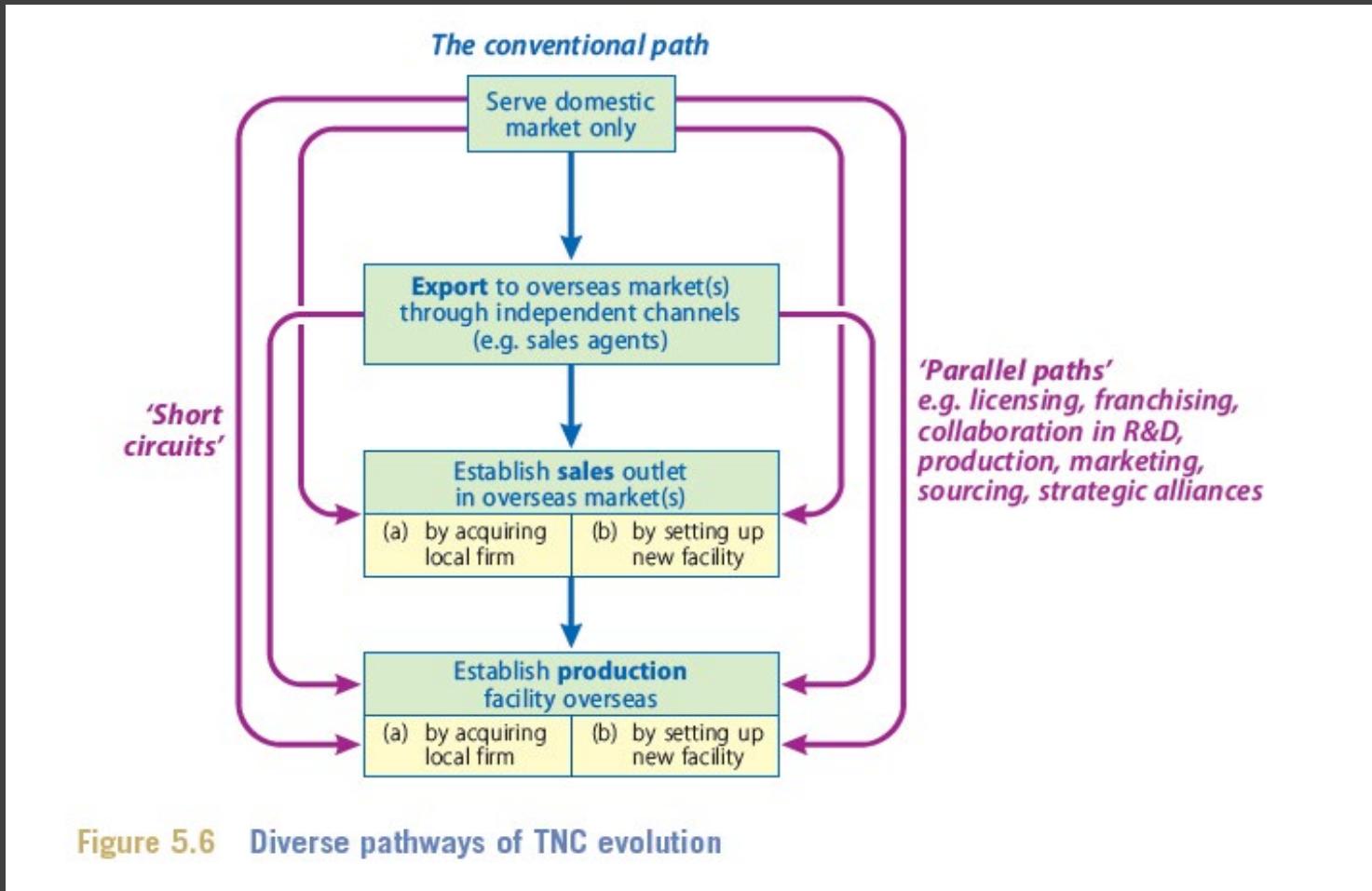


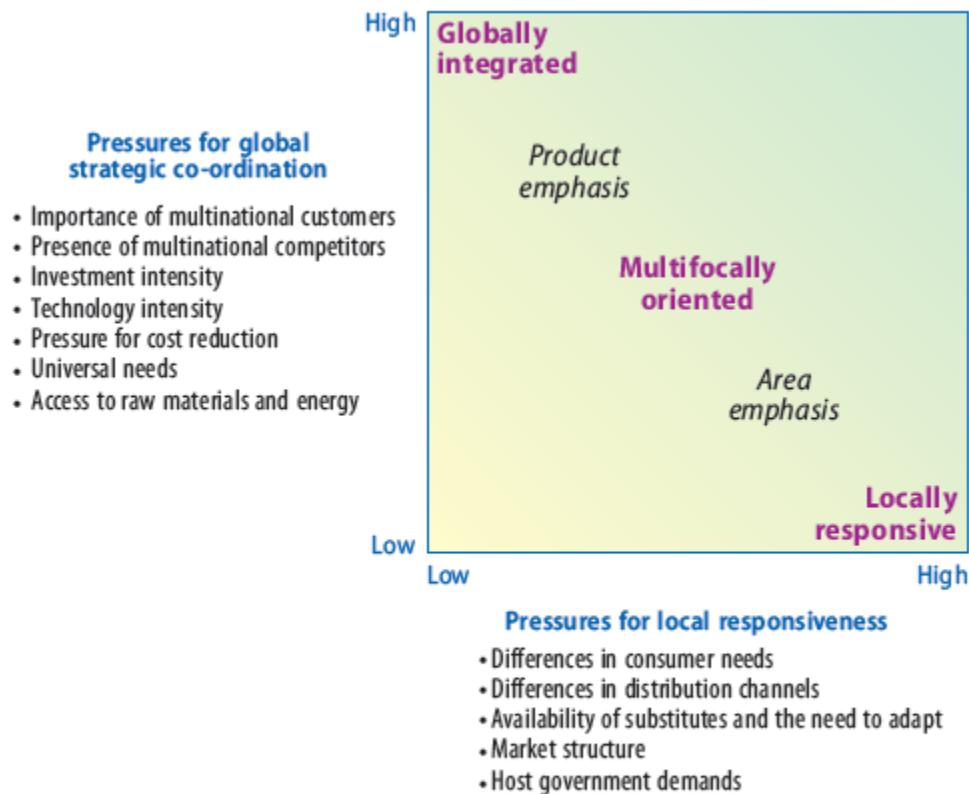
Figure 5.6 Diverse pathways of TNC evolution

# Advantages and Disadvantages of Globally Integrated Strategy

Advantages	Costs and risks
<ul style="list-style-type: none"><li>✓ The firm's oligopoly power is increased through the exploitation of scale and experience effects beyond the size of individual national markets.</li><li>✓ The TNC is placed in a better position to exploit the growing discrepancy between a relatively efficient market for goods (created by freer trade) and very inefficient markets for production factors.</li><li>✓ The possibility of exploiting differences in tax rates and structures between countries is increased and so, therefore, is the possibility of engaging in transfer pricing.</li><li>✓ The specialized and integrated function of individual country operations makes hostile government action less rewarding and less likely.</li></ul>	<ul style="list-style-type: none"><li>✗ The TNC may be vulnerable to disruption of its entire operations (or part of them) because of labour unrest or government policy changes affecting a particular unit.</li><li>✗ Fluctuations in currency exchange rates may disrupt integration strategies, drastically altering the economies of intrafirm transactions of intermediate or final goods.</li><li>✗ Governments may impose performance requirements or other restrictions which impede the optimal operation of the firm's integrated production chain.</li><li>✗ The task of managing a globally integrated operation is more complex and demanding than that of managing separate national subsidiaries.</li></ul>

Figure 5.7 Advantages and disadvantages of a globally integrated strategy

Source: based on material in Doz, 1986b

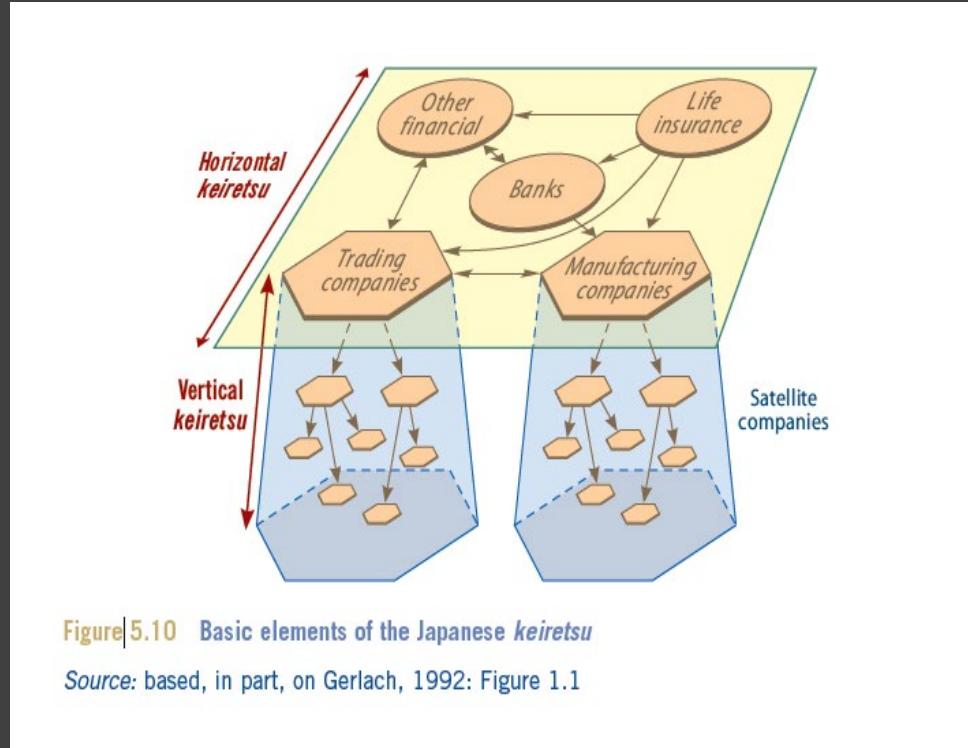


**Figure 5.8 A global integration-local responsiveness framework**

*Source:* based on material in Prahalad and Doz, 1987: Figure 2.2; pp. 18–21

# TNCs are products of their ‘home’ culture: The Japanese Keiretsu

- TNCs are ‘produced’ through the process of embedding
- Japanese companies highly structured and formal relationships between firms – Keiretsu
- Japanese overseas manufacturing tends to be hybrid, rather than found in Japan
- Same for companies from UK, US, etc.



# Types of Organizational Structure

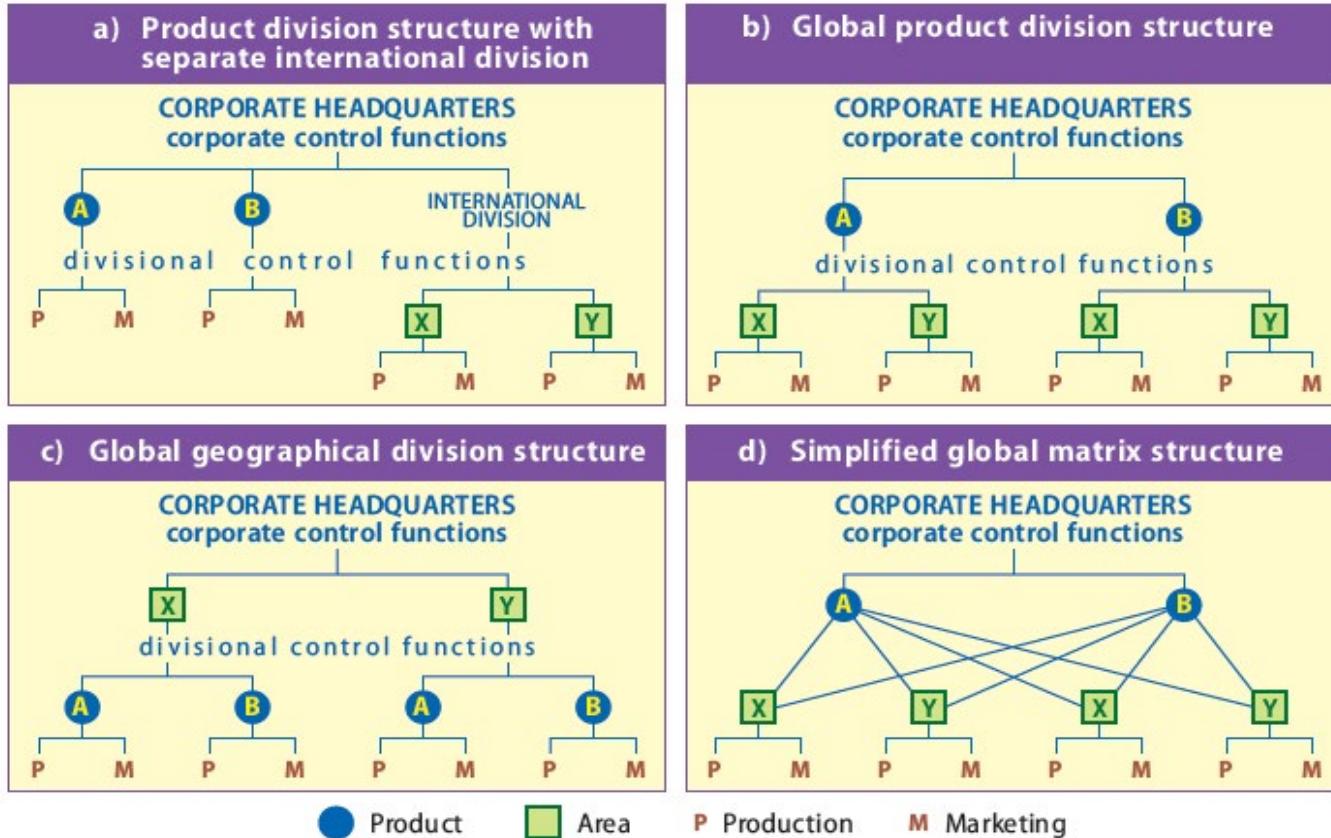
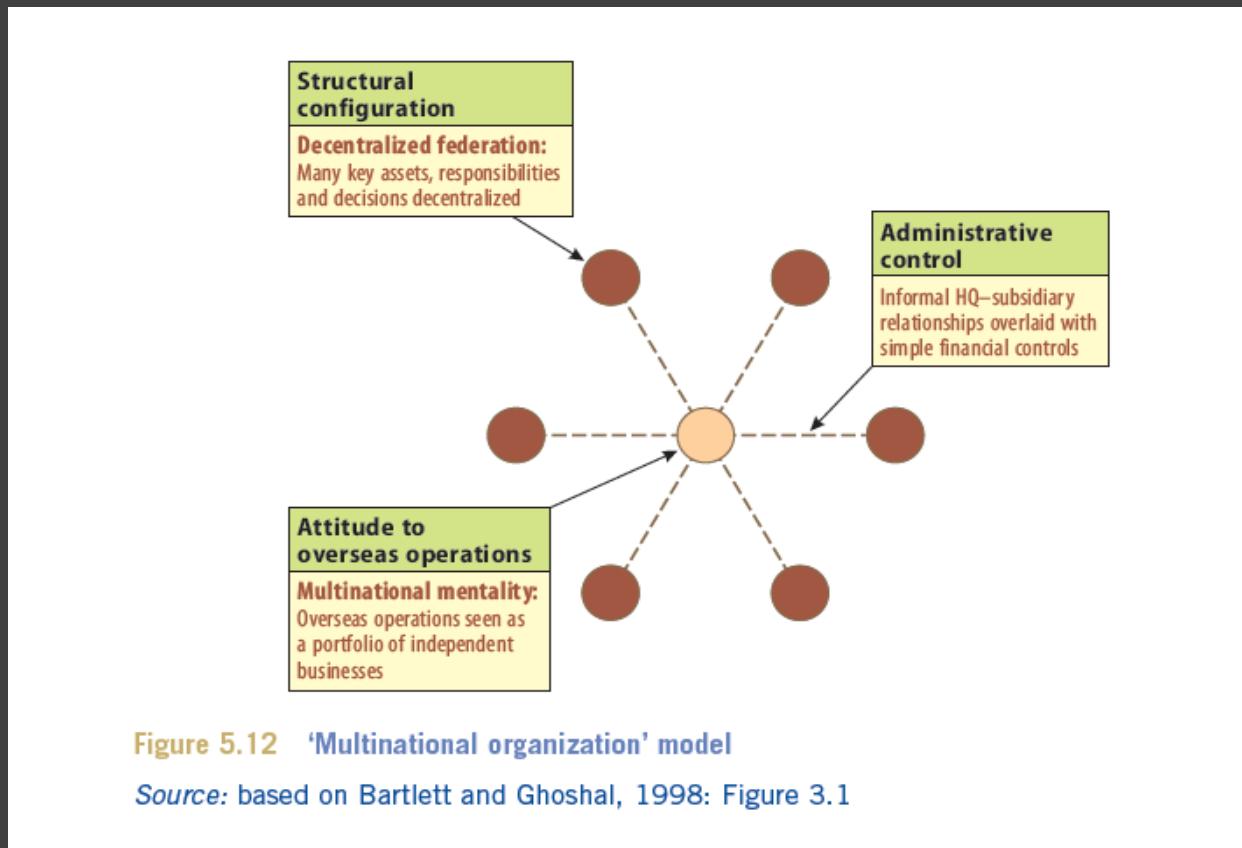


Figure 5.11 Types of TNC organizational architecture

# Multinational Organizational Model

- Worldwide operations are portfolio of national businesses
- 1930s in Europe especially
- Respond to local needs but fragmented structure



# International Organization Model

- 1950-60s, especially US firms
- More coordination and control by corporate headquarters
- Less responsive than multinational model to local conditions

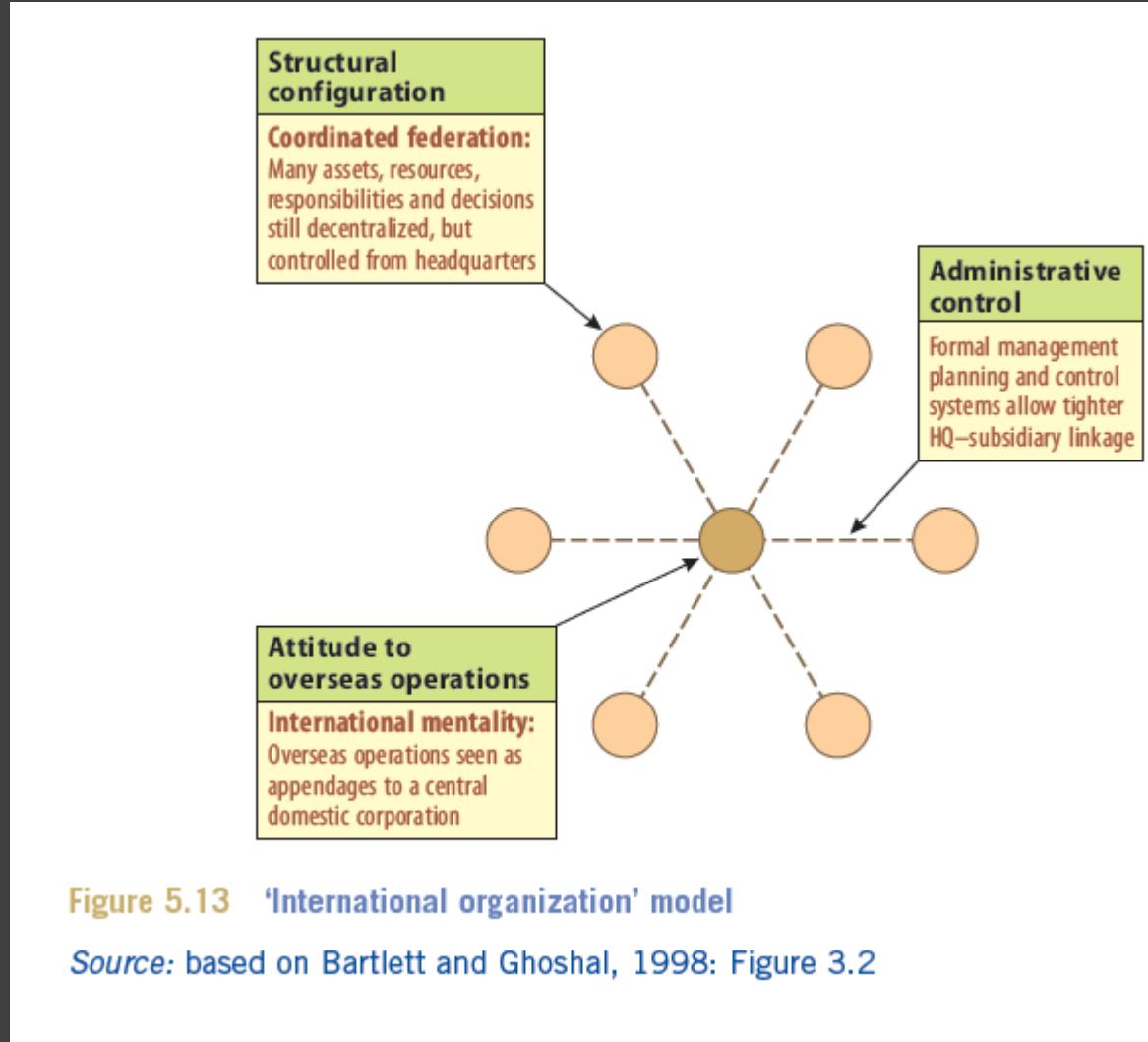


Figure 5.13 'International organization' model

Source: based on Bartlett and Ghoshal, 1998: Figure 3.2

# Global Organization Model

- Ford and Rockefeller in early 1900s and Keiretsu in the 1980s and 1990s
- Overseas operations far less freedom
- Local conditions largely ignored

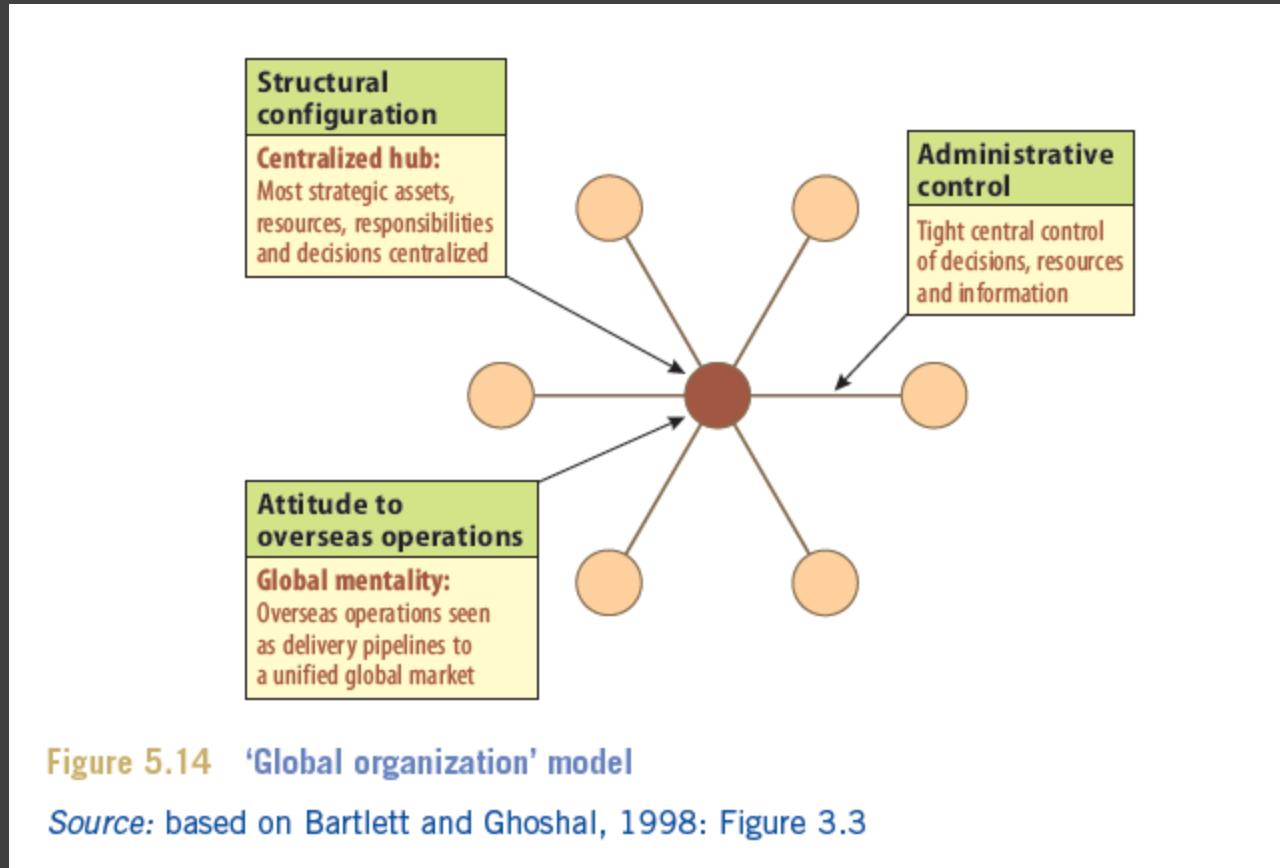


Figure 5.14 'Global organization' model

Source: based on Bartlett and Ghoshal, 1998: Figure 3.3

# Integrated Network Organizational Model

- Seeks to incorporate the best of each organizational form
- Globally efficient, geographically flexible, able to capture benefits of worldwide learning

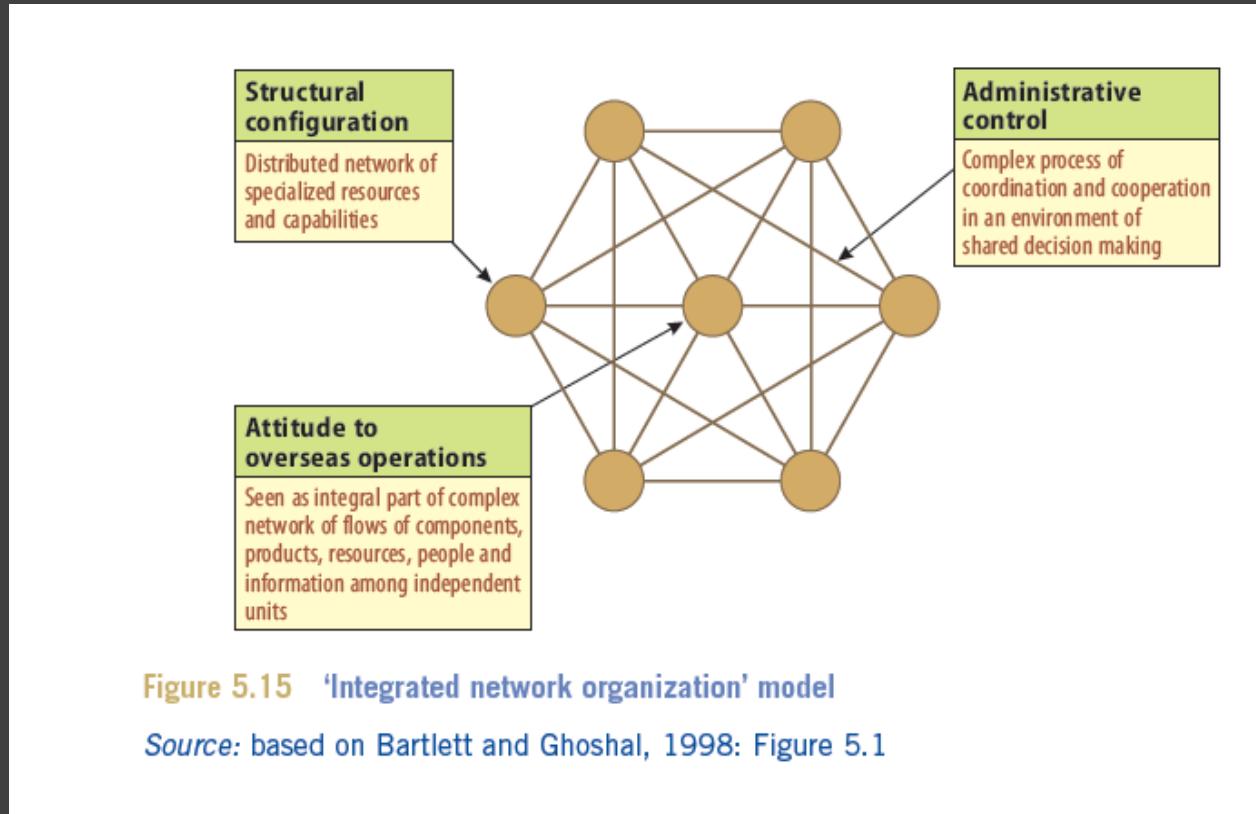
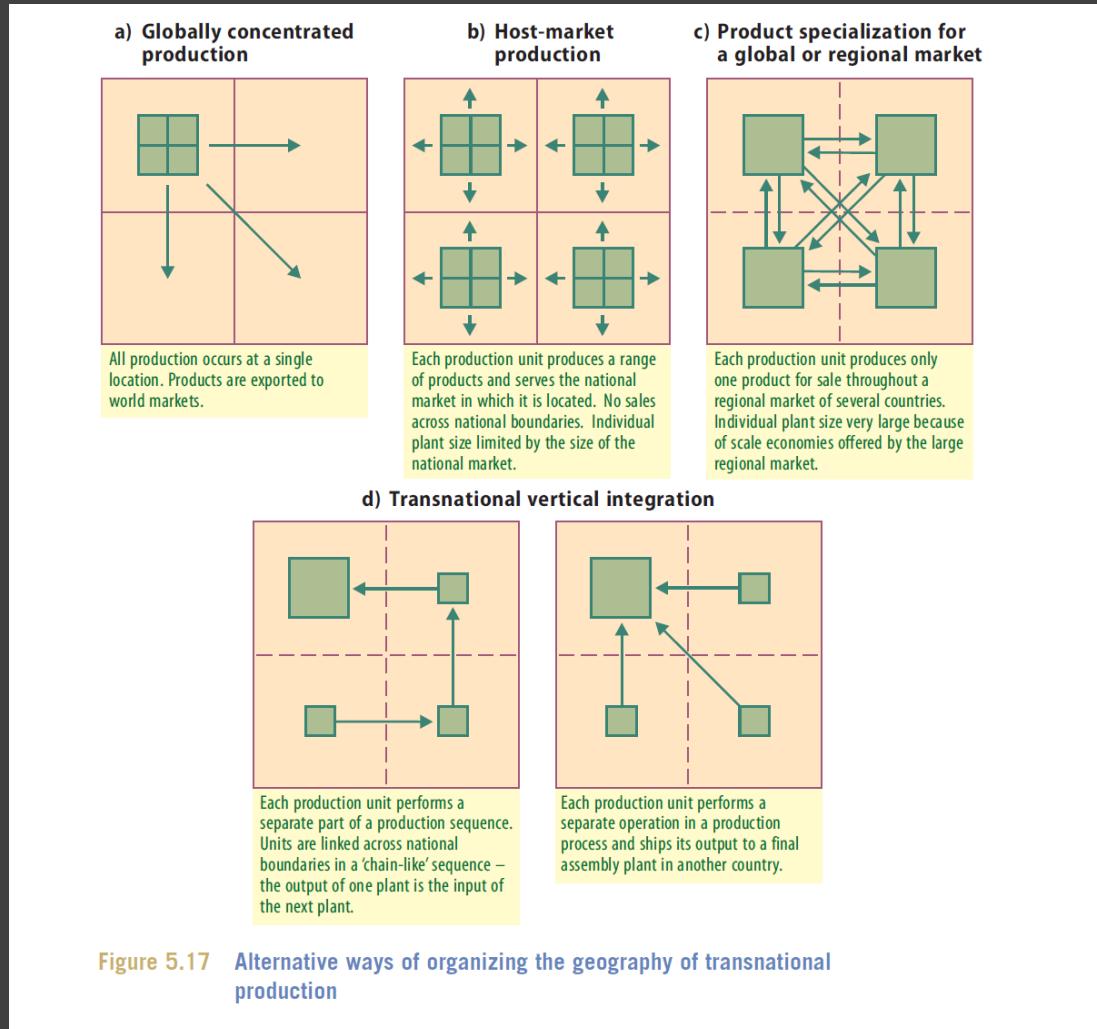


Figure 5.15 'Integrated network organization' model

Source: based on Bartlett and Ghoshal, 1998: Figure 5.1

# Organizing the Geography of Transnational Production



# Outsourcing

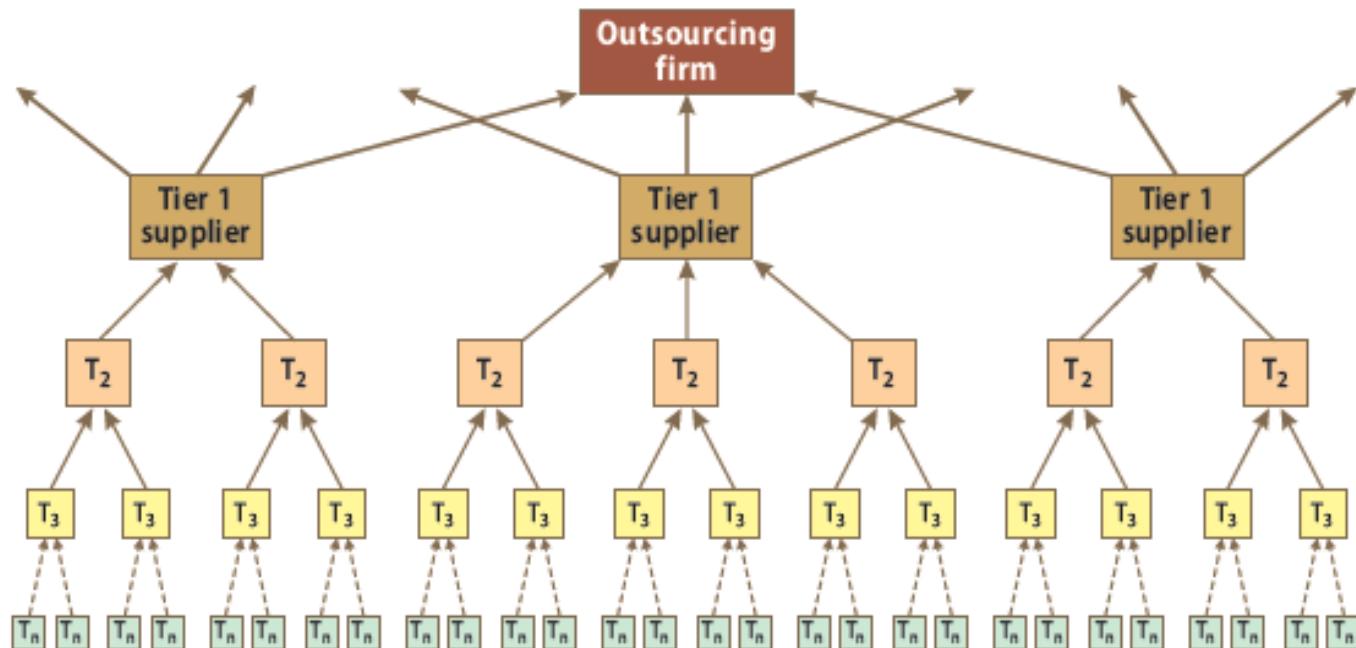


Figure 5.19 Outsourcing as a multi-tiered process

# Outsourcing Relationships

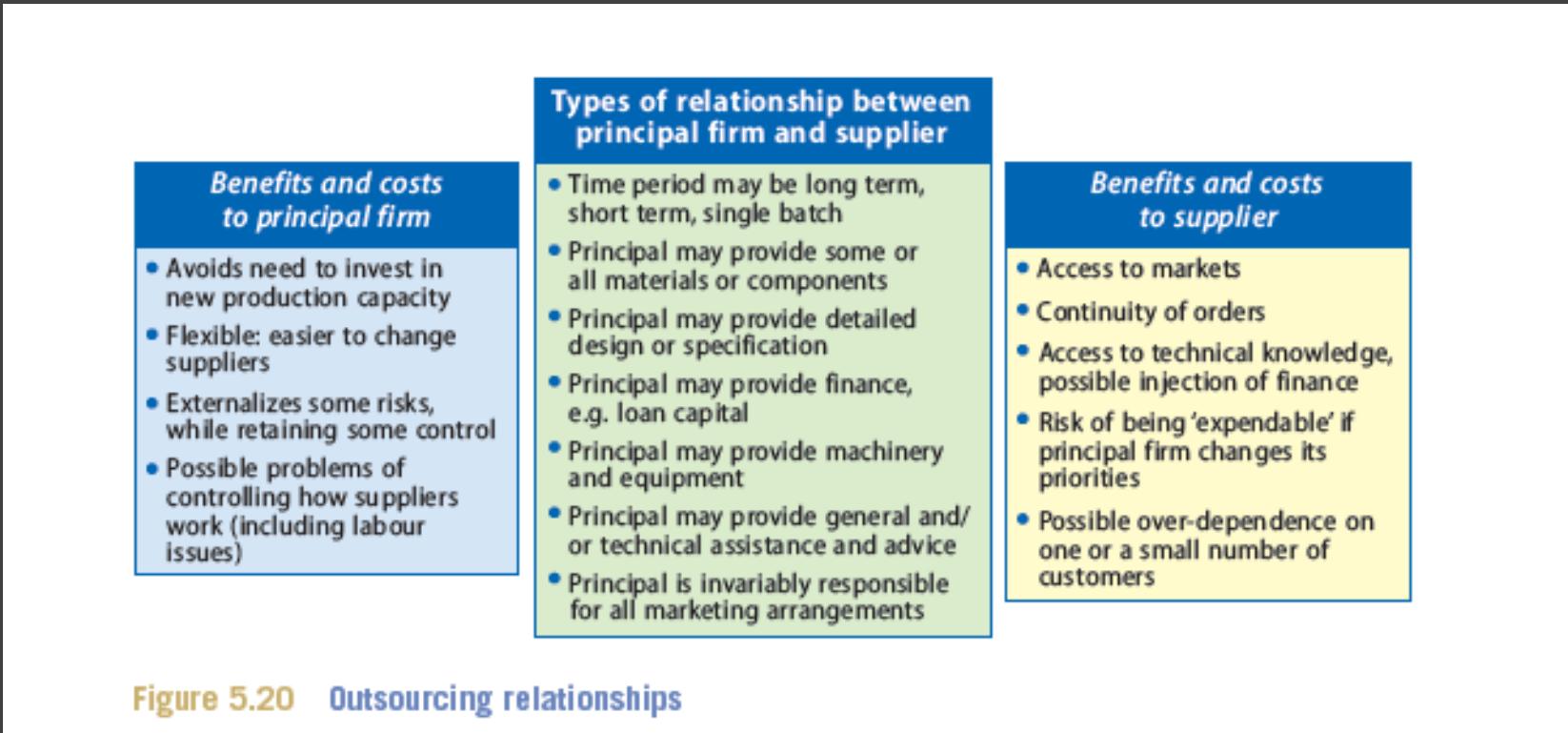


Figure 5.20 Outsourcing relationships

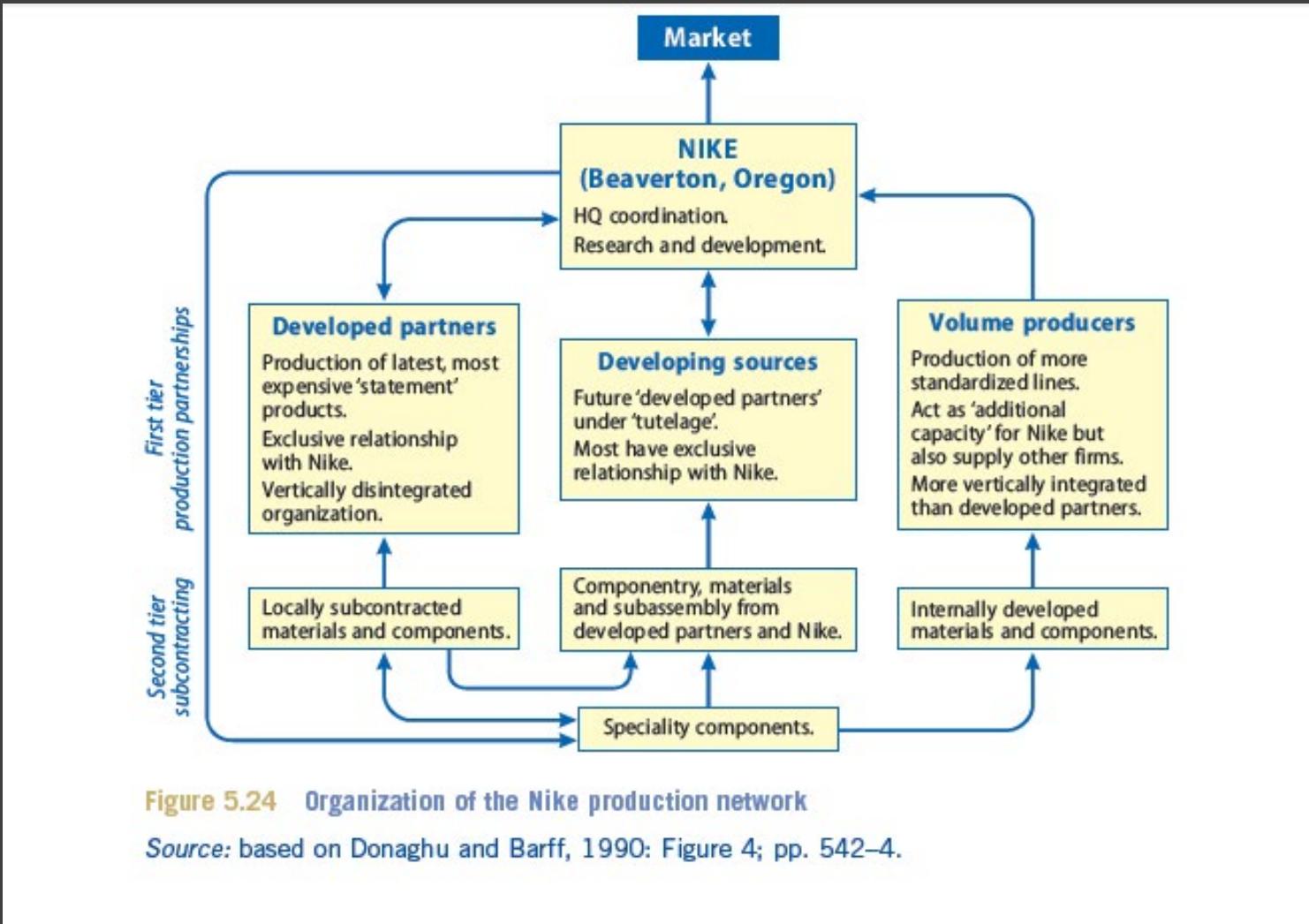
# Governance Typology for GVCs

Coordination mechanism	<i>Complexity of transactions</i>	<i>Ability to codify transactions</i>	<i>Capabilities of potential suppliers</i>	<i>Degree of explicit coordination and power asymmetry</i>
<b>Hierarchy</b> Vertical integration within a firm with governance of subsidiaries and affiliates based on headquarters' managerial control.				
<b>Captive</b> Small suppliers transactionally dependent on larger buyers. Suppliers face significant switching costs.				
<b>Relational</b> Complex interactions between buyers and sellers often creating mutual dependence and high levels of asset specificity.				
<b>Modular</b> Production to customer's specification.				
<b>Market</b> May involve repeat transactions but switching costs low for both parties.				

Figure 5.23 Different ways of coordinating transnational production networks

Source: based on material in Gereffi et al., 2005

# Nike Production Network: Captive?



# Nike's Global Supplier Network

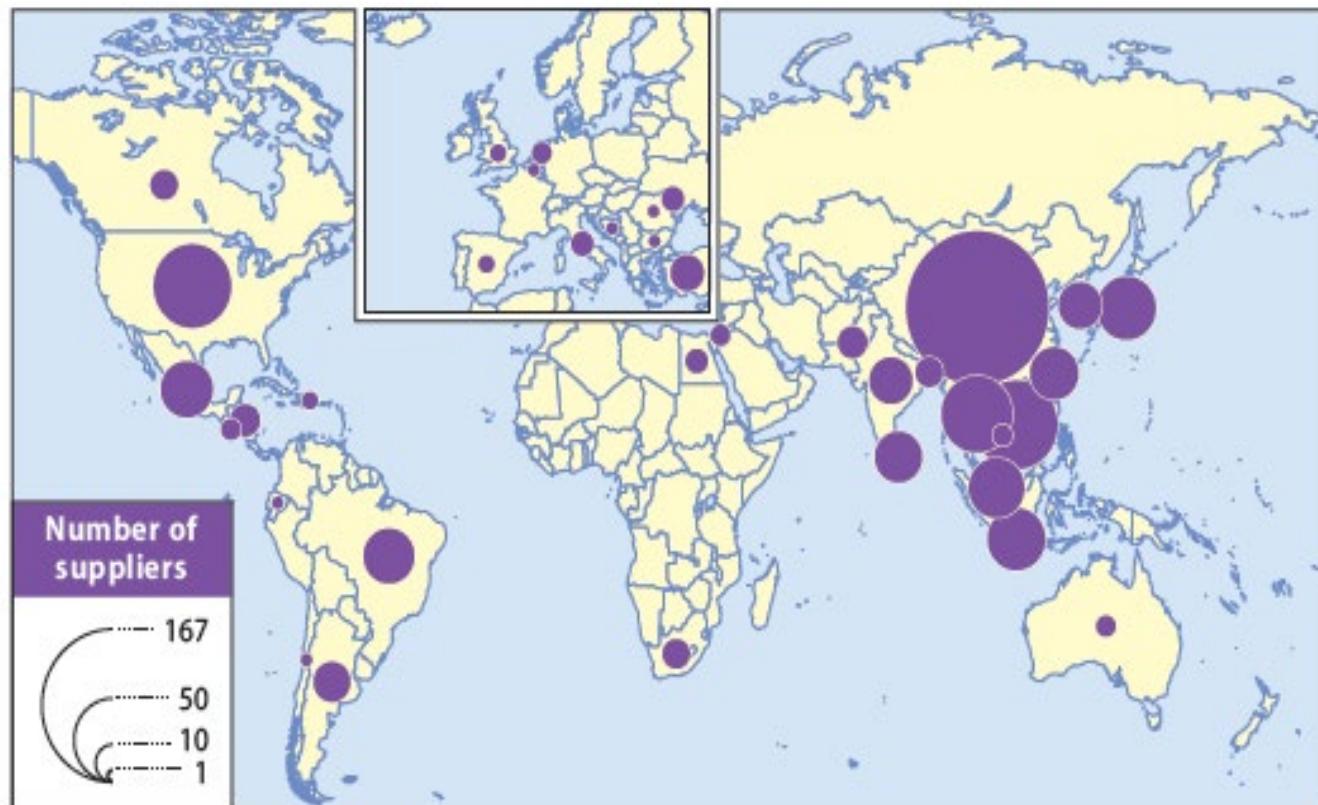
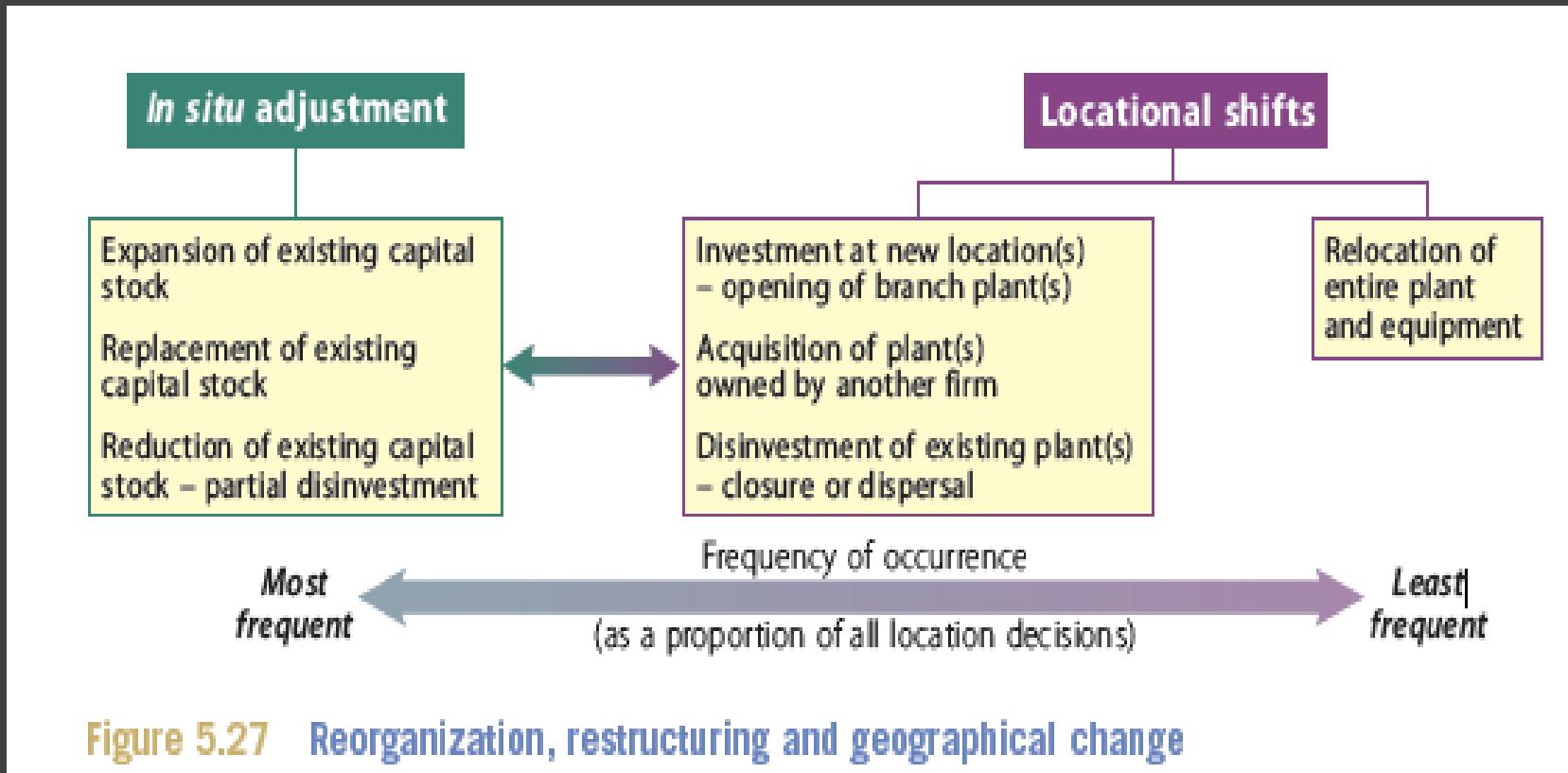


Figure 5.25 Nike's global supplier network

Source: based on data in Nike Inc., 2012, *Nike Contract Disclosure List*

# Reorganization, Restructuring, and Geographical Change





## II. Industrial Ecology: An Approach to Greening Production Systems

# What is Industrial Ecology?

- “The idea of an industrial ecology is based upon a straight-forward analogy with natural ecological systems.” Frosch, 1992.
- Key principle: just as natural systems have no waste, industrial systems should be designed to “**close the loop**” and generate no waste – or “**waste = food**”
- Views industrial systems as circular, integrated systems that are part of the larger biosphere

# Industrial Ecology: A Definition

- “systematically examines local, regional, and global uses and flows of materials, and energy in products, processes, industrial sectors and economies”
  - *Journal of Industrial Ecology (MIT Press)*
- Provide scientifically based methods and tools for measuring and guiding progress toward sustainability

# Key Features

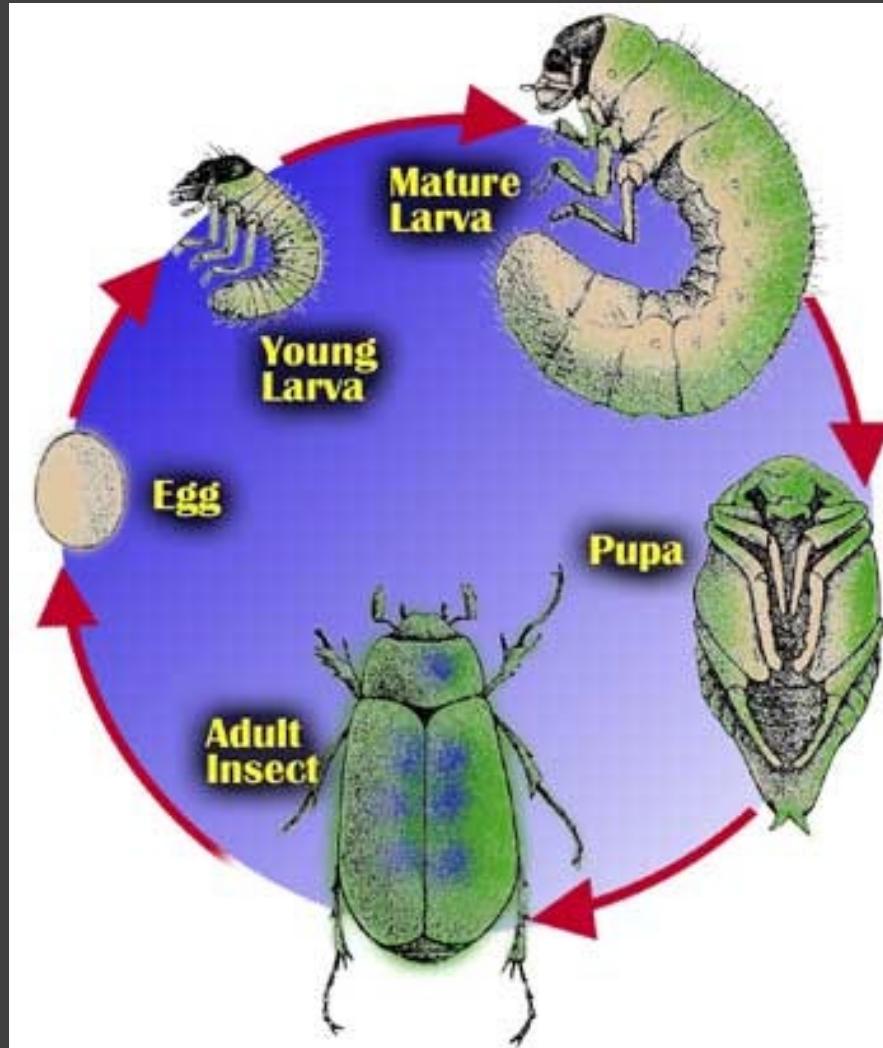
- Budding Interdisciplinary Field, with strongish connections to Industry
- “Greening” Capitalism by restructuring production-consumption systems
- Focus on innovation in Private sector
- Strong faith in technology, including new forms of information technology
- Policy helps institutionalize some advances

# Key Approaches

1. Life-cycle assessment
2. Material flow analysis
3. Industrial symbiosis
4. Biomimicry

# Life Cycle Assessment

# The Life Cycle of the Insect



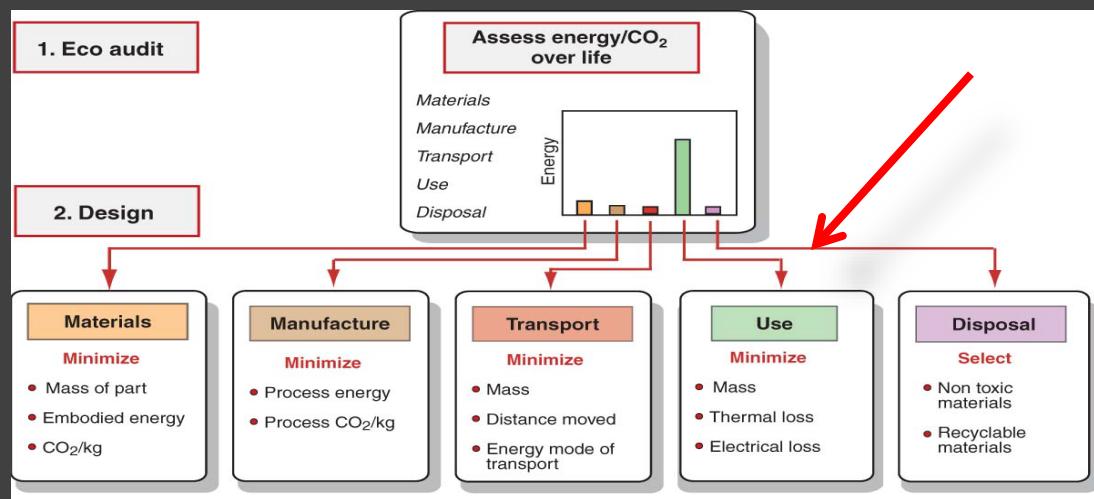
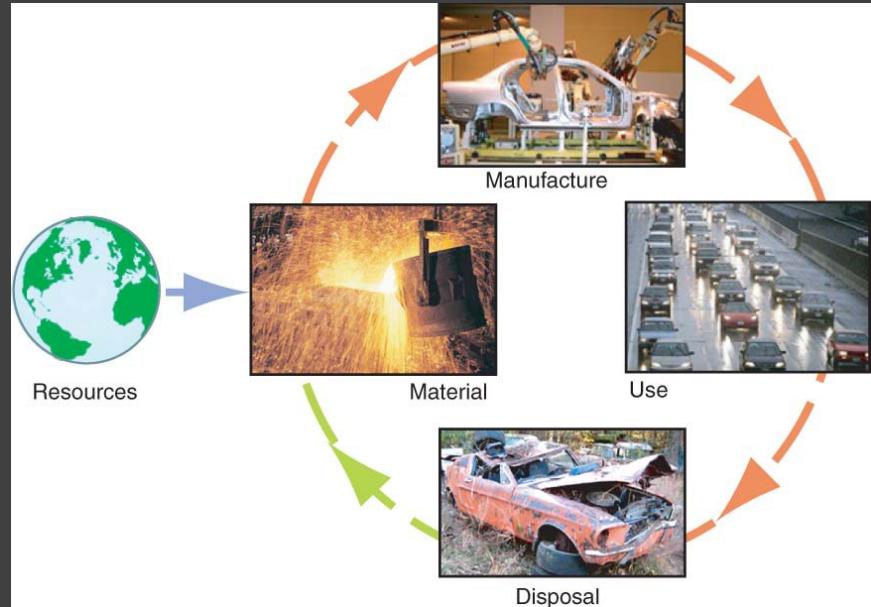
# Life Cycle Assessment: A Definition

- “*A systematic set of procedures for compiling and examining the inputs and outputs of materials and energy and the associated environmental impacts directly attributable to the functioning of a product or service system throughout its life cycle.*”
- --*ISO 14040.2 Draft: Life Cycle Assessment - Principles and Guideline*

# Life Cycle Assessment

## □ Life Cycle Assessment

- 35 years
- Products
- Process-based
- Quantifies impacts as each life cycle phase
- Compare products
  - Paper vs. plastic?
- Prioritize phase to address

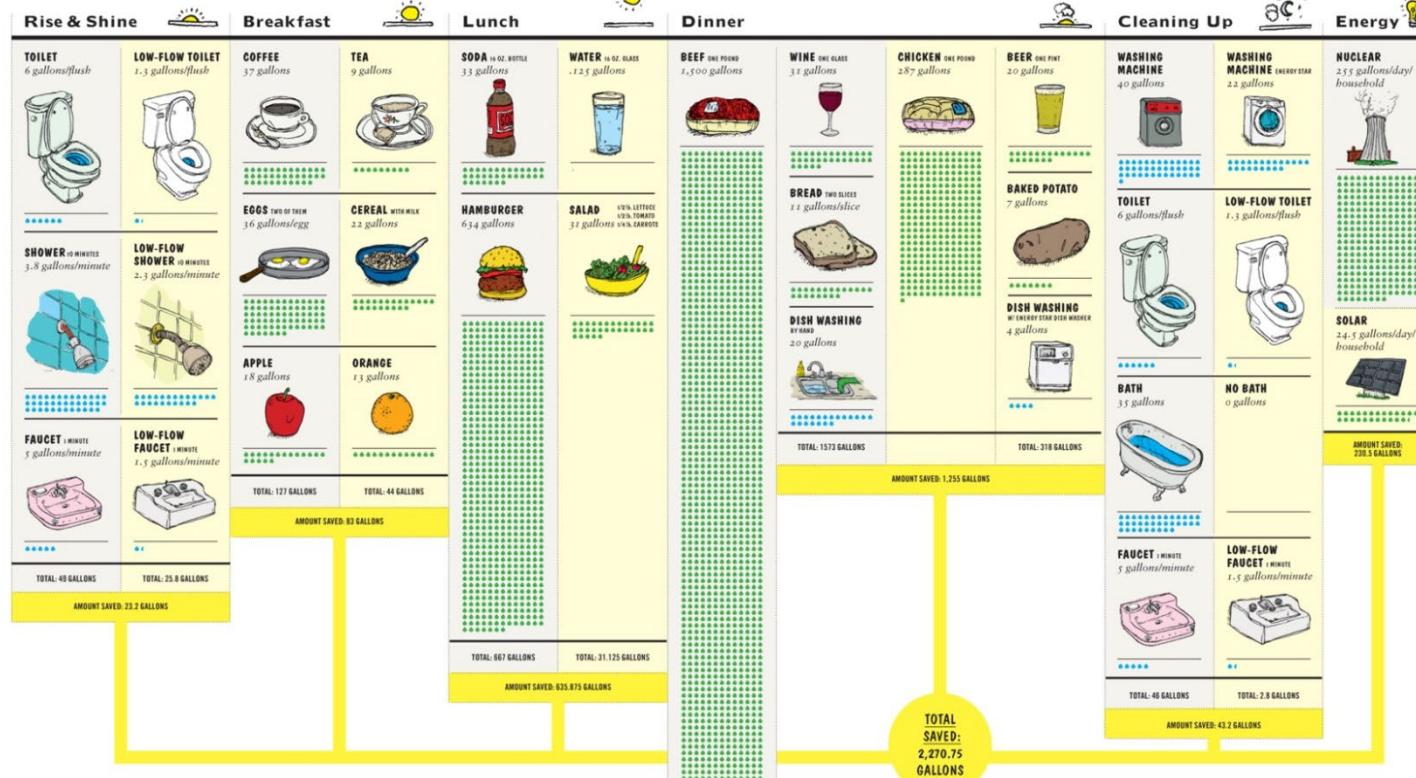


# Water Footprints

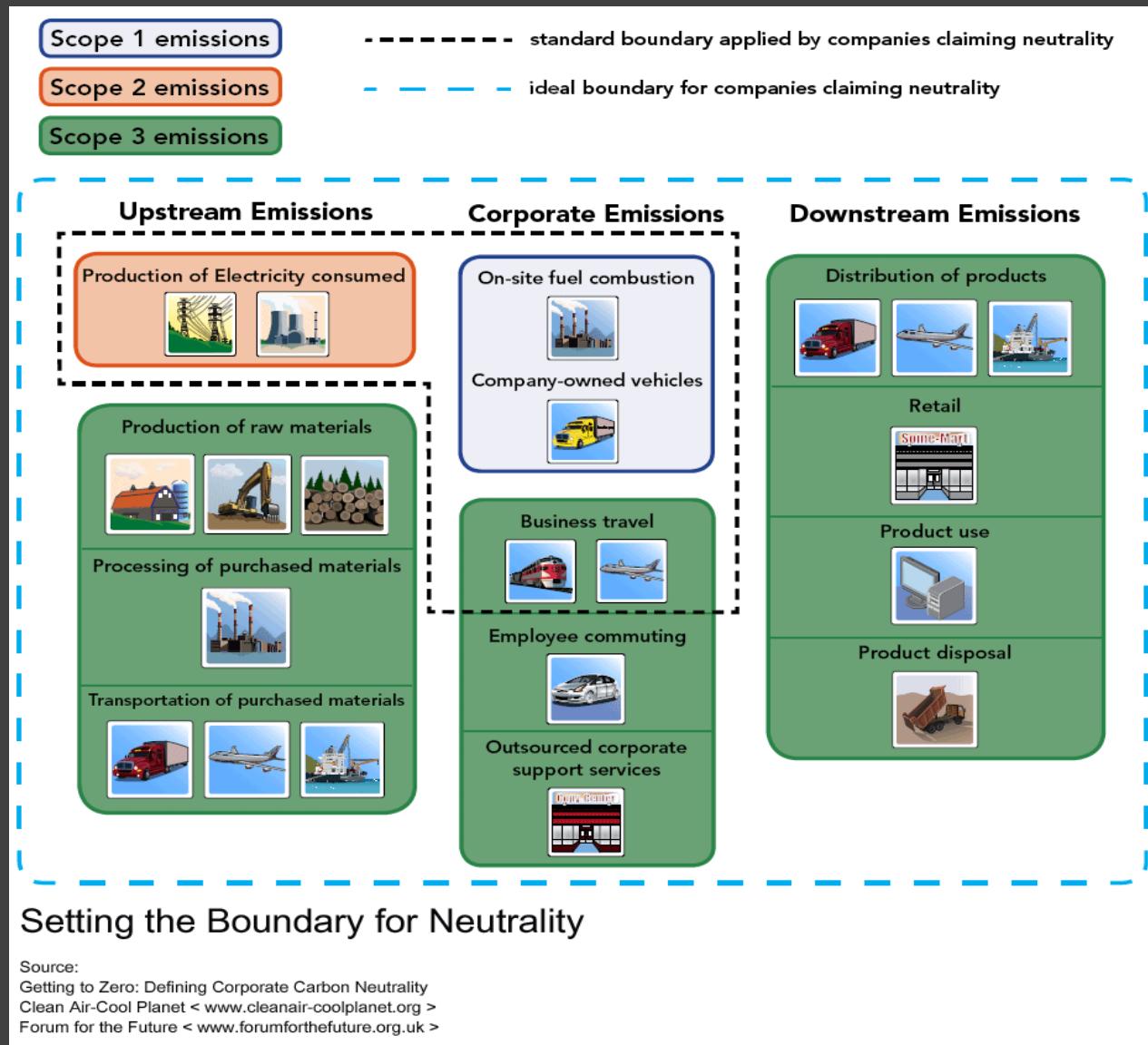
**Walk This Way:** Making the right choices to reduce your water footprint

= 1 GALLON DIRECT USE: THE WATER THAT YOU ACTUALLY USE.

= 1 GALLON VIRTUAL USE: THE WATER THAT HELPED MAKE THE THINGS YOU USE.

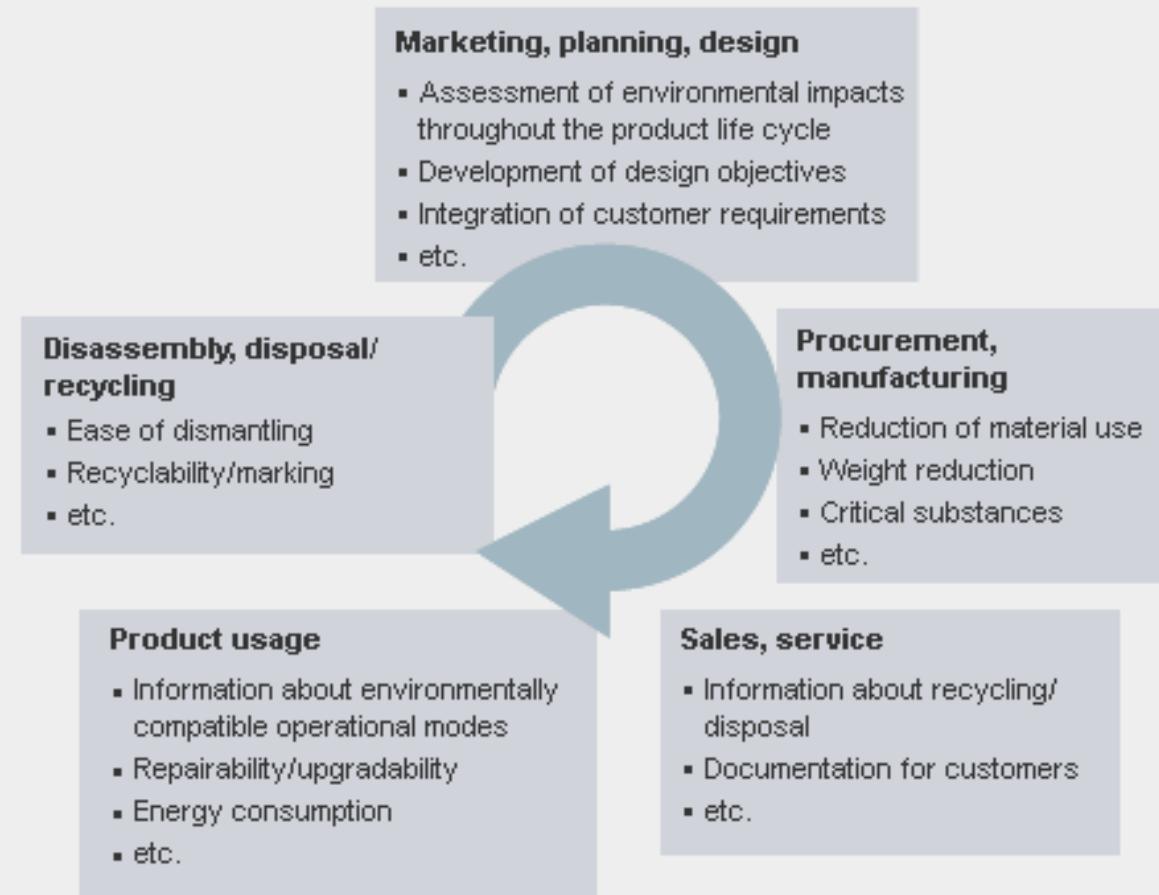


# Key Challenge: Delineating the System Boundary



# Impact: Stewardship Through Life Cycle

## SN36350-1 Integration into Product Life Cycle Phases



# Impact: Eco-Efficiency

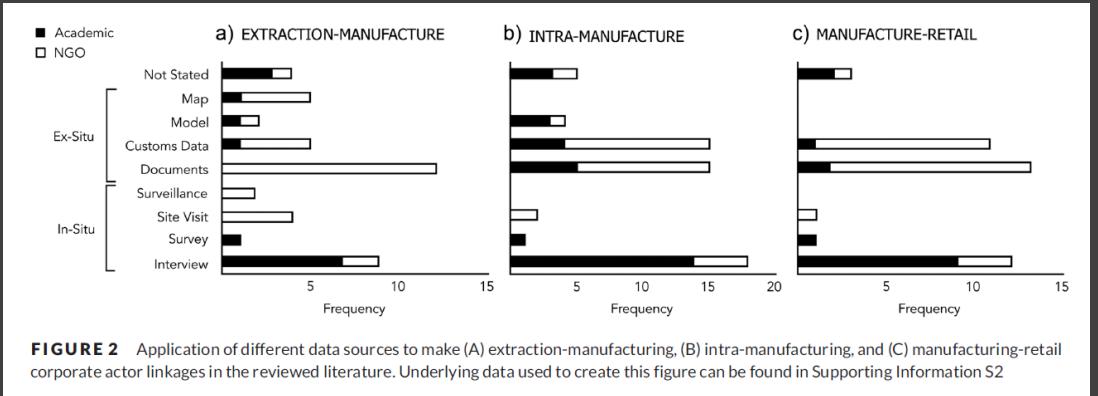
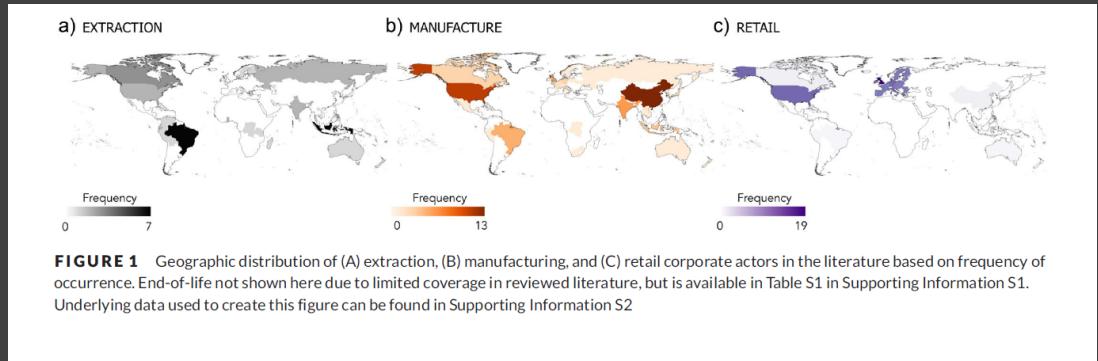
“Making things using fewer resources”

- Reduced material intensity
- Reduced energy intensity
- Reduced dispersion of toxics
- Improved recyclability/reusability
- Maximum use of renewables
- Greater product durability
- Increased service intensity



### III. Why Academics Should Study the Supply Chains of International Corporations

- Out of 11,000 studies on supply chains, just 27 papers on individual supply chains
- Two distinct methodological approaches – *in-situ* (interviews, surveys, surveillance) and *ex-situ* (trade data, document analysis, GIS data)
- TRACAST Framework
- Political-Industrial Ecology Framework



## IV. Group Work

- Consider Agro-food Sector
- Select a specific product and TNC producing/selling it.
- Identify the input-output structure, geography, and governance of the product and TNC
- As time permits, consider role of state, environmental regulations, etc.