Transnational communities and business systems

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Introduction

The notion that international economic activity is a distinctive feature of the past 30 years has been effectively debunked in a variety of sources (see e.g. Hirst and Thompson 1996, Held et al. 1999). However, what remains unclear is the impact of contemporary forms of cross-border economic activity on the institutions and practices of firms. In contrast to globalisation enthusiasts (e.g. Ohmae 1990) who assume the emergence of a new type of global firm and economic order, most institutionalist accounts (e.g. Hollingsworth 1997, Soskice 1999, Lane 1999, Whitley 1999) conceptualize these issues in terms of three possible outcomes for firms and business practices. These outcomes may be summarised as;

1. Homogenisation: competitive pressures leading to a declining influence of national contexts and creating a trend towards homogenous international firms and homogeneous institutions (particularly in relation to capital markets) ,
2. Adaptation/hybridisation: a selective restructuring of the firm and the society, combining older national patterns with newer features from other social contexts,
3. Differentiation: firms (and societies) retain their distinctive differences based on national institutional patterns.

Generally, these arguments begin from the national level of analysis and seek to develop either theoretical or empirical accounts of the 'distance' and the circumstances under which firms (and institutions) may be travelling from some original 'national' pattern (paradigm/system) to one of these three proposed outcomes. In the main, the determinants of these changes are conceptualised in terms of international competitive processes (though the nature of the linkages between performance outcomes, global competition and firm structure is often under-explored). One of the weaknesses of such an approach is what may be termed an ‘under-socialized’ conception of the environment in which firms act. This may seem rather an unlikely criticism of institutionalist approaches which, of their nature, are based on socially embedded accounts of firms and markets. However, as I shall seek to demonstrate, it is a truncated and incompletely theorised view of ‘the social’ which is embodied in these accounts. My argument is that the focus on the firm and competition needs to be extended to consider aspects of the broader social context that are impacting on practices, structures and strategies. These aspects of broader social context need to be considered in their own right as providing a dynamic which interacts with firm level processes in order to produce particular patterns of change. The paper is therefore proposing an extension to the existing framework though in a way which remains theoretically consistent with the overall institutionalist approach. In particular, I wish to develop the framework in order to provide room for the analysis of social phenomena which are beyond the national level analysis and yet the development of which impinges on firms and markets. In the first part of the paper, I draw on recent developments in critical realism to provide a framework for analysing economic systems and social actors within national and international contexts. This framework is used to delineate spaces in the national and international context for social actors with particular types of powers and capabilities. My particular concern in this paper is to focus on one distinctive group of actors within the international context which I label ‘transnational communities’. In the second part of the paper I will examine this category in more detail, particularly in relation to four phenomena; international regulation, the development of international corporate forms, patterns of labour migration and the development of ‘global’ business knowledge

Continuity and Change: Theorising Social Change

In this section of the paper, I wish to firstly consider some general conceptual issues in understanding continuity and change in social contexts. Secondly I will relate these issues more directly to the interaction between national and international economic activity.

The first set of concepts, which I wish to consider, relates to the distinction between community and association. In the work of early sociologists such as Tonnies, this distinction was a means of capturing the changes, which were occurring as societies industrialised. Freund, for example, states that:

“Tonnies formulated and even inaugurated a typology of social relations which no sociologist can henceforth ignore…Indeed all the discussion on the opposition between competition and accommodation, conflict and association, cooperation and hostility, fusion and tension, integration and dissolution, solidarity and rivalry, community and revolt, and all other forms of social concord and discord, bring us back directly or indirectly to the work of Tonnies.” (Freund 1978: 153).

Tonnies’ contrast between community and association was a contrast between social settings based on shared sets of norms, values and behaviour and those settings based on market relations. The ‘association’ brought about by market relations was inherently unstable in Tonnies’ view, always on the verge of tipping over into a Hobbesian ‘war of all against all’ as it was unrestrained by shared norms and values. Tonnies’ views were more than tinged with German romanticism and anti-industrialism and brought him into direct conflict with Durkheim’s version of modernity. Giddens, for example, noted that;

"In reviewing Tonnies' *Gemeinschaft und Gesellschaft*, Durkheim makes the point that, when primitive society is replaced by more modern forms, the moral basis of unity does not wholly disappear. Tonnies assumes, according to Durkheim, that in *Gesellschaft*, all 'collective life resulting from internal spontaneity' has been lost. But, we must recognise, Durkheim states, that the differentiated type of social order has not ceased to be a society: that is, it preserves a collective unity and identity." (Giddens 1971: 71)

Durkheim's argument was that markets require some sort of communal norms and values in order to make them work. At this level of theorising at least, there is very little new in so-called 'new institutionalism'. The notion that firms, markets and organizations are socially embedded is, at the theoretical level, no more than an embellishment of Durkheim (which in turn was developed further by Parsons into normative functionalism). In Durkheim (contrary to Tonnies), the *conscience collective* continues to play a role in providing the moral underpinning for industrialism and the organic solidarity characterised by the interdependencies of an extended division of labour. The market cannot work without some sort of rules which bound and limit opportunism and individualism. In the transition to establishing the institutions and norms which can make this work, Durkheim identifies that there will be 'pathologies' (in particular, anomie and egotism) that generate conflict and instability. Past this transition, however, is the state of organic solidarity and an extended division of labour with an established moral basis for markets and contracts. Conflict and change characterises the transitional period; stability and solidarity characterises the post-transitional period.

The influence of the strengths and weaknesses of the Durkheimian approach is not hard to discern in institutionalist approaches to business systems. As many authors have noted, institutionalist approaches have difficulty dealing with change because the model assumes that norms and practices are mutually reinforcing. Therefore path dependency is created (again following the Durkheimian model, this is often perceived as particularly after the transition to industrialism). For example, Wilkinson has argued that the approach ends up by portraying moral norms as cultural ‘eternals’ accepted by the entire society and reproduced unchangingly over generations (Wilkinson 1996). He counterposes to this a ‘materialist’ (Marxist) approach based on embedded conflicts in the economic sphere deriving from the capitalist system of production. However, such an approach returns to the assumption that there is an economic order which is somehow free of moral norms and values that can interact with (and determine) the sphere of beliefs and values. On the contrary, the economic order is always imbued with norms and values. Perceptions of the justice of particular distributions of wealth, income and power inevitably affect how people think about and act within the economic sphere (c.f. Kristensen’s discussions of the formation of social and occupational groups and the significance of ‘honour’ to those processes: Kristensen 1997). The difficulty is to apply this principle rigorously rather than selectively so that even terms such as ‘competition’ or ‘market’ are treated as social processes rather than as exogenous forces which cause changes in national institutional contexts (see Morgan and Quack 2000 for an attempt to analyse markets, performance and competition in the financial services industry from this point of view).

This discussion implies the need to disentangle some of the processes under consideration. One such approach is to make an initial distinction between ‘social integration’ and ‘system integration’. In the article in which first proposed this distinction, Lockwood states that:

“Whereas the problem of social integration focuses attention upon the orderly or conflictual relationships between the *actors*, the problem of system integration focuses on the orderly or conflictual relationships between the *parts* of a social system.” (Lockwood 1964: 245)

Lockwood’s argument is that these two levels of analysis, whilst closely related, need separate consideration and can be combined in different ways to create four possibilities;

Table 1: Lockwood’s model

	System Integration	**System disintegration**
Social Integration	Type 1: Society is orderly and cohesive	Type 2: Parts of the system are in tension (contradiction); no normative conflict
Social disintegration	Type 3: Normative conflict: parts of the system remain working well together	Type 4: Society is in a state of fundamental disorder

Most business systems analysis concentrates on the relationships between parts of a social system and how they fit together to create a certain form of order. As Wilkinson suggests, it generally fits into Lockwood’s Type 1. In so far as any of the other possibilities are considered, it tends to be in terms of the Type 2 model and the idea that international competition undermines some of the linkages between parts of the system. For example, it has been argued that the development of international capital markets undermines the continued existence of certain patterns of industry-finance relationships based on long-termism. Types 3 and 4 are however rarely considered, yet given what Lockwood’s argument that whilst analytically separate, there is a distinct connection between issues of social and system integration, this would appear to be necessary. In particular, referring to the impact of growing system disintegration, he explains the logic as follows:

“The material substructure in such a case facilitates the development of social relationships which if actualized, would directly threaten the existing institutional order.

..The actualization of the latent social relationships of the system will depend on the success with which groups having vested interests in the maintenance of the institutional order are able to cope with the dysfunctional tendency of the system in the face of particular exigencies..If these exigencies lead to an intensification of the functional incompatibility of the system, and if compensating measures by vested interest groups lead (unintentionally) to a further actualization of the potential social relationships of the system, a vicious circle of social disintegration and change of the institutional order is under way. If, on the other hand, compensating measures are effective, the institutional order will remain intact, but the focal point of strain will continue to be evident so long as the functional incompatibility of the system persists." (Lockwood 1964: 252; see also Lockwood 1992 for an elaboration of these arguments.)

From a business systems perspective, therefore, the challenge is to identify these tensions and how they emerge or are actualized by social actors; in other words to deepen the analysis of types 2, 3, and 4. As Lockwood states "the vital question is, of course: what are the 'component elements' of social systems which give rise to strain, tension or contradiction?" (Lockwood 1964: 250).

Before taking this further, however, Lockwood's analysis of social and system integration can be further clarified by reference to Archer's work on critical realism. For her, the spheres of social integration and system integration are linked by the way in which the level of structure (system) constitutes a set of positions and powers that are 'not only irreducible to people, they pre-exist them' (Archer 1996: 695). These structures derive from past actions, but Archer insists that this element of temporality is crucial, 'not an option but a necessity' (Archer 1998: 375). Social actors therefore enter into a structure that endows them with certain capacities and capabilities. 'The actors here present are not responsible for creating the distributions, roles and associated interests with which they live' (Archer 1998: 371). '*Positions* must predate the *practices* they engender' (Archer 1998: 201). She goes on to quote Porpora that 'the causal effects of the structure on individuals are manifested in certain structured interests, resources, powers, constraints and predicaments that are built into each position by the web of relationships. These comprise the material circumstances in which people must act and which motivate them to act in certain ways' (quoted in Archer 1998: 201). However, within these circumstances, social actors can act on these structures and change them;

"For it is precisely *because* of people being the way they are, with creativity, innovativeness and reflexivity figuring as *their* distinctive emergent properties, that the social system can never approximate to (laboratory) conditions of closure. Therefore, people's properties and powers constantly intervene, interfering with the influence of emergent structures and the exercise of their properties and powers." (Archer 1996: 694)

Archer's argument reinforces the necessity of thinking about issues of social integration and system integration together, whilst retaining their analytical distinctiveness. The sphere of the 'social' is characterised by openness within the constraints set by structures and systems. As Lockwood indicated, it is the sphere of 'potential' where actors may utilise their powers to change the conditions of existence for the structure.

Summarising these points, what Archer refers to as 'analytical dualism' can provide a means of opening up business systems analysis, away from its concentration on Type 1 situations and into more complex areas of change and uncertainty. In particular, this approach emphasises;

1. The need to recognise at an analytical level the spheres of both *social* integration and *system* integration.
2. The need to explore more clearly the 'systemic' nature of the economic sphere and in particular to return to the notion that Lockwood developed from Marx of systemic limits or contradictions between parts of the system.

3. The need to consider the social level as consisting of *positions* with *powers* that are *peopled* and consequently changeable within the constraints of the existing structure. This in turn implies considering social action, social movements and 'communities' as both produced by a pre-existing structure and (potentially) producing a new structure.

Rethinking Globalization using analytical dualism

As discussed so far, this argument makes no explicit reference to the unit of analysis. In other words, the 'system', which has been discussed, does not necessarily have to equate with a 'national' context (though that may be an implicit assumption). As I have argued before, however, national systems are always embedded in international systems (Morgan 1997: 1998). Nation-states in the modern world exist within an international economic and political system. The ways in which they are connected to each other implies certain requirements about how the internal structure of the nation-state and the business system works, e.g. international trade requires certain commitments by national governments to the convertibility of currencies or surrogate currencies or gold which governments must guarantee; diplomatic/military commitments within the international state system imply internal pre-requisites such as armies etc.. Therefore, the internal structure of the business system is in a symbiotic relationship with its external context (constituted by other states and business systems, with differential powers). It cannot be considered in isolation.

A national business system (i.e. a particular integration of institutional contexts that makes up a distinctive patterning of firms and markets) is embedded in an international context. Therefore, phenomena such as 'international competition' are not, in themselves, exogenous forces; they are already themselves part of the logic of action of the system. It is in pursuing this logic of action that one could argue systemic tensions arise. In fact, one might take this further and argue that this relationship between the national and the international is always unstable in modern capitalist economies. The inherent tension arises, as the institutionalists argue, from the existence of distinct capabilities and capacities for competitiveness, which arise within different national settings. Unless one assumes (as some economists do) that there will be a complementary division of labour between nations leading to an equilibrium of trade (and international currency movements) over the medium run, the consequence is bound to be that certain countries do better than others leading to tensions within states and between states. This systemic 'dis-integration' effect has implications, as Lockwood and Archer describe, for social actors; it creates tensions and contradictions in the national and international contexts that may or may not reveal themselves at the level of social integration.

These tensions can be discussed from two points of view. The first is the impact on the society of the entry of goods, services, investment and labour from outside. The second is the situation where goods, services, investment and labour exit the society. Clearly it is impossible to draw up balance sheets in the abstract and what is being attempted here is merely an outline of the main issues which arise and where this leads to systemic tensions within the national business system. Using this template, it ought to therefore be possible to identify sources of tension and conflict within particular national business systems. These are likely to vary widely according to the dominant institutional characteristics of that system (Whitley 1999) and the way in which it is inserted within the international context.

Table 2: Effects on national systems of entries and exits of goods, investment and labour

	Effects on existing national system of entries	**Effects on existing national system of exits**
Goods and services	Increased competition for home industry: reduces employment	Increased overseas earnings; potentially increases employment
Investment	Depends on nature of investment – whether it is portfolio or direct investment; if the latter, whether it is investment in a one-off assembling plant dependent on local market or part of integrated global production system	Reduces potential investment in home base, leading to lower levels of productivity and employment
Labour	Migration primarily into low paid occupations and firms	Loss of younger, more productive labour

These sources of tension emerge in a range of areas. Most obviously, these concern the relationship of the state to the economic system, e.g. its role in improving productivity through education and training, increasing access to capital, encouraging the entry of appropriate forms of foreign capital, regulating and deregulating the labour market, changing the taxation and welfare regime. These sources of tension provide the basis on which forms of social action may take place developing out of existing national structures, (particularly the structures of the state, political parties and interest group representations) (see e.g. the discussions in Esping-Andersen 1999 and Kitschelt et al. 1999). Therefore, responses to these tensions remain path dependent but open and uncertain because, as Kitschelt et al. state ‘none of the democratic capitalist market economies appears to have achieved stability in the face of the disruptive pressures coming from technological change, internationalisation and domestic socio-economic change' (Kitschelt et al. 1999: 460).

These developments within nation-states have become an increasing focus for much research seeking to integrate social and economic developments. They have been described as 'routes out of Fordism' in which path dependent trajectories are modified or adapted by the actions of key groups (see e.g. the debate on the impact of Thatcherism in the British context; Hay 1996). Business systems analysis has not gone far in analysing how such actions emerge and are effective (or not) in particular contexts in constructing a new, if temporary, restabilisation of the system. Obvious areas for such analyses would be the changing position of German labour and trade unions in the current period, the changing position of the French state in relation to ownership and welfare rights (see e.g. Schmidt 1996) as well as the developments in the UK in terms of transitions through Thatcherism to New Labour.

However, the main concern of this paper is not processes of change within national systems but how tensions and contradictions become expressed in the international context. Here, the same distinction between social and system integration can be used but it requires a different set of conceptual tools. In particular, the argument here is that the developments in the changing system integration have distinctive impacts on the level of social integration which cannot be reduced to the national level.

Table 3: National and International aspects of Social and System integration

	Social Integration	System Integration
National	Social and political movements within nation-states to resolve tensions	Tensions between parts of the national system resulting from growing internationalisation
International	Emergence of transnational communities	Tensions between national components of the international system

Systems at the International Level: Issues of Integration and Disintegration

In this section of the paper, I examine in more detail the notion of contradictions and tensions within the pattern of system integration at the international level. Firstly, I distinguish types of problems arising from regulating relationships that arise in cross border activities – these refer to relationships between enterprises in different national locations (the sphere of formal regulation and ordering) **and** relationships within and across enterprises (the sphere of management inside multinational corporations and global commodity chains). Secondly, I refer to problems arising from the movement of people and ideas across national boundaries. Each of these types of contradiction and tension generate potential social relationships, which I have labelled ‘transnational communities’. They constitute contradictions and tensions in the sense that they are inevitable outcomes of the way in which national systems are developing, yet they simultaneously make it more difficult to sustain those national systems. What I am arguing is that, as Lockwood and Archer suggest, these systemic contradictions and conflicts open up a range of possibilities for new forms of social action. I am not at this stage making any judgements about their relative importance or about how they interact with national business systems. The aim is simply to bring them into the framework.

Table 4 summarises the inter-relationships between these systemic tensions and social responses in the form of potential transnational communities. It also points to possible impacts back on the national system

Table 4: System problems and Social Responses: An Outline

	System Problem	Social response – Transnational communities	Impact on national system
Development and application of coherent standards across borders – to provide stability to cross-border economic activity	Formal systems of regulation	Development of 'regulatory communities'	Negotiation between national and international regulatory authorities – new national regulations
Development of forms of management and control to enable cross-border activity	Formation of multinational enterprises and/or global commodity chains	Development of expatriate multinational management communities within firms (and societies)	Learning new patterns of management and coordination from global experiences
Movement of people across borders to areas of job opportunity and growth	Regulating labour migration	Development of ethnically based economic communities	New forms of business practice may be established – may also affect labour system
Movement of ideas across borders as consequence of institutional isomorphism	Restricting or selling 'soft' intellectual property with consequences for copying of key competitive advantages	Development of 'ideologically' based transnational communities –	New ideas and practices enter through business education, management consultancies etc.

In the following sections, I will examine each of these phenomena in more depth seeking to specify in more detail the relationship between the systemic contradictions and the forms of communities which are emerging as well as their potential impact on national systems.

The Development of Regulatory Communities

The systemic issue here relates to the increasing need to regulate the activities of firms in cross-border situations. This is not a new phenomenon; Held et al. list over 20 'world organisations' which existed before 1914 (Held et al. 1999: 44-5) and although few of these exercised much in the way of control over their member organisations, they constituted the early infra-structure of regulatory communities. It is possible to make a number of relevant distinctions about these regulatory communities. Firstly, one can distinguish the degree to which they are industry-based or government-based. The former implies a voluntary coming together of nationally based business associations and firms in order to resolve cross-border issues. The latter implies a more strongly governmental agenda for cross-border regulation. Often, regulatory organisations emerge out of interplay of the two groups of actors. Secondly, there are the different types of regulation. At one end, this might mean that firms are asked to provide information, which is collated and monitored by the regulatory organisation. The regulatory organisation may also seek to negotiate certain standards with firms; failure to meet those standards leads to others refusing to do business with the contravening firm. For example, banks, which wish to engage in international business transactions, have to meet certain standards of capital adequacy set by the Basle Committee (a group of central bankers from the main industrialised countries). If they do not wish to engage in the international sector, they need only conform to national standards (which were in the past variable and still to some extent remain so). Regulatory bodies based on control involve an extra dimension. Failure to conform to the regulations does not just lead to loss of business but also to fines and other punitive sanctions on the state, which allows the practice, as well as on the firm. The following table indicates the range of international regulatory organisations.

Table 5: Types of International Regulation (and examples)

	Industry-based (may be some involve-ment of labour)	**Government based – either directly or indirectly (through e.g. UN or other collective inter-national entities)**	**Hybrid (may involve government, labour, consumers, pressure groups or be independent)**
Monitoring and collating/distribut-ing information – encouraging co-operation	World Tourist Organisation	International Civil Aviation Authority	Union of International Organisations
Standardisation – technologies, practices, financial structures: labour practices; sanction-loss of rights to conduct business in international markets	International Telecommunication Union	Basle Committee on Banking International Maritime Organisation (UN agency)	International Standards Organisation
Control: enforced conformity to certain practices – failure to do so leads to fines and other sanctions on national state and firms		WTO (e.g. anti-dumping regulations) International Monetary Fund	

At present, it is clear that the ‘systemic’ problems in managing cross-border relations are leading to a wide variety of international regulatory organisations. Arguably, what is occurring is a gradual shift in the purpose of these organisations. This shift is from the sharing of information in order to co-ordinate cross-border relations more effectively towards the establishment of systems to standardise business practices. Emerging out of this is the third process, which involves more active monitoring, control and sanctioning of activities.

These processes establish the possibility of forms of ‘transnational communities’; in other words, social settings where new solutions and forms of activity may emerge with an impact on national systems of regulation. These communities arise in specific circumstances; as Archer’s argument emphasises, the pattern of roles which has emerged in international regulatory organisations is structured by past actions. However, what is being produced is something potentially new. Take, for example, the group of international regulatory organisations around the financial sector, ranging from the World Bank, the International Monetary Fund, the Basle Committee, and the International Organisation of Securities Commissions (IOSCO). It is clear that these have emerged and developed in the post-war period under the hegemony of an Anglo-American view of the operation of capital markets. They have therefore be generally unsympathetic to state involvement in the economy. However, it is also clear that this commitment is not unwavering or unquestioned, at least in certain contexts.

As an example, one can consider the response of this group to developments in East Asia. Wade has provided a detailed examination of the World Bank Report into East Asian development published as *The East Asian Miracle* (World Bank: 1993). He shows how the World Bank operates very specific mechanisms of what he terms ‘paradigm maintenance’ in order to reinforce its neo-liberal policy stance in order to reject the idea of a positive role for the state in industrial development. However, he also notes that because the Bank has to take some account of its other members besides the USA (in particular, in this case, Japan), the result is both internal debates within the Bank and inconsistencies in the final report. Wade argues that ‘the story of the *East Asian Miracle* shows the determining importance of essentially American values and interests in the functioning of the Bank (Wade 1996: 35). However, he also notes that ‘the Japanese have influenced the Bank enough to provide attractor points beyond those in the *Miracle* study itself. The several studies of Japanese economic policy and civil service organisation sponsored by the Bank at about the same time – and also paid for by the Japanese – provide a set of policy ideas that can legitimise further work in these domains, outside and inside the Bank’ (Wade 1996: 33).

These issues obviously resurfaced dramatically following the East Asian financial crisis. In a later paper, Wade (with Veneroso) discussed the implications of the crisis and the western response; the authors note:

“The crisis has been good for the multilateral economic institutions, including the IMF, the World Bank and the WTO. The ability of the IMF and the Bank to provide refinancing and to link refinancing to government acceptance of WTO rules gives all three organisations leverage with which to cajole Asian governments to reshape their domestic economies in line with Western models. For them the crisis is a short-run blessing not even in disguise. But both they and the incoming foreign firms may eventually suffer from the mounting political backlash.” (Wade and Veneroso 1998:21)

Once again, there is the suggestion that the hegemony of neo-liberalism within these institutions may not be completely dominant and there may be internal debates; following a quote from the *Financial Times* in which argues for more control of capital flows, Wade and Veneroso state;

> “a senior economic advisor at the World Bank…argues that ‘The world needs to understand more fully what the consequences are of unlimited international freedom of capital movements between countries that have vastly unequal levels of economic development and vastly different standards for monitoring their financial systems.’ He raises the question of whether to equip the World Bank and the IMF with better monitoring tools or perhaps even the power to impose sanctions to protect the system. When influential voices at the World Bank and the *Financial Times*, joined by academic champions of free trade, begin to question the benefits of capital opening, the idea of a new Bretton Woods conference is not quite as far-fetched as at first seems.” (Wade and Veneroso 1998: 22)

The point that is being made here is that within these international regulatory arenas, there are certainly dominant perspectives and these relate to the power and structure of particular nation-states. In this respect, international regulatory organisations can be means of imposing certain national patterns on other countries – which in the case of the IMF Structural Adjustment programmes is clearly what has been done. However, not all regulatory structures take on this form (see Djelic and Bensedrine 1999) and even within those which do, these dominant perspectives do not remain dominant without the continual exercise of power in the face of possible challenges and tensions. Therefore the question is the degree to which these regulatory bodies establish their own distinctive identities and practices, separate from that of key states and firms. It remains an empirical question to examine the development of these ‘transnational communities’ in various contexts and their impact on national systems of regulation and business practice.

Multinational Enterprises as Transnational Communities

In this section, I want to re-emphasise the distinction between system and social integration discussed earlier. Firstly I distinguish between types of multinational enterprises and secondly, I examine types of ‘transnational communities’ arising from them. The extension of production facilities over national borders can be accomplished in a number of ways. One relevant distinction is between those settings where all the economic activities are concentrated within a single ownership and managerial entity, i.e. the multinational firm and those settings where a range of firms (including multinationals) are co-ordinated together through various forms of governance, i.e. the global commodity chain. These different settings have different implications from the point of view of transnational communities.

With regard to the multinational corporation, it is clear that there are multiple models of how such organisations work. The essential point of interest in this discussion is the degree to which multinationals are more than national firms located in a range of sites. The answer to this will depend on the degree to which the multinational firm takes on fundamentally different characteristics to that which it would have had if it had not multinationalised. The debate on multinationals' strategy and structure can be summarised in broad terms as the distinction between multinational enterprises and global enterprises. In multinational enterprises, the national based firm has specific advantages in terms of its production technology and knowledge base. Rather than simply exporting to other markets, it may seek to locate production facilities there. This may be because it thereby reduces some costs and improves its competitive position; it may also seek to customise its product for the local market (the local responsiveness dimension), which is best done by being in the local market. In some respects (particularly key aspects of production technology), the local plant will be a clone of the home-based plant. Local plants will be independent of each other. Communication will be directed upwards to and downwards from the head office with very little lateral communication between subsidiaries in different countries. Subsidiaries can be added or deleted from the overall structure relatively easily according to conditions in the markets, which they are serving. The model of the global enterprise (which goes under a variety of headings such as 'global heterarchy', the 'transnational company' etc.) is based on the firm taking locational decisions according to a range of criteria (such as closeness to markets, costs, and closeness to sources of innovation and change). The stages in the value chain are co-ordinated across locational sites. Although there are central planning mechanisms, sites can extend or develop their activities in certain new directions subject to resources being available at local or corporate level. Because sites are likely to be integrated into complex intra-firm networks of supply and production crossing national boundaries, it becomes difficult to disentangle one location from a range of others. Therefore commitment to a location is a high-risk strategy for the company and takes a lot of decision-making time. In structural terms, global firms have been described as hybrids or 'differentiated networks' (Nohria and Ghoshal 1997).

In referring to 'transnational communities' in this setting, there are a number of possible meanings. The meaning with most relevance relates to the idea that a new set of social relationships is constructed, which goes beyond those which simply reproduce existing patterns (of similarity and difference). In simple terms, these involve co-operating with and learning from groups based in different national contexts. This learning can result in changes in local practice, but in the global company it is expected that there will be mechanisms for capturing those effects and establishing them as resources for the company as a whole and its constituent parts. Therefore, it can be expected that within the global company, even ways of working within the home setting will change as a result of the formation of these ‘transnational communities’.

Comparing the multinational and global company, then, we would expect different patterns of ‘transnational communities’. Multinational companies would involve vertical information sharing based on an existing pattern or model of production. Managerial movement would be up and down (i.e. between headquarters and subsidiaries) rather than across subsidiaries, divisions and head office. Senior managers would build their careers mainly in the head office and the home nation. The company as a whole would tend to be led by managers from the home base. The nature of the ‘transnational community’ would be primarily one concerning the expatriates from the home base and how they adapted and assimilated in foreign postings. In the global company on the other hand, there would be a thick web of communicational possibilities vertically and horizontally. Managers’ careers would be varied and involve movement across different subsidiaries as well as into head office. Senior management would reflect a wider group of nationalities and experiences than in the multinational enterprise. Learning would be dispersed, often disorganised but usually multi-directional in terms of its effects.

Table 6: Types of Multinationals and Transnational communities

	Multinational Firm	**Global Firm**
Communications	Vertical	Multidirectional
Learning	Limited: emphasis on reproduction of existing model – some ‘local responsiveness’	Extensive, complex, across borders, functions, subsidiaries
Management careers	Nationally based: limited movement across borders	Organisationally based: movement across borders
Transnational communities	Expatriate managers from home base	Cadre of international managers

The distinctiveness of firms lies in the fact that ownership and managerial control are vested at the same level. In this respect, key decisions about strategy, structure and human resources policies influence the nature of the transnational communities, which emerge within multinational corporations. These decisions are structured by the original national context of the firm and although there may be changes resulting from the interaction of national and international contexts and the emergence of transnational communities, these remain within an organisational framework.

In global commodity chains, on the other hand, the different capabilities of particular firms and locations are taken for granted. This also has interesting implications for the nature of transnational communities. Gereffi distinguishes between buyer-driven and producer-driven global commodity chains. He describes the former as dominated by major retailers and brand names in the most profitable markets. Design, marketing and advertising, control over distribution outlets becomes the competences around which firms exercise control over the sub-contractors in the production process. Production is sub-contracted according to a range of criteria though particularly price and quality. Elements of the chain retain their managerial and ownership independence. Products are generally simple and relatively small scale e.g. textiles, clothing and toys. In producer-driven commodity chains, the production process itself is much more complex. Oversight of the process as a whole and final assembly is controlled by a single large firm which sub-contracts various elements according to differential locational advantages.

Gereffi's concern with industrial upgrading (e.g. Tam and Gereffi 1999) within global commodity chains can be thought about from the point of view of transnational communities. Gereffi identifies the upgrading stages from export processing assembly through component supply manufacturing to original equipment manufacture (OEM) to original brand name manufacture (OBM). 'Buyer driven commodity chains …tend to be labour intensive at the manufacturing stage. This leads to very competitive and highly decentralised factory systems' (Gereffi 1995: 117). Firms and owners tend to have limited contact with the purchasers. The learning, which occurs, is therefore limited. It is extremely hard for firms to move through the upgrading steps without support from the local government. The leverage to achieve this may however come from mobilising existing 'transnational communities'. For example, Chinese-based firms in Singapore, Taiwan and Hong Kong have succeeded in shifting away from export processing to becoming entrepots and intermediaries in linking major Western retailers and brand names into networks on the Chinese mainland. Therefore, buyer-driven global commodity chains may play a part in reinforcing existing transnational communities because of the need to co-ordinate these processes outside managerial and hierarchical systems, i.e. by using family and locality connections to find ways of managing these processes.

In producer-driven commodity chains, it appears that there is a different dynamic. In particular, as manufacturing systems become more complex, the process of sub-contracting is also being refined. As Gereffi (1999) notes, for companies involved in the production of cars, planes and other high cost items, the sub-contracting process has to be simplified somewhat – not just in terms of reducing the numbers of suppliers but more importantly in reducing the number of components. Therefore, there is an increasing likelihood of sub-contractors being asked to produce complete sub-systems for products. What this requires is an increasingly close relationship between the sub-contractor and the purchaser through close supply chain management. This in turn may involve the exchange of information, technology, personnel and strategic plans, all of which goes far beyond a simple market relationship. Loveridge and Muller (2000) have referred to the phenomenon of 'flagships and flotillas' in which large firms are served by a 'flotilla' of sub-contractors. The members of these flotillas may not necessarily 'sail under the same flag'. Nevertheless, they begin to constitute a 'transnational community' of firms and managers' swapping information, learning and knowledge. Again, the degree to which this occurs will be affected by the national origins of the various firms and particularly the so-called 'flagship'.

Table 7: Global Commodity Chains (GCC) and Transnational Communities

	Buyer-driven GCC	Producer-driven GCC
Nature of products	Simple products: low learning	Complex products: tendency towards more complex sub-contracting and higher learning
Connections within GCC	Few and limited connections with other parts of the GCC	Tighter connectedness with main firm
Upgrading	Up-grading difficult - possible through trading on existing family and ethnic ties	Up-grading possible; trade-off of possibilities with GCC network against independence
Transnational communities	Possible reinforcement of existing ethnic community in 'transnational' context	Potential transnational community of managers etc. across GCC

In this example, firms will trade off their position within such flotillas (and the up-grading which will occur through participating in this process) against the opportunities which will arise from the learning to move in other directions.

Multinational firms and global commodity chains have a range of impacts on transnational communities. These impacts are structured by existing relationships but in the process they bring into being new social forms. It is a matter of empirical investigation to assess the significance of these forms for firms and national systems but it is important to recognise their potential impact.

Labour Migration and Transnational Communities

It is probably worth making the point that the term 'transnational communities' was originally developed in relation to migrant communities (rather than any of the other phenomena which have been considered so far in this paper). Transnational communities as a term has become a way of rejecting previous discourses of migration. The need for this change arose from growing recognition that what was occurring in the post 1945 period was not simply a transplant of a portion of a community to another country. There is here some analogy with the previous discussion of multinationals in that this discourse of migration embodied both the 'clone' and the 'local responsiveness' model. From the clone point of view, the migrant community primarily reproduced the home society in a new environment. From the 'local responsiveness' point of view, the migrant community adapted (or 'assimilated') to the new environment. However, it has become clear that neither of these capture what is occurring. There are a number of issues that are relevant.

Firstly, networks of migration have multiple nodes. Again as with the distinction between multinational and global enterprise, ‘transnational communities’ are based on multiple sites; there is not a single connection between home base and host country. There are multiple networks across different host countries. Secondly, the patterns of communication and interaction across these multiple nodes produces new forms of identity that cannot be reduced to either the home-state or the host society.

Traditional approaches to labour migration have looked at how these impact on labour markets in the receiving country, e.g. by filling low wage positions and sustaining low pay employment longer than would otherwise be the case (e.g. in the UK textile industry). This approach has been extended in relation to the ‘ethnic business’ perspective, i.e. how these communities have established businesses to serve their own distinctive needs (in clothes, food, music, film etc.) or how they have moved into business areas vacated by the majority population as economically unviable and survived within them by dint of establishing new practices (long hours of work and exploitation of the self and family members). There has also been some consideration of the impact on the sending society. Castles, for example, poses the question:

“*What does it mean for a nation to have to send its most precious resource overseas to survive?* A special issue of the *Philippine Sociological Review* set out to answer this question. Admitting to the permanent loss of substantial groups of citizens can be seen as a ‘national shame’ because it means admitting that the country of origin is incapable of providing an acceptable life to its citizens.” (Castles 1999:9)

Patterns of labour migration can have substantial impacts on host and receiving societies business systems. As Castles states, there can be powerfully negative impacts on sending societies, which lose their most productive, better qualified and enterprising young men and women. Clearly, there may be some payback in terms of remittances, which can play a crucial part in the survival of the host society as a whole as well as particular families.

The extent of labour migration is huge and growing. Therborn notes how the consequences of the Second World War and the post-war dislocation of populations were that 'around 1950, the states of Europe had achieved an unprecedented ethnic homogenisation of their populations. Vigorous policies and institutions of nation- and state-building, boundary changes, expulsions and repatriations had all contributed.' (Therborn 1995: 47). It is not entirely coincidental that from this point the national business systems in Europe can be seen most clearly. It follows therefore that the expansion of migration will have an influence on these patterns. These patterns differ both in terms of the initial characteristics of the migrant communities themselves (not just their particular patterns of social and economic relationships in their home society, but also the nature and extent of the diaspora arising from migration – see Cohen 1997 for a discussion of different types of diaspora) and in terms of the characteristics of the various host societies.

Two features may be considered particularly interesting in terms of national business systems. Firstly, migrants specialise in particular sectors. As discussed, some may be declining sectors, others may be sectors that are opening up or capable of revitalisation.

Secondly, migrants may use their ethnic community both as a potential market but also as a means of extending the nature of their products (by buying goods from the home society or by using ideas from there to extend the market to their own and other communities). It would be interesting to follow in more detail the development of particular businesses and how these develop forms of transnational communities and thereby impact on national systems.

Table 8: Labour Migration, Transnational Communities and National Systems

	Serving wider market (including exporting from host society) than original community	Impact on national business system
Declining Sector	Local general shops, taxis	Minimal
Revitalizing declining sector	Clothes	May be extensive, leading to restructuring of segments of the sector
Establishing in new sector	New specialist food shops and restaurants, 'ethnic music' and cultural outputs	May be extensive

Ideas, Knowledge and Certification: 'Ideological' Transnational Communities

In his discussion of nationalism, Anderson coined the term 'imagined communities' (Anderson 1991) to refer to the way in which senses of identity (particularly national) had to be manufactured. He pointed to the way in which intellectuals sought to construct shared languages, histories, stories and symbols in order to bind people into an imagined sense of community. One of his main concerns was the importance of the rise of printing as a way of both setting down and giving a permanency to these imaginations and as a way of communicating them beyond the elite (though this in turn depended on the development of literacy). From this point of view, all transnational communities are imagined in some sense, but perhaps, some are more imagined than others! I am referring here to the way in which universalistic forms of knowledge and business practice are operating as ways to bind managers in different national settings into a single 'transnational community'.

This is a process that happens at a number of levels. At least, two of them would be very similar to Anderson's model of 'imagined communities'. The first is the extension of the printed media of commentaries about business practice. There are a range of publications which have world wide circulation (*Financial Times*, *Wall Street Journal*, *The Economist, Fortune, Business Week*). These are accompanied by a constantly replenished stream of books on business and management, offering universal remedies and prescriptions, some in an easily digestible form, others rather more weighty. Clearly much of this is carried by the *lingua franca* of business, English, though there are some books which are considered so important as to merit translation into many languages. For example, Hammer and Champney's 'Reengineering the Corporation' has sold 17 million copies world-wide, including 5 million in Asia (Thrift 1998: 180).

The second and crucial institutional sphere for the production of this imagined community is education and in particular, the spread of the MBA. Mickelthwait and Wooldridge report that 75,000 MBAs are awarded every year in the USA and whilst the numbers awarded across the world cannot be quantified, they report that 250,000 people around the world take the GMAT test for MBA entry purposes (Mickelthwait and Wooldridge 1996). MBAs are increasingly available by distance learning variants supplemented by internet, email and video conferencing. They are no longer confined to the populations of the core industrial nations either in terms of attendance or location.

MBAs of their nature have a standardised curriculum usually aimed to produce the ‘general manager’. Most top MBA schools are very conscious of the identity-forming functions of the process. In the USA, in particular, (though this is mirrored elsewhere, not least because alumni are a major source of funds for Business Schools) there are well developed alumni associations which attempt to maintain and reinforce these identities, by offering the benefits to graduates of continued social networking and refresher courses. The meaning of the MBA as a qualification is, of course, highly stratified depending on which institution was attended. Similarly, its significance varies between countries depending on existing versions of business knowledge and managerial careers embedded in the national business system. Nevertheless, an MBA from a top US or European school does provide a certification of entry into a particular type of transnational community – one, which is increasingly coming to the fore in major European companies.

One particularly common route out of top MBA programmes is into the sphere of management consultancy. The huge growth of management consultancies is now attracting interest from academics (see e.g. Clark 1995; Sturdy 1997). Thrift states that ‘Arthur Andersen with revenues of $3,115 million in 1996 and an international staff of about 44,000 consultants, has its own ‘university’, the former girls’ school at St. Charles, Illinois which is known as Andersen Consulting College. There it trains consultants by the thousands and increasingly promotes conferences and video conferences’ (Thrift 1998: 172). Interestingly, Andersen has also signed contracts with Warwick University and Manchester Business School to provide MBA education for selected employees.

Thus there is a further reinforcement of the standardisation process. In turn consultancies bring packaged solutions to business problems across the world. These solutions may be more or less customised and innovative depending on cases and problems but they remain built on the notion of general management skills as propounded in the Anglo-American framework. Management consultancies propagate the message to managers insecure and uncertain about environment in which they are seeking to survive.

Table 9: Imagined Communities: Business Knowledge and Transnational Communities

Print media	Establishment of ideas, myths, heroes, language
Educational institutions	Establishment of shared frameworks and bodies of knowledge: importance of certification and identification
Management consultancies	Propagating the messages; universalising the solutions

What sort of a 'transnational community' does this make? It is one bound loosely together by language, ideas, education, professional associations and shared interests in economic advancement through the propagation of these ideas. As Anderson shows in his discussion of nationalism, these factors can add up to a powerful combination of features, which can create identity and community. Clearly there are many divisions (not least nationality) which remain within this group but it would be interesting to explore further whether they are becoming in some sense an 'invisible nation' or 'invisible college' or even a significant part of what Sklair refers to as the transnational capitalist class (Sklair 1995: 1998). In order to answer this question, much more detailed empirical work needs to be done on these groups and how their presence affects national business systems by importing universalising solutions.

Conclusions

This paper has sought to provide a framework in which a new set of empirical issues can be addressed whilst still retaining key elements of the institutionalist framework. I have attempted to provide a theoretical justification for distinguishing more clearly between the level of social values, norms and communities and the level of the social system and its parts. The level of the social system enables us to describe the key features of national economies and how they develop. However, if this analysis is not supplemented by the notion of the level of social integration and social actors, it becomes difficult to understand how change occurs. On the other hand, it is also necessary to understand the potential contradictions and tensions within the system and the idea, following Lockwood and Archer, that these lead to potential changes which actors, given the structural constraints under which they work, may possibly work towards. Thus structure and agency need to be held in mind as analytically distinct and not conflated.

I focused particularly on the idea of the tension within the modern economic setting of the national and the international. There can be no national without an international and vice versa. The issue is not to prioritise one over the other but to work out how the two interact and relate as part of a broader system at any particular time. My argument was that the key contradiction of the system from this point of view was that national economic survival depended on international expansion but international expansion changed the terms on which national economic survival was premised. I then sought to examine four ways in which this tension gave rise to potential social forces that were transnational in scope. This was not to deny the significance of national social conflicts nor is it to assume that these transnational phenomena all share the same characteristics and will all be dominant in their effects over national contexts and actors. The point is simply to turn the spotlight on what is a neglected area.

I examined four patterns of action, which could be seen as the basis of transnational communities – international regulatory organisations, multinational enterprises and global commodity chains, international labour migration and global business knowledge/education. I argued that each of these processes was creating the potential for new forms of social action as 'communities' of interest cohered across borders. The significance of these different 'transnational communities' and their impacts on national systems has to be explored through much more detailed empirical analysis. Nevertheless, I have sought to show that there is some merit in including this new focus within discussions of developments in and across national business systems.

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