

The Rise of the Global Company, Multinationals and the Making of the Modern World

By Robert Fitzgerald

Cambridge University Press

Cambridge

2015

Price £19.99 (pbk), £64.99 (hbk), £15.74 (ebook)

Keywords Business history, Case studies, International business, Globalisation

Review DOI 10.1108/PR-08-2016-0198

Fitzgerald prefaces this book with the observation that multinational enterprises have played a significant role in shaping world history over the last 200 years. He suggests that multinational companies have not only created today's pattern of commercial activity around the world but they have also had far reaching effects on nation states, have sparked wars, impacted on languages and shaped cultures. This interesting, chronologically ordered book illustrates his claim to excellent effect. Fitzgerald shows how multinationals were centre stage in determining the nature of the modern world (p. 23) with a series of illustrative case studies charting the turbulent histories of many famous and not so famous global businesses.

The book is divided into four long chapters which detail company activity by sector and by region in four eras of globalisation, with the individual company histories being picked-up in these different periods.

Fitzgerald's first era of globalisation is 1870-1914. This was the period of mainly European empire building. Before this period the chartered companies, such as the Hudson Bay Company, or the East India companies operating out of the Netherlands, France, Denmark and Britain dominated international trade. Fitzgerald suggests that only in the last third of the nineteenth century did this pattern change, mainly as a result of the growing influence of trading companies operating without charters. This led to the European countries moving towards more open markets, encouraging competition and freer trade. Not all the European companies operating at this time have a proud history. Jardine Matheson and P&O Shipping made their money in the mid-nineteenth century trading in opium between India and China. The International Association, Belgian King Leopold's private holding company in Central Africa, extracted huge wealth from the exploitation of the Congo basin, using forced labour and probably killing hundreds of thousands, perhaps millions in the process. It is worth remembering this legacy as a counterpoint to discussions of modern business ethics.

More positively, the rapid expansion of world trade during this first era of globalisation stimulated the creation of all kinds of infrastructure that we still use today and it was largely the European multinational companies that provided this infrastructure. Railways were built in Central and South America, India and parts of Africa; trams were introduced in cities all over the world, the Suez and Panama canals were opened, refrigerated shipping was introduced to transport meat from South America to Europe, telegraphs were laid under oceans. Towards the end of the period the first oil terminals, oil tankers and pipelines were introduced to move oil around the world from the newly opened oil fields in the Middle East and in what is now Azerbaijan. During this period international banking and insurance companies started operating on a world-wide scale, as did a host of well-known global



businesses such as Royal Dutch Shell, Nestle, Ericsson, Ford and Lever Brothers. Not until well into the 1980s did the value of international business investment match what was going on in the years immediately before the First World War.

The second era of globalisation covered by the book is 1914-1948. Fitzgerald talks of this as the period of reverse gear. He suggests that growing tensions about increased competition in the international business contributed to the causes of the First World War. By the end of the First World War the European powers had been severely weakened and the USA became the most important source of imports and international finance.

The second era contained the 1929 Wall Street Crash and the Great Depression. One impact of these events was that governments resorted to protectionism and import substitution in a vain attempt to revive domestic economies. I found the section on the embryonic global automotive industry during this period one of the most interesting sections in the book, particularly the history of General Motors (GM) and Ford. GM grew by acquiring international businesses in order to get around trade barriers. This included the acquisition of Vauxhall in Britain, Opel in Germany and Holden in Australia. Ford on the other hand preferred to build on Greenfield sites and did so in Ireland, in the UK and Germany to great effect. They were not so successfully in Brazil, where their huge purpose built Fordlandia plant was ill-conceived. Both GM and Ford started to build pan-European cars in this era (much as they do today) understanding that the larger engine, bigger vehicles popular in North America were not appropriate for world markets. Fiat, Citroen and Renault also started to operate outside of their home countries during this period. Other notable industrial developments in the era included the growth of chemical and pharmaceutical companies, for example, Swiss Ciba Giegy and Sandoz and the British firm ICI. Fitzgerald also tells the story of the development of international consumer brands companies like Quaker Oats, Shredded Wheat, Proctor and Gamble and Heinz; the establishment of the first international airlines KLM, Pan American, Qantas, BOAC; the advertising giant, J. Walter Thompson and the sequestration of the German brewing company by the Chinese government in the former German enclave of Tsingtao in China.

Fitzgerald describes the Second World War as a third major setback for global business in the second era of globalisation. Some multinationals, particularly US-based companies, were very profitable during the war years. He also provides evidence that some companies put their commercial interests ahead of national interest, for example, Ford France produced German munitions in its plant near Paris during the war years. The largest negative impact of the war on business was the ruination of many European companies; it was a struggle for many of them to recover lost ground in the post-war era.

The third era of globalisation, 1948-1980, was dominated by the Cold War and the new economic order centred on the two global superpowers, the USA and Soviet Union. The period starts with European post-war reconstruction and the establishment of a US-dominated world order. The Bretton Woods institutions of World Bank and IMF, quickly followed by GATT (later to become the WTO) created conditions in which multinational enterprises could thrive, largely free from the problems of trade barriers and protectionism that had been so damaging to them the second era. The Soviet Block/Comecon countries aimed to create their own alternative centrally planned world grouping during this period, with only a few medium sized non-aligned countries resisting the need to be either with the Americans or with the Russians.

The third era of globalisation is typified by the growth of manufacturing-based foreign direct investment mainly from companies based in rich countries developing their interests in other rich economies. At the same time resource seeking oil and mining companies were expanding their global footprints. Fitzgerald picks-up the case of the big American car companies during this third era. GM brought Opel back into production after the war and by the mid-1950s Opel was producing more cars in Germany than its sister company, Vauxhall could manage in Luton. Ford turned down an invitation to take over Volkswagen after the

war and continued their policy of developing Greenfield sites. It is interesting to speculate if the Ford Beetle would have lasted as long and become as iconic as the VW Beetle. Fitzgerald notes that the French government was so desperate to get their automotive industry up and running after the war, that they overlooked Ford's collaboration with the Nazis during the war, instead encouraging the same management team at the Paris factory to bring it back into operation building trucks. Much of the European car industry struggled through the 1960s and 1970s. Simca cars, the French offshoot of Fiat, was first sold to Chrysler in the 1950s and then sold-on to PSA Peugeot Citroen for one dollar in 1978. State sponsored rationalisation of the car industry was taking place in Italy and the UK at a similar time.

The third era of globalisation is perhaps best typified by the growth of US multinationals selling branded goods, services and promoting US soft power and culture: Coca Cola, Pepsi Cola, Heinz, Kellogg's, Campbell's Soup all became global products. Service companies, like Holiday Inn, McDonalds and IBM became global names. Elsewhere, the emergence of Japanese giants like Mitsubishi, Nippon and Kawasaki was significant as was the growth of international food retailers like Walmart, and European-based Carrefour, Albert Heijn and Metro. Throughout the third era, access to oil and the oil companies was central to the global business world. Towards the end of the era there was also some thawing of the Cold War and the entry of some communist block companies into international business especially in the non-aligned countries, such as India, Egypt, Indonesia. For example, Czech car company Skoda (before its absorption into the Volkswagen-Audi Group) opened assembly plants in India, Iran and Mexico in this period.

The final era of globalisation, 1980s to the present day, is the period most readers will be familiar with. Fitzgerald calls it, Global Economies. In this section he charts the growing importance of Japanese and Korean companies, the impact on business of the fall of the Berlin Wall and Iron Curtain, the growing impact of supra-national trade associations (NAFTA, EU, Mercosur, etc.) the growth of the service industries and the emergence of emerging economy companies (the Dragon Multinationals) with their asset seeking rather than market seeking business strategies. He also refers to impact of the World Wide Web (and the ubiquity of the English language) the growth of the financial services industry, the impact of the short-term horizon of speculative private equity investors and the causes and consequences of the 2008 banking crisis. Above all in the fourth era of globalisation, Fitzgerald suggests that it is the sheer scale of the cross-border activity, the development of global supply chains and international activities that take advantage of global resources, that marks out the fourth era different from what went before. Globalisation was on a much larger scale in the fourth era than anything in the previous three eras.

While it provides an invaluable context, there is not a lot in this book that specifically relates directly to personnel or organisational behaviour, it is unapologetically a history book which uses multinational companies as the way of telling the story; similar in a way to those popular TV history programmes that use family history as a way of explaining events of the past. In his introduction, Fitzgerald suggests that business historians have often been criticised for their lack of rigour. For this reason, he suggests many business historians focus on company strategy and internal company mechanisms about which they can theorise. Probably the greatest strength of this book is that it does not do that. Instead it concentrates on telling the story of the businesses through history. For that reason I enjoyed reading it.

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