BRITISH MNCs AND THEIR ACTIVITIES IN THE USA -

THE TAIL WAGS THE DOG?

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ABSTRACT

This paper contributes to the literature on the roles of MNC subsidiaries and headquarters-subsidiary relationships by analyzing the activities of British MNCs in the USA. This is done through an assessment of the sales and assets of the largest British MNCs and calculation of their 'Index of Involvement'; and through the exploration of top management changes associated with the rapid, acquisition-driven growth of US affiliates. Some of these British MNCs are, in effect, bi-national enterprises in which the US centre has an increasingly important role, as reflected in dual headquarters, the appointment of American nationals as group CEOs, and strong US representation on group boards.

INTRODUCTION

Much of the international business and management literature quite rightly views the parent domiciled in the home country as the headquarters and decision-making centre in the MNC group (see Martinez and Ricks, 1989). Numerous recent contributions have, nevertheless, highlighted the increasingly strategic roles of selected subsidiaries in their corporate networks (see O'Donnell, 2000; Zander, 1999; Forsgren, Holm and Johanson, 1992, 1995; *Financial Times*, 2000a). Despite these developments, researchers have not adequately addressed issues associated with the relative size and growth of subsidiaries and parent companies over time, and the extent to which subsidiaries may influence their parent organizations.

This exploratory paper examines the activities of subsidiaries in a strategically important market, specifically British MNCs in the United States. This context is significant because of the historically strong presence of British companies in the US (Gittelman, Kogut and Barrett, 2000; Graham and Krugman, 1991); while early researchers observed that foreign firms were likely to adopt special governance structures in dealing with their US subsidiaries because of the size and unique characteristics of that market (Hedlund, 1984; Young and Hood, 1980; Franko, 1976). (While much of the literature has chosen to view subsidiaries as single entities in a host nation (see for instance Taggart, 1996), this study prefers to examine them as "the totality of the MNC's holdings in a host country" (Birkinshaw and Hood, 1998, p.773). Given this background, the paper has a dual purpose. First, to examine the relative size and evolution of the US subsidiaries of British MNCs. Second, to provide some preliminary insights into the influence of US operations on the management of British MNCs.

BRITISH MNCs AND THEIR US ACTIVITIES

The US is the world's largest recipient (and source) of foreign direct investment (FDI) (UNCTAD, 1998). British MNCs have been noted to play a significant role in this investment growth in the US (OECD, 1997); and dominate the league of the top foreign companies located in the US in terms of number of affiliates, US sales and US employment (Gittelman, *et al*, 2000). US market involvement by British MNCs has a long history, and firms such as J&P Coats, Courtaulds and the English Sewing Machine Company have been cited as some of the leading British companies operating in the US before the First World War (Wilkins, 1970; see also Shepherd, Silberston and Strange, 1985). However it was not until the 1970s that the US became the most important overseas location for British investors. Prior to this period, the Commonwealth countries were the most important host locations (Shepherd *et al*, 1985). The reasons why the US market is of special attraction to British MNCs include factors such as the size and growth potential of the US market (Young and Hood, 1980; Shepherd, *et al*, 1985; Hamill, 1992); the lower cost of capital (Graham and Krugman, 1991); psychic proximity between the two countries; common language; common Anglo-Saxon capitalist systems (Hampden-Turner and Trompenaars, 1994); and ease of entry through mergers and acquisitions (M&As)(Shepherd, *et al*, 1985; *Financial Times*, 2000b).

An analysis over the period 1976 to 1978 showed that all large investment transactions in the US by British MNCs were made through equity stakes or acquisitions (Young and Hood, 1980); although Stopford and Turner (1985) have suggested that a number of these M&As were subsequently managed as portfolio investments. Subsequently too the M&A route has been the predominant expansion mode for large British firms, as for MNCs from other developed economies (Zander, 1999; *Acquisitions Monthly*, 1999). While many initial acquisitions in the US were motivated by market and product portfolio expansion strategies (Hamill and Castledine, 1996), subsequent acquisitions may be for cost and efficiency reasons. Key motivating factors for US acquisitions in the 1970s and early 1980s were the unfavourable economic and political climate and labour unrest in the UK at the time (Stopford and Turner, 1985; company annual reports). In the 1990s, however, a desire to access new technology, the potential to achieve higher returns from the US compared to the

UK and Europe, global strategy motives, and the large market and growth potential have been cited as key drivers of US acquisitions by British firms (*Financial Times*, 2000b).

The characteristics of British MNC subsidiaries in the US

The outcome of the above patterns was that of the £100 billion invested abroad by the leading 68 British MNCs in 1983, 40 per cent was in the US (Stopford and Turner, 1985). Data for the end-1990s showed that British subsidiaries accounted for 36 per cent of the top 125 foreign-parented subsidiaries and had the largest network of affiliates, as well as generating significant levels of sales and employment (Gittelman *et al*, 2000). For example, the top three leading foreign firms in 1997 in the US in terms of employment were UK-parented, namely, BAT Industries (65,418 US employees); Tomkins PLC (50,733 US employees); and Grand Metropolitan [now Diageo] (50,000 US employees).

The high level of employment could, however, be explained by Graham and Krugman's (1991, p.78) finding that unlike other key investing countries, such as Germany or Japan, "UK firms are concentrated in relatively labor-intensive, low technology sectors… ." Indeed the top three employing firms are in the tobacco, hotels and drinks, and food processing industries. This study also revealed that of the major investor countries in the US, UK-parented affiliates imported the least per worker ($8.54 compared with $22.24 by German affiliates) and exported the least per worker ($6.73 compared with $14.43 for German affiliates). Thus localization/multi-domestic strategies were apparently more strongly evident among British MNCs.

Overall, there is a reasonable understanding of the background and characteristics of British FDI in the US. However, the evolution of business activity in the recent past (1990s) has not been examined in detail; and there is little evidence on subsidiary development or management and subsidiary-headquarters relationships.

RELEVANT LITERATURE

MNC subsidiaries and centres

A substantial literature has developed on the roles and strategies of MNC subsidiaries. A number of the typologies of subsidiary roles suggest evolution over time from subordinate to higher-order positions (see, for example, Luostarinen and Marschan-Piekkari, 2000). The phenomenon being investigated in this paper is likely to be manifested in higher-order subsidiary types, amongst which are: the world mandate and strategic independent (White and Poynter, 1984); strategic leader (Bartlett and Ghoshal, 1986); global innovator and integrated player (Gupta and Govidarajan, 1991); global subsidiary mandate (Roth and Morrison, 1992); partner (Taggart, 1996); resource provider and resource networker (Randoy and Li, 1998); and strategic centre of excellence (Surlemont, 1998).

Although each has its unique features, the common characteristic of these higher-order subsidiary types is the key roles they play in their corporate networks. Some cultivate critical resources which are leveraged within the MNC for the benefit of other subsidiaries (Surlemont, 1998); while others work in partnership with headquarters to develop and implement strategy (Roth and Morrison, 1992). All the above subsidiary role types are distinguished by their resources and capabilities, which according to the resource-based view of the firm, will ultimately enable the MNC (not the subsidiary in isolation) to generate competitive advantage (Barney, 1991; Amit and Schoemaker, 1993).

Related literature to that on MNC subsidiary strategies concerns MNC structures, and, particularly, the contrast between hierarchical and heterarchical organizational forms. Heterarchical models emphasise loose coupling, the decentralization of resources and decision making away from the headquarters to subsidiaries in a differentiated manner (Ghoshal and Bartlett, 1993). Unlike the hierarchy, this model encourages lateral relationships among subsidiaries in people, products and knowledge flows. In essence, therefore, many centres are allowed to flourish (Hedlund, 1986). This area is generally under-researched (but see Birkinshaw and Morrison, 1995); and in the context of the present paper, there is little evidence on the structural and strategic implications of a single dominant subsidiary, as may characterize the American affiliates of British MNCs.

The strategic influence of subsidiaries

Strategic influence at the MNC subsidiary level is not a clearly defined concept. Forsgren, *et al* (1992, p.235) identified “a continuous move of strategic influence in the firm away from Sweden [HQ] to the subsidiaries…” as a result of critical resource accumulation at those subsidiaries. The same authors also found evidence among Nordic firms of the transfer of divisional headquarters to dominant overseas subsidiaries/centres (Forsgren, *et al*, 1995). In addition, Papanastassiou and Pearce (1998, p.72) concluded in a recent study of MNC subsidiaries in the UK that ‘creative subsidiaries’ have the capability to “influence decisions on the group's overall evolution” (see also Birkinshaw, Hood and Jonsson, 1998; Martinez and Ricks, 1989). Surlemont (1998, p.163) referred to “the idea of prominence in a web of relationships”, and how a subsidiary “affects the way other subsidiaries operate their activities”. Two dimensions of strategic influence relevant to this study could, thus, be inferred, first, prominence in a group relative to others; and, second, the ability to affect others through participation in strategic decision-making.

Prominence in a group could be the result of critical resource control (Pfeffer and Salancik, 1978); how important the subsidiary is to the parent (Martinez and Ricks, 1989); and the maturity of the subsidiary and the size of it contribution, in terms of profits, sales and assets (Prahalad and Doz, 1981). The impact dimension of subsidiary strategic influence involves the degree of involvement in strategic decision-making (Surlemont, 1998). Researchers have argued that parent representation at the subsidiary managerial level (through expatriation) is the most effective control mechanism they exercise over their subsidiaries. Hence the percentage of subsidiary board members who are from the parent company, and the percentage of the top management team in the subsidiary representing the parent have been used to measure parental influence at the subsidiary level (see Youssef 1975; Picard, 1980; Martinez and Ricks, 1989). Conversely, at higher stages of subsidiary evolution), strategically influential subsidiaries may also 'export' experts to their parents ('reverse internationalization' in the model of Luostarinen and Marschan-Piekkari, 2000). This is necessary in order to penetrate the 'corporate immune system' (Birkinshaw and Ridderstrale, 1999). Similarly, in such circumstances it would be reasonable to expect subsidiary representation on the parent company board.

Factors determining the subsidiary's strategic influence

Several factors have been identified in the literature which affect the overall position of the subsidiary relative to others in its network. Following Forsgren, Pedersen and Foss (1999) these factors may be classified into 'market strengths' and 'subsidiary strengths'. Market strength refers to factors such as the size and growth potential of the external host country market (Doz, 1986; Bartlett and Ghoshal, 1986; Forsgren, Pedersen and Foss, 1999; Zander, 1999). Subsidiary strength, on the other hand, derives from factors internal to the subsidiary in the host nation, including issues such as the entrepreneurship of subsidiary executives and the maturity, power and influence of the subsidiary (Pfeffer and Salancik, 1978; Doz and Prahalad, 1981; Martinez and Ricks, 1989; Birkinshaw, Hood and Jonsson, 1998; Birkinshaw and Hood, 1997; Luostarinen and Marschan-Piekkari, 2000; Martinez and Ricks, 1989). There are likely to be links between market strengths and subsidiary strengths, which in turn may determine the ability of the subsidiary to influence strategic decision making at the corporate level.

Overall, US market characteristics suggest considerable ‘market strength’. The literature also indicates that subsidiaries located in such strategically important host markets may be able to enhance their strategic position; while, in addition, subsidiaries (representing the totality of the firm's holdings in a country) which contribute critical resources to the parents can also enhance their role and strength in their corporate networks. The next sections aim to explore these issues by, first, presenting the results of an analysis of the importance of the United States to British MNCs (prominence in a web of relationships); and, second, illustrating the dynamics of US involvement through the appointment of US nationals as corporate directors and chief executive officers (CEOs).

METHODOLOGY AND ANALYSIS

To create the list of firms for this study, a multi-stage screening procedure was followed. For ease of access to information, only public limited companies (PLCs) were included. The initial population was the *Financial Times* (1998) list of the top 500 UK PLCs by market capitalization (FTSE 500). Following UNCTAD (1998), 51 companies in the financial sector (banks, insurance companies and investment companies financial institutions and insurance companies) were excluded from the list. Foreign-parented firms like Coca Cola were also culled from the list by cross-checking their country of origin in Dun and Bradstreet’s *Europa* (1998). This was followed by the separation of domestic firms from those that are foreign investors, using Dun and Bradstreet’s *Who Owns Who* (1998). Firms, which had at least one overseas affiliate, were included for further inquiry. A sample of the results was further re-checked using the *Sequencer/Extel* database. The exercise identified 243 MNCs with at least one subsidiary in the US for further study.

The next stage of the exercise was to collect the relevant data on the 243 firms identified. Specifically, data on sales and net assets, by geographical location were collected from company annual reports and also from the *Sequencer/Extel* database. Companies that did not report both data sets were dropped from further consideration, leaving a total sample of 143 companies.

Following UNCTAD (1998), the subsequent phase involved the comparison of the combined net assets and revenue figures for each company from three geographical locations - the UK home country, the US, and the rest of the world. The UNCTAD (1998) *Transnationality Index* for MNCs was calculated as a composite of three ratios: net assets of location / net assets of MNC; location turnover (by origin) / total turnover; employment at location / total employment. Their resulting index is indicative of the MNC's resources, which are controlled from that country location. While basically following the UNCTAD approach, employment figures were dropped from the calculation of the index in the present study since all firms did not report these by geographical location. (Note, British MNCs reported employment in different ways, namely, by business division, by function, or by geographical location).

Composite indexes based on turnover and assets have been calculated for each of the 143 British MNCs meeting the criteria set out above. The *Index* of *Involvement* refers to the share of total group activities located in a particular geographical location. Because of space constraints, only the individual company data for the top 25 British MNCs (ranked according to their Involvement Index) are presented; but mean figures for the top 100 and all 143 MNCs are also shown in Table 1.

Thus the Involvement index is not an entirely new approach but built on the transnationality index measures used by UNCTAD (1998). Unlike the UNCTAD measure which compared domestic activities on one hand with all overseas activities on the other, the present study breaks down the foreign activities by identifying the dominant contributor from the overseas location.

As pointed out in the literature, past researchers have examined the MNC parental influence over subsidiaries by measuring the proportion of subsidiary board members appointed from the home country of the MNC. It was argued that at a certain stage of its evolution the subsidiary could also “export" experts to corporate board. The next stage therefore involved the collection of data on the composition of directors of the 143 companies at the corporate level from July 1994 to July 2000. This was done by analysing the corporate directors appointment data available from the UK Companies House database.

RESULTS-THE PROMINENCE OF US SUBSIDIARIES OF BRITISH MNCS

As outlined in the methodology section, the importance of the United States as a location for British MNCs is measured by an *Index of Involvement* . This shows the US share (and those of the UK) of total MNC group sales and assets, and is presented in Table 1 for both 1998 and 1994. Because of space constraints, only data for the top 25 companies ranked by their 1998 Involvement Index are presented, as well as the companies’ rank in the FTSE 500 in 1998.

US market importance. The United States market accounted for 25.3 per cent of the turnover and assets of the 143 British MNCs in the sample in 1998, a figure which rose to 37.2 per cent for the top 100 firms and 57.6 per cent for the top 25. The strong concentration on the American market is shown particularly clearly in the company data in Table 1, where the US Involvement Index ranges from 48.7 to 72.4 per cent. All firms except one, thus, derive approximately half of their turnover and have half of their assets in the US.

Bi-nationality. When UK activities are added, all except three of the top 25 have over 80 per cent of sales and assets in the US and UK combined. The notion of a group of British

TABLE 1. ACTIVITIES OF BRITISH MNCs IN THE US[a] AND THE UK

Company	Industry Sector	1998 Total Sales £m	1998 Total Net Assets £m	1998 UK Involvement Index %	1998 US Involvement Index %	1998 UK Involvement Rank	1998 FTSE Rank	1994 US Involvement Rank %
SIGNET GROUP	*Retail-specialty*	991.2	497.3	27.6	72.39	1	237	68.26
DIALOG CORPORATION	*Business Services*	170.762	54.718	16.9	72.38	2	325	0
PEARSON PLC	*Publishing*	2251.0	3525.0	16.8	67.1	3	42	28.5
REED INTERNATIONAL	*Publishing*	3163.0	3650.0	18.9	66.1	4	49	46.0
EMI GROUP PLC	*Entertainment & Leisure*	2373.5	328.1	(10.7)[c]	64.2	5	87	40.6
BRITISH BORNEO OIL & GAS	*Crude oil*	62.4	540.4	51.8[c]	64.0	6	232	NA
DANKA BUSINESS SYSTEMS	*Comp. Software Services*	1751.8	529.0	32.4	62.0	7	389	91.9
PREMIER FARNELL PLC	*Electronic*	705.0	260.1	27.2	60.6	8	248	NA
FAIREY GROUP PLC	*Aerospace & Defence*	261.6	80.8	36.4	59.8	9	322	40.7
KEWILL SYSTEMS PLC	*Comp. & Software Services*	60.079	43.245	32.3	57.1	10	495	6.6
WEMBLEY PLC	*Entertainment & Leisure*	91.4	184.9	44.0	56.0	11	417	25.4
COOKSON GROUP PLC	*Chemicals*	1551.9	518.9	17.6	55.7	12	181	59.2
ELLIS & EVERARD PLC	*Chemicals (diversified)*	784.3	168.4	45.0	55.0	13	393	51.0
BUNZL PLC	*Paper & Production*	1939.3	424.2	33.9	53.7	14	161	49.1
BBA GROUP PLC	*Auto parts*	1210.5	788.4	14.9	53.7	15	143	41.2
HENLYS GROUP PLC	*Auto parts*	344.1	83.0	46.7	53.3	16	351	0
WADDINGTON PLC	*Paper & Production*	257.247	172.225	41.6	53.1	17	373	24.9
ELEMENTIS PLC	*Wholesale (non-durable)*	974.4	474.4	45.2	52.5	18	269	NA
FKI PLC	*Machinery*	1186.991	536.464	29.0	52.4	19	200	64.1
MAYFLOWER CORP	*Automobiles*	481.1	117.5	48.7	51.3	20	264	39.6
SHIRE PHARMACEUTICAL	*Drugs*	80.328	50.594	39.1	51.3	21	211	0
AGGREKO PLC	*Retail -miscellaneous*	178.9	186.4	37.4	50.2	22	258	NA
WHATMAN PLC	*Machinery-industrial*	96.3	73.4	43.9	50.0	23	391	29.27
HANSON PLC	*Diversified Holding Co*	1590.3	2246.1	41.8	49.5	24	101	64.6
TOMKINS PLC	*Metal Fabrication*	5344.7	1546	51.3	48.7	25	77	49.45
Mean Top 25		*1116*	*683.1*		*57.6*			*39.1*[b]
Mean Top 100		*1826.8*	*966.7*		*37.2*			
Mean 143 British MNCs		*1795.3*	*1062.4*		*25.3*			

Notes: (a) A small number of companies included some minor activities in Canada and Mexico in their US figures.
(b) Based on data for the 21 companies with comparable 1994 figures.
(c) Distorted by debt figures in the companies' records.

MNCs as bi-national enterprises is indicated quite strongly. It is interesting, nevertheless, that these top 25 firms are not the largest British MNCs, with only four of them being represented in the FTSE top 100 (Table 1) while twelve are represented in the top 50. This at least suggests, as might be expected, a wider geographic spread of activities among the very largest British MNCs.

Sectoral patterns. The companies in the top 25 are split evenly between non-manufacturing and manufacturing. There are, however, significant differences in the distribution of the companies. The highest ranked MNCs in terms of their Involvement Index are largely service enterprises. Thus the top 5 companies are in publishing (2), retail (1), distribution (1), and entertainment and leisure (1). Only 2 manufacturing firms (ranked 8th & 9th) and one in the crude oil sector are represented in the top ten. Within the top 25, four of the British MNCs are in the knowledge-intensive sectors (drugs, computing, aerospace & defence, and electronics); the remainder conform to Graham and Krugman's (1991) finding that UK parented affiliates in the US are concentrated in low-tech businesses.

1998 and 1994 comparisons. A comparative Involvement Index was calculated for 1994. Because of ownership changes, new enterprise formation etc, comparable data were only available for 21 MNCs. The mean US Involvement Index for these comparable 21 companies rose from 39 per cent in 1994 to 57.6 per cent in 1998. Furthermore, 17 of the 21 enterprises recorded increases in the shares of their activities contributed by the United States. Included within this group were three firms which had no foreign direct investments in the US at all in 1994.

Overall, therefore, the United States has proved to be an increasingly attractive foreign direct investment target, at least for the British MNCs analyzed. This seems to indicate a continuation of trends which have been in evidence for around 20 years. The objectives may well have changed, of course, from the defensive motives (unfavourable economic and political conditions in the UK) of earlier years, to offensive motives (the size and growth of the US market). The apparent bi-nationality of some enterprises raises interesting issues, including the strategic influence of the subsidiaries and also their limited FDI presence in large parts of the world.

RESULTS – CORPORATE DIRECTOR APPOINTMENTS

Reversing the approach adopted by earlier researchers, the proportion of corporate directors appointed from the US host country and the home country were measured (see Youssef 1975; Picard, 1980; Martinez and Ricks, 1989). The result indicates the increasing presence of the US host country nationals on corporate boards between 1994 and the present. A summary of the result is presented in table 2.

The appointment of Directors of foreign origin. Data on director appointment was available on 136 of the 143 companies. As shown in table 2, 83 MNCs had foreign nationals on their corporate boards in 1998, with US nationals represented in 63 of these firms. Also of interest is that over 50 per cent (13) of the top 25 firms identified in Table 1 had US directors at the corporate level in 1998 with 31 such firms represented in the top 50 firms identified by their level of US involvement.

The 1998 director appointment appear to follow the 1994 pattern when both were compared. About half of the top 25 firms (12) had US directors on the corporate board (23 in the top 50). US presence on the corporate board level ranged between 8 and 50 per cent of total board membership in both 1994 and 1998. Results of correlation analysis (see following section) suggested some lag between the increase in US Involvement Index and the appointment of directors. The composition of the boards in July 2000 were therefore also examined. The results show that while the number of companies appointing US nationals was stable (it increased by just 1 to 64) there was a rapid increase in the range of composition. Unlike 1994 and 1998 when US director representation ranged between 8 and 50 per cent of total corporate board membership, US involvement in 2000 deepened, ranging between 7 and 77 per cent. (Danka's board was 77%, PIC's 75 %, Shire Pharmaceuticals' 60 % American). Some of the firms indicated in their annual reports that their operational headquarters is located in the US. (SmithKline Beecham and Danka among them). Clearly a dual headquarters structure appears to be emerging. This finding strengthens the evidence of bi-nationality referred to in an earlier section.

TABLE2. THE COMPOSITION OF CORPORATE DIRECTORS AND CEO APPOINTMENTS IN BRITISH MNCS

	1994	1998	2000
COMPOSITION OF DIRECTORS			
Number of MNCs with only UK Directors	*67 (51%)*	*53 (40%)*	*44 (32%)*
Number of MNCs with some foreign directors	*64 (49%)*	*83 (67%)*	*92 (68%)*
Number of MNCs with some Directors from US	*40 (31%)*	*63 (46%)*	*64 (47%)*
	n=131	*n=136*	*n=136*
CEO COMPOSITION			
Number of MNCs having Foreign CEO	*NA*	*20 (15%)*	*26 (19%)*
Number of MNCs having CEO from US	*NA*	*11 (8%)*	*13 (10%)*
Number of MNCs having CEO from UK	*NA*	*116 (85%)*	*110 (80%)*
Number of MNCs having CEO from other countries	*NA*	*9 (6%)*	*13 (10%)*
	n=131	n=136	n=136

NA- Not Available

Chief Executive Officers (CEOs)

As shown in table 2, CEOs of US origin appear to be emerging on the UK corporate scene (many appointed from the companies' US subsidiaries) accounting for just 8 per cent of the 136 companies in 1998. Although their numbers are small they are increasing at a fast pace and they also appear to be well represented in the companies which rank high in the US Involvement Index (6 of the firms having US CEOs are ranked among in top 15 of Table

1). Since data was not readily available for CEO appointments in 1994, comparisons were not drawn. However, it is suspected that their number would be smaller than the 1998 figure.

Relationship between the Involvement Index and the appointment of Directors

The Involvement Index and the composition of corporate director data were further examined using Pearson's correlation co-efficient matrix to find out as to whether or not relationships exist between them. The results suggest a strong positive association between the US Involvement Index and the presence of US directors in the companies (r=0.186 significant at 5%). Similarly a negative but strong association was indicated between UK director appointment and the US Involvement Index. The appointment of CEOs from the US was also found to be significantly related to the US Involvement Index. This by no means attribute any causal influences as this paper is only exploratory in nature.

DISCUSSION AND PROPOSITIONS

The aim of this section is to integrate the relevant literature with the preliminary evidence on British corporate activity in the US.

The overall level of firm internationalization may be one basis for subsidiary evolution and subsequent influence, because of the contribution of overseas operations to the overall group and the need to support these foreign operations. The present research also suggests that a concentration of overseas activities may be critical for the subsidiary to wield strategic influence. These suggest that MNCs which are highly internationalzed and which also concentrate a significant proportion of their activities in one key overseas location will have subsidiaries which are prominent in their corporate set ups.

Previous studies have shown that MNCs utilize home country expatriates in overseas subsidiaries to monitor performance and ensure compliance with corporate objectives (see Martinez and Ricks, 1989; Franko, 1976). The present research highlights the importance of reverse executive flows. As shown in table 2 and 3 many of the companies have various degrees of US presence at the corporate level. Birkinshaw and Ridderstrale (1999) have recently argued that subsidiary initiative could fail unless the subsidiary is able to penetrate the 'corporate immune system'. Gaining representation at the corporate level may be a way of achieving this and gaining support for the subsidiary's strategies and initiatives. Alternatively, it could be the reverse of the finding of Martinez and Ricks (1989). Thus when the subsidiary is critical to overall MNC objectives, host country managers may be 'imported' to headquarters in order to synchronize strategies at both the subsidiary and corporate level. There may also be technology transfer motives, with subsidiary management resources being employed at corporate level for the wider benefit of the MNC. No matter the motive for the appointment to the corporate board, it affords the appointees the chance to take part in the four phases of strategic decision making (see Hinnings et al 1974). Thus the strategic influence of the subsidiary will be higher if its top managers are represented on the corporate management board than if they are not. The strong association between the degree of US involvement and the appointment of directors and CEOs suggest further studies of the phenomenon.

CONCLUSIONS AND IMPLICATIONS

This paper has examined the relative size and evolution of the US subsidiaries of British MNCs and has provided some preliminary insights into the influence of US operations on the management of British MNCs. Clearly the US has become the most critical market for some of the leading companies in the UK. The concentration on the US has increased over time and has led to managerial and structural change. Some of the firms (among them SmithKline

Beecham, PIC and Danka) are becoming genuinely bi-national. Important work remains to be undertaken to understand the implications of these developments. This includes, for example, research on knowledge transfers within the British MNC groups, an issue which is attracting growing interest in the literature (see, for example, Winterscheid and McNabb, 1994; Gupta and Govindarajan, 1994; Bresman, Birkinshaw and Nobel, 1999). The implications of the geographical focus on the US have, however, wider and far reaching implications, linked to the relative disregard of the rest of Europe as well as the rapidly growing markets in Asia; this is a significant area for research not only in the field of international management but public policy too.

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