

**RECENT FOREIGN DIVESTMENT FROM TAYSIDE:
A COMPARATIVE CASE STUDY OF GIDDINGS & LEWIS,
TIMEX AND HALLMARK**

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INTRODUCTION

The aim of this paper is to investigate the factors behind three recent major foreign direct divestments from the Tayside region, all three involving American multinational firms, with long operating histories in the area. Since 1992 the withdrawals of industrial tool producer Giddings & Lewis, the greeting card manufacturer Valentines of Dundee (a subsidiary of Hallmark Inc) and the Timex Electronics Corporation have directly cost the region approximately 1000 jobs. The divestment decision, always a sensitive one, was particularly controversial in the Timex closure, which was preceded by one of the longest industrial disputes in recent years.

In a region such as Tayside, with the high unemployment areas of Dundee and Arbroath, the departure of three significant employers has a substantial impact on the local economy. Given the efficiency with which multinational firms can relocate resources, it is important to investigate the rationale for divestment decisions. Only by having a clear understanding of the global strategic decision-making process can public-sector economic-development agencies be in a position to support a local subsidiary within its transnational corporate framework.

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While withdrawal automatically suggests failure, it should be emphasised that all three multinational firms operated successfully in the area over significant lengths of time. However, as McDermott (1989) notes, the consequences of the plant life cycle are 'grave', especially as product life cycles are shortened. At mature phases in their life cycles, products become standardised and competition becomes cut-throat. Therefore regions should not consider any multinational firms' current economic activity in an area as endless.

Methodologically, this paper is based on a comparative case study which allows for in-depth examination of the phenomena behind the divestment decision. While there have been numerous case studies of multinational withdrawal, both in Scotland (see Hood and Young 1982) and the UK as a whole (see Casson 1986; McDermott 1993; Young, Hood and Hamil 1985), this one emphasises the strategic position of the local subsidiary both in its external markets and within its own corporate environment. Because the management of these multinational enterprises refused to be interviewed, the information was gathered by various other means. Company documents, and reported statements and explanations by the parent and subsidiary management, became the major sources of the data.

In the next section of the paper a simple framework for analysing the divestment by multinational firms is developed. The third section employs this framework to examine the circumstances of each individual case. In the fourth section the cases are compared and implications for public sector involvement are drawn. Conclusions are offered in the final section.

A FRAMEWORK FOR EXPLAINING THE DIVESTMENT DECISION

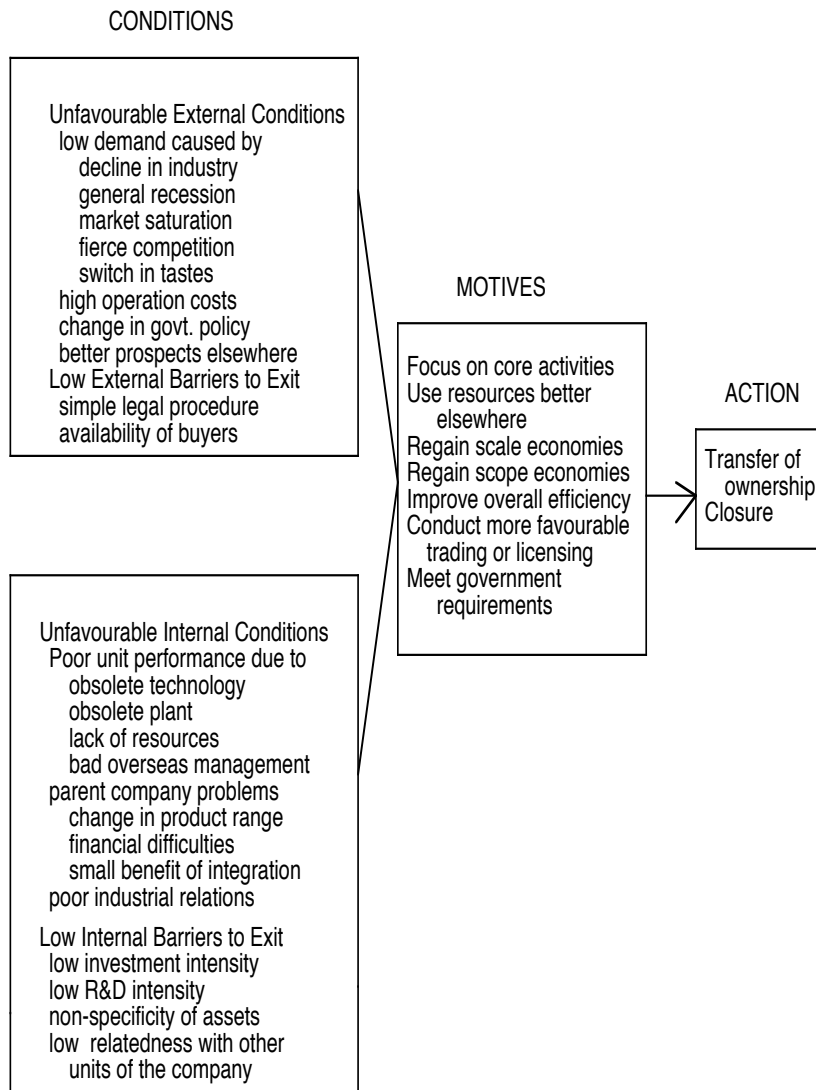
The framework, shown in figure 1, most closely follows Hamilton and Chow (1993) who argue that two major elements are essential to the analysis of the divestment option: the basic conditions underlying the divestment options; and the objectives motivating divestment. Following Casson (1986) the type of decision taken, either a transfer of ownership or plant closure, is added.

Basic Conditions for Divestment

The basic conditions for divestment occur when the original reasons for investment are eroded. In fact Boddewyn (1983) reversed Dunning's eclectic

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theory of foreign direct investment (1979, 1980) to provide the basic conditions for foreign divestment. Figure 1 shows that the possible conditions or circumstances essential to the divestment option can be divided into two categories. First unfavourable economic and social-political conditions can make normal operation very difficult or impossible. These unfavourable conditions can be either external or internal to the firm,



ACTION

- Transfer of ownership
- Closure

Figure 1. The Condition-Motivation-Action Analysis of Foreign Divestment

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although it is the external conditions 'beyond the firm's control' which are usually cited by management announcing plant closures. For example the buoyant demand conditions which existed at the time of investment may be eroded as the product concerned comes to the end of its life cycle. Unfavourable internal conditions refer to the erosion of firm-specific advantages based on technology, marketing skills or particular product lines.

Low external and internal barriers to exit from a particular location provide a second set of conditions which facilitate withdrawal of a multinational corporation. For example if a firm's assets are generic rather than specific to the particular plant, they will be easier to dispose of, making a shut down less difficult. The legal procedures necessary for a plant closure also vary from country to country. The possibilities for divestment of a particular unit of the firm also depend on the extent to which that unit is integrated with other parts of the firm. If the unit is peripheral to other parts of the firm's operations, it will be less costly to dispose of.

Motives for Divestment

The second element of the analytical framework shown in figure 1 lists the possible motives for the divestment decision. Coyne and Wright (1986) argue that divestment should be understood as a corporate strategy, which is a response to the company's perceived weakness or to its changing environment. Focusing on core, rather than peripheral, activities and regaining scale economies through plant rationalisation may be means of recapturing competitive advantage. McDermott (1989) points out that multinational firms have increasingly adopted global strategies, resulting in subsidiary or plants being evaluated as a contributor to the whole entity. Grunberg (1981) argues that a subsidiary's ability to succeed in the internal environment of intra-corporate rivalry is just as important for survival as its performance in the external environment.

FACTORS INFLUENCING FOREIGN DIVESTMENTS FROM TAYSIDE

This section examines the foreign divestment by Giddings & Lewis, Timex and Valentines. Comparisons between these three cases will be made in the next section.

Giddings & Lewis

Giddings and Lewis (G & L), the largest US machine tool maker, has manufacturing facilities in four countries - the US, Canada, the UK and Germany. It has had an interest in Arbroath since 1939 when it acquired a family-owned engineering and textile firm which had operated in the area for over 100 years. In the early 1990s the principal activity of G & L in Arbroath was the manufacture and distribution of machine tools. Ancillary to this was the production of foundry castings for third parties, together with a small amount of textile machinery for export. The plant employed 375 people.

The divestment by Giddings & Lewis from Arbroath took the form of partial closure in the first instance; the machine tool business ceased but the foundry still remained. The divestment of machine tools was initiated in late 1992 and fully completed by June 1993. The foundry was eventually sold in 1995.

With regard to figure 1, there were several conditions which underlie the parent company's divestment option. First were the general economic conditions and technological changes faced by the company. Machine tools are used exclusively in the production of other durable goods. Therefore, the machine tool industry is particularly responsive to changes in general economic conditions, and associated levels of capital spending. In addition, demand for particular types of machine tools may change as a result of technological developments in the products or manufacturing processes of the industries in which they are used. The main customers for the products made in the Arbroath plant were British automobile, oil and aerospace industries. The economic recession in 1992 led to large-scale redundancies in these industries, and changes in technology required new machine tools. As a result, demand for the products made in Arbroath was very weak.

As indicated in table 1, the weak demand for the Arbroath plant's products is evident from the dramatic fall in its before-taxation profit. It was £744,643 in 1991, but the combined profit for both machinery and casting businesses was only £214 in 1992. Since the foundry at the Arbroath plant was very busy, it was obvious that the machine tool business actually suffered a loss in 1992.

While the basic conditions outlined above were important, stronger rationale for the divestment option came from the parent company's motives in terms of its global strategy. In the 1970s and 1980s, the US machine tool industry was in decline. Facing this situation, Giddings & Lewis, among several other major American tool makers, realised that, since the demand for machine

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tools was moving towards machining centres and flexible manufacturing cells, it should transform itself into a larger company with a big, integrated product range and a commitment to spending on new product development in order to compete with other global firms. Based on this perception the parent company took over the heavily loss-making Cross & Trecker, another American machine tool builder, in October 1991.

Table 1

Giddings & Lewis Limited Profit and Loss Account (£)

	1992	1991
Turnover	15,806,630	17,483,228
Gross profit	2,337,003	3,393,180
Profit on ordinary activities before taxation	214	744,643
Taxation on profit on ordinary activities	-	-
Profit attributable to members of the parent undertaking	214	744,643

Source: Directors' Report, Giddings & Lewis Limited, 1992.

The take-over was hailed by the management as one of the most exciting expansions in the company's 132-year history, because three aims of the deal were simultaneously achieved: product range expansion and extension, and global presence. For instance, since C&T had modern plants in Stuttgart in Germany and Merseyside in England, the deal strengthened G&L's presence in the European market which accounted for 40-45 per cent of world machine tool consumption.

Following the acquisition, Giddings and Lewis took steps to streamline its operations in response to global and economic conditions. Though the Arbroath plant as a whole still made some profits before 1992, the demand situation had already suggested the need for change. In contrast to its recently acquired plants, the Arbroath plant was very old and not suitable for modern production. In 1992, as part of its rationalisation plans, the company decided that resources could best be utilised by concentrating the production of the

entire product line of machine tools at the more modern Knowsley plant in Merseyside, with the foundry operations continuing to be based in Arbroath. The Arbroath machine tool business was closed in the firm's other European interests.

The Arbroath machine tool business was chosen for divestment not only because of the low demand for its products but also because there were very low barriers in terms of its disposal. As noted above, compared to the company's newly acquired plants in Germany and Merseyside, the Arbroath plant was very old and not really suited to modern production.

Also, while G & L as a company paid special attention to Research and Development activities (it was ranked first in its industry category in R&D spending per employee), this type of expenditure in the Arbroath factory was relatively low. In fact in the years before the divestment, R&D activities were limited to cost reduction and rationalisation of the product line only. This led to a product line which lacked competitiveness. Though the parent considered rescuing the Arbroath machine tool business in 1991 by introducing other machine tools, it was too late when the business was hit by the general recession and changes in technology.

Generally speaking, the more complementary the business unit is to other businesses in the company, the less likely will it be economically justified to sell or shut down the unit, even if it is unprofitable. While the Arbroath factory was once closely linked with other businesses in the group, changes in the parent company's product range caused most of the Arbroath business to be isolated. Finally, the legal procedures associated with redundancies were much more restrictive in Germany than in Britain, making the Scottish plant relatively easy to close.

Timex

Timex, the American watch manufacturer, started wrist-watch assembly in Dundee in 1946. The company carried out diversification in the mid-1960s, producing and exporting Polaroid cameras world-wide. In 1983 the company moved the camera production to Japan and watch production to France, but switched to sub-contracting work - supplying IBM, the computer manufacturer, in Greenock with printed circuit boards. At the end of 1992 the company employed just under 450 people. Early in 1993 an industrial dispute started and lasted for several months until the company closed the Dundee plant in August 1993.

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There was much publicity about the Timex dispute in the local and national business press, but this is only one of several conditions underlying the parent company's divestment option. The most important reason for the Timex withdrawal was the erosion of the company's firm-specific advantages. It had expanded rapidly in the 1950s and 1960s because of its advanced mechanical watch-making technology for the time. The company, together with the National Cash Register (NCR), was regarded as laying the foundation of Dundee's second industrial revolution. However external conditions changes when the technology for producing mechanical watches became standardised and there was increasing competition from low-wage countries.

One possible response to the decline in competitiveness was a transition from the mechanical sector to high-technology electronics. This change was successfully carried out by NCR in the early 1980, who went up-market from the mechanical products into the world of automated cash dispensers. On the surface it seemed that Timex had also made this transition by heading into printed circuit boards. However, the business that Timex picked up was the low-technology and highly competitive sub-contracting manufacturing. Developing countries had comparative advantages in the production of these products because of their lower wages.

Table 2 shows the company's weak financial state in recent years. However, though it had suffered continuous losses from as early as 1987, the company did not divest until 1993. This is because the company still thought it could make the Dundee plant profitable. The company's rescue program included the launch of new products and expansion of production in Dundee. Before doing so the company felt an urgent need to reduce operation costs and increase productivity. It therefore spent £2 million on the latest equipment, including £1 million on a Japanese automatic circuit-board maker which required little labour.

Table 2

	Timex's Statement of Loss (£000)			
	1993	1992	1991	1990
Sales	9582	32897	30539	30953
Operating Loss	4772	1110	672	419

Net Loss	10875	1141	1344	669
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Source: Timex Electronics Corporation, 1993.

The rescue effort, however, was too late. Before the company introduced new products or increased productivity, the company's fragile circuit board business was hit by the general recession in 1992. This brought about a downturn in the world personal computer market and its order books for IBM. Though both management and union realised the necessity of a temporary job cut because of a shortage of orders, they could not agree on who would be laid off. Early in January 1993, 120 workers were laid off and by mid-January the strike had commenced. After the parent company's four-point 'peace plan', including a wage-freeze and a 10% cut in fringe benefits was rejected, 343 workers were dismissed and mass picketing of the factory followed. In June the parent company did not see any hope left for the factory and decided on an 'orderly' closure in December after existing contracts had been honoured.

Despite the new investment in the automatic circuit board maker, the exit barriers for Timex were relatively low. First, printed circuit boards were not the parent company's core business and had little relationship with other businesses in the group. Abandonment of this peripheral and loss-making factory would not harm the company's other units at all.

Second, the circuit board business is not specific to Timex, and the company had no difficulty in transferring the business to another firm because of its low-technology nature. While the Timex dispute continued, IBM carried on a so called 'vendor evaluation'. Due to the comparative ease of switching to other suppliers, it took Timex only seven weeks to transfer its order book to other sub-contractors selected by IBM. Because of this, the date of the plant's closure was brought forward to the end of August 1993.

Third, many of Timex's durable assets were not firm-specific or location-specific. Its production equipment and computers and other equipment used for administrative purposes were sold quickly, as was the part of the Timex's Electronics business - the Timex Controls subsidiary. The factory was rented by Timex from Scottish Enterprise Tayside. All of this facilitated a rapid closure of the plant.

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Valentines of Hallmark

Established in 1825, Valentines was one of Dundee's oldest companies. It had the rare privilege of carrying two Royal Warrants, from the Queen and the Queen Mother. The company was acquired in 1980 by the US giant Hallmark, the world's leading greeting card publisher.

Valentines' main business was designing, manufacturing, marketing and distributing greeting cards. At its peak the company employed around 500 people in Dundee. However, continuous losses in recent years (see table 3) led to a two-step shut down of the factory: it cut 194 jobs in 1993 when manufacturing was switched to the Hallmark UK/Ireland Group's other plant in Rathfarnham, near Dublin; and it shed the remaining 166 staff in 1994 when the plant was finally closed.

Table 3

Valentines' Profit and Loss Account (£million)

	1993	1992	1991
Turnover	14	14	15
(Loss)/Profit on Ordinary activities	(1.8)	(1.04)	0.95

Source: Directors' Report, 1993; The Courier & Advertiser, 8 June 1994.

Factors contributing to Valentines' poor financial performance included fierce competition and, to a lesser extent, general economic recession. Valentines of Dundee had a strong team in new product development, marketing and customer service areas. Its Valentines brand name was well known. The company had 140 retail outlets known as Hall of Cards in the UK, and had more than 5,000 customers throughout the UK and Ireland. Its parent company employed 700 artists, sold cards in 20 different languages and for every occasion to over 100 different countries. All this enabled Valentines to own strong firm-specific advantages: firm and product reputation, and a marketing network.

However, these advantages were being eroded by unfavourable external and internal conditions. The greetings card market is characterised by easy entry

and therefore strong competition. With a shift in tastes in recent years, cards currently popular require reduced manufacturing processes to those required previously. This lowered the barriers to entry, and many small firms supplied the market with products at lower costs. Thus Valentines' advantages in brand names and marketing were more than offset by its relatively high costs. In addition, general economic recession and therefore the low demand for the group's products was regarded by the company as a negative change in the business environment. These two factors led to a dramatic decline in Hallmark UK/Ireland Group's sales in both relative and absolute terms, with Valentines suffering proportionately greater losses.

Given the market situation, Hallmark decided to reduce its excess capacity in the UK/Ireland Group in 1993. It found that one manufacturing plant was enough for the group. Because the Rathfarnham plant had three times the manufacturing capacity of the Dundee plant and could absorb all of Valentines' needs without further investment, and because the Dundee plant could not meet Hallmark's total manufacturing requirement, it was economically sound to move manufacturing from Dundee to Rathfarnham. As part of its 1993 reorganisation programme Hallmark also planned to switch distribution from Dundee to premises at Bradford in England, and relocate the remaining 166 employees involved in R&D, marketing and services to new premises in Dundee.

However, after the merger of Hallmark's UK/Ireland Group with the UK's leading greetings card publisher Andrew Brownsword Group early in 1994, the original reorganisation plan was changed. Hallmark announced in June a shut down of operations in Dundee and only some of the 166 remaining employees were offered the chance to relocate to Bath, where the Brownsword Group was based. This led to an end of Valentines' 169 years of history in Dundee.

Both Hallmark and Brownsword had strategic motives for the merger which led to the end of Valentines' operation in Dundee. Hallmark had well-known Hallmark, Valentines and Sharpe Classic brand names as well as many retail outlets in the UK and Ireland. However, it could not compete effectively with smaller UK publishers, such as the highly profitable Brownsword, who held the quintessentially English Gordon Fraser and Forever Friends brands. After the merger, Mr Brownsword took overall responsibility for the combined group's operation in the UK and Ireland. For the UK/Ireland Group, the merger was the best way to preserve the brands 'with reduced risk', and to benefit in full from a close association with the UK market leader in

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greetings card publishing. For the Brownsword Group, it was a great opportunity to make better use of Hallmark's brand names and retail outlets. Following the merger there was excess capacity in new product development and marketing and sales, and Valentines' existing supporting functions were trimmed.

When Valentines was taken over in 1980, Hallmark's plan was 'to further develop Valentines'. The company invested millions of pounds in premise refurbishment and new equipment. However, since the divestment of Valentines took the form of moving manufacturing to Dublin and supporting functions to Bath, the equipment facilities could be used in the group's other plants. In addition, Valentines was not integrated with other units in the Hallmark group because it had its own complete manufacturing, marketing and R&D facilities to produce similar goods to its parent's. Consequently the exit barriers were actually low when the divestment decision was made.

A COMPARISON OF THE THREE CASES

The economic situations faced by Giddings & Lewis, Timex and Hallmark at the time of their divestment decisions were obviously somewhat different. This reflects the fact that the firms were in very different industries. However a comparison of the three cases, using the previously developed framework shown in figure 1, reveals some very important similarities with respect to the basic conditions for divestment and the strategic motives of these multinational firms.

Table 4 shows that all three firms experienced low demand for their products because of the recession of the early 1990s. However, while the recession may have triggered the divestment decisions, the problems facing these firms had much deeper roots. All three subsidiaries faced unfavourable external conditions associated with the evolution of their product life cycles. These more specific changes in the external environment contributed to the reversal of the original investment conditions. They include technological changes in the cases of G&L and Timex; shifts in taste in the case of Valentines; and fierce competition in the cases of Timex and Valentines. In the case of Timex, the company found itself at the end of its product life cycle, necessitating a switch to a completely new product. Unfortunately the company's strategic move to a new product line was not in the long term interests of the Dundee subsidiary.

Failure to respond to the external changes mentioned above led to erosion of firm-specific advantages and poor unit financial performance. In the case of Giddings & Lewis, its plant had become obsolete, while its product line lacked competitiveness. Timex had moved from an initial position of superior technology to a low-technology, fiercely competitive sub-contracting situation. Its poor industrial relations only aggravated its weak financial position. Valentines had high production costs relative to its competitors. In the cases of Giddings & Lewis and Valentines poor plant performance and prospects led to their failure to compete for resources within their own corporate group.

The poor external and internal conditions cited above, which all three multinationals faced, emphasise the fact that changing circumstances may lead multinational firms to adjust their global allocation of resources. The divestment decision, however, also depends on how easy or difficult it may be to withdraw from a particular location. As table 4 indicates, low barriers to exit facilitated withdrawal in the case of all three Tayside subsidiaries.

Table 4

Conditions and Motivation for the Foreign Divestment

	G&L	Timex	Valentines
Unfavourable External Conditions:			
Low demand caused by			
general recession	yes	yes	yes
fierce competition	no	yes	yes
switch in tastes	yes	no	yes
technological changes	yes	yes	no
Unfavourable Internal Conditions:			
Poor unit performance caused by			
inappropriate technology	no	yes	yes
obsolete plant	yes	no	no
Change in product range	yes	no	no
Poor industrial relations	no	yes	no
Low Barriers to Exit:			
Simple legal procedure	yes	no	no

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Availability of buyers	no	yes	yes
Low investment intensity	yes	no	no
Low R&D intensity	yes	yes	no
Non-specificity of assets	no	yes	yes
Low interdependence with other units of the group	yes	yes	yes
Brand names	no	no	yes
Motives for the Divestment:			
Discard undesired unit	yes	yes	yes
Focus on core business	yes	yes	no
Improve overall efficiency	yes	yes	yes
Increase competitiveness with other firms	yes	yes	yes

One important common feature regarding exit barriers was that all three subsidiaries were relatively isolated, having very little relationship with other units in their corporate group. G&L of Arbroath supplied other firms with a different line of machine tools than that of its parent and most of its business was outside of its corporate group. Timex of Dundee produced printed circuit boards for other firms, while its parent's core business was watch-making. Valentine's was horizontally related to its parent, undertaking all three stages of design, production and distribution of greeting cards. This lack of integration, combined with poor financial performance, rendered the three subsidiaries prime targets for disposal in the harsh economic climate of the early 1990s

Other low exit-barriers, more specific to each subsidiary, enhanced the ease of divestment for the three American multinational firms. In the case of Timex, its assets were non-specific and therefore easy to sell. Given that brand names were Valentines' most important assets, their use did not depend on any particular site. Giddings & Lewis's Arbroath subsidiary was characterised by low investment intensity, low R&D intensity and less restrictive redundancy procedures than other units in the group.

Finally, table 4 shows that all three multinational parents had strategic motives for their divestment decisions. The multinational firm in its employment of global strategies evaluates its subsidiaries not in isolation, but with respect to their contribution to the whole entity. All three companies faced difficult market conditions and needed to employ strategies to increase efficiency and competitiveness. G&L's strategy of consolidating its manufacturing operations led it into a merger with another major tool maker, and the divestment of its peripheral business unit in Arbroath. Hallmark was also able to rationalise its production operations after its merger with Brownsworth, while retaining Valentines' most important assets - its brands. Timex, by divesting its subsidiary in Dundee, was able to concentrate on its core business, a strategy currently being followed by a number of large corporations.

Rescue Possibilities

It is interesting to note that both Giddings and Lewis and Timex planned to rescue their Tayside subsidiaries with the introduction of new products. Hallmark also had shown some commitment to Valentines by investing in premise refurbishment and new equipment. Obviously the efforts of the three

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parent companies were not early enough or substantial enough to address the changes in the external and internal conditions facing these firms. The severity of the recession in the early 1990s also laid some of the plans to rest.

In each of the three cases local and regional economic development officials expressed shock at the job losses and concern for the impact on the local economy. They also attempted to persuade the firms to reconsider their divestment decisions. However, rescue efforts were again too late to influence the strategic decisions to divest by the parent companies. While, in the circumstances, shock and concern are almost mandatory public responses, the analysis of changes in the external and internal conditions facing the subsidiaries shows that the divestment option should not have been a surprise. Any realistic effort to support industrial transformation and upgrading at subsidiary level would have had to occur much earlier. While the public response was to lament the departure of firms which had such a long association with the local area, in fact an over-reliance on ageing plants and products led to the closures.

It would be naive to suggest that the three divestment decisions taken could have been easily altered with appropriate public sector intervention. In fact a number of researchers have viewed the process of multinational withdrawal as an inevitable one. For example McDermott (1989, p.9) argues that both management and employees can benefit from the acceptance of the 'inevitability of foreign-owned plant closures'. He adds that new multinational investment must be pursued as substitute for and not just supplement to existing operations.

Recent work, however, has taken a slightly more positive view of the possibilities for regions to retain existing multinationals. While admitting that public sector agencies have little control over many of the factors affecting multinational decisions, Young and Hood (1994) argue that some variables may be 'vulnerable to influence'. They propose that local economic development agencies could gain important information by monitoring the activities of multinationals operating in their area, as well as the environment which they face. This information could be used to support or defend the local affiliate within its transnational corporate framework. This might, for example, involve aiding the subsidiary in presenting a case for new investment or new product development at plant level to its parent. Alternatively, public-sector agencies could provide information to local foreign affiliates on possible alliances (universities or private firms) with respect to R&D activity. However, as Young and Hood point out, such 'after-

care' services require resources, and the opportunity costs of expenditure on these programmes would have to be compared with other uses for funds.

CONCLUSIONS

The three cases of multinational divestment demonstrate the consequences of the product life cycle. The external and internal conditions facing the Tayside subsidiaries had changed, but the responses to change were weak. In all three cases the initial firm-specific competitive advantages which the firms held had been eroded. In the retrenchment of the early 1990s, their parent companies undertook strategic moves to increase their global competitiveness and to focus on core activities. Given the poor financial performance of the three Tayside subsidiaries and their low level of integration with other units in their corporate groups, they were obvious targets for divestment.

There are a number of implications arising from the case studies for consideration by public sector bodies concerned with local economic development. The first is that regions must not assume that multinational subsidiaries currently operating successfully in their areas will always do so. In fact as global strategies are increasingly employed by parent companies and as product life cycles shorten, there will be even greater mobility of foreign investment. New investment may increasingly be viewed as a substitute rather than a supplement to that which exists.

Public sector bodies should also consider allocating more resources to monitoring the activities of multinational affiliates operating in their area, with a view toward supporting them within their transnational corporate group. While all firms within a local area, indigenous and foreign, should be provided with an up-to-date physical and human infrastructure, there may be a case for additional support for the multinational subsidiary, given the ease with which transnational firms can relocate activities. The support, however, has to be of a proactive and continuing nature, rather than a reaction to a closure decision. The allocation of more resources to this area presents difficulties, as the successful outcome of retaining multinational investment cannot be certain. The benefits of successful intervention, however, could be substantial.

It is interesting to note that there is some movement on the part of Scottish Enterprise Tayside in the direction suggested above. The Tayside Economic

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Review Update (SET 1995) states that 'links are being established' with companies owned or controlled outwith Tayside, with a view toward improved communications and influence on the important strategic decisions taken by these companies. While the cases of the three recent divestment decisions may have had a depressing impact on the local economy, with respect to new policy initiatives their impact may be somewhat more positive.

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