# FOREIGN POLITICAL AND SOCIAL FACTORS AND THEIR INFLUENCE ON U.S. MULTINATIONAL FIRMS

by

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## Table of Contents

# Chapter One
# Introduction

Political and social events and situations abroad impact a growing number of multinational corporations (MNCs). A Wall Street Journal article claims that 60% of U.S. companies with operations abroad have experienced politically inflicted damage (2, p.1).

Interest in this situation has been especially pronounced since the recent upheavals in Iran, El Salvador, and Lebanon. In Iran, for example, U.S. companies suffered losses of about $1 billion, due to the reprecussions of the revolution (24). Even the popular press and network news have covered the subject of the influence of a host country environment on U.S. firms (8).

While companies have established foreign operations and dealt with the political and social situation abroad for centuries, interest in the international environment expanded dramatically after World War II. Two developments during the past thirty years which have encouraged this interest are first, the huge number of firms from the U.S. and other developed nations which entered into foreign countries to expand their operations and second, the growing sophistication of host countries, especially the less developed countries.

After WWII, war innovations, such as jet aircraft and improvements in international communications and computer development made overseas operations more manageable. U.S. companies expanded their foreign direct investments (FDI) steadily over a 30 year period, growing 10.5% in the 50's, 9% in the 60's, and

10% in the 70's (11, p.50). In addition, these investments became critical to the firms as they increased their reliance on international operations for a large amount of their sales and profits.

In this same time period, significant environmental changes affected relations between MNCs and increasingly sophisticated host countries. Kobrin has highlighted five major changes: (a) politicalization of economic and social aspects of life; (b) growing nationalism; (c) increasing political instability ; (d) interdependence and complexity of political and economic relations; and (e) decline in U.S. hegemony (20, p.57). The frequency of change and degree of difference caused by each change have also become more significant.

The political and social environment is important to the firm because it may directly or indirectly affect its financial gains and losses. Multinational firms must concern themselves not only with the domestic environment but also those of the host countries in which they operate.

There are many ways of categorizing the international environment. Terpstra's (39) components include the physical, economic, and cultural elements of an environment. Of particular interest to this study are his definitions of the economic and cultural elements. Included in the economic elements are employment, income, gross national product, foreign exchange risk, balance of payments, and commodity agreements. The cultural environment includes language, religion, values and attitudes, education, social organization, technology and material culture, politics, and law. Figure I illustrates the elements of the cultural environment in more detail.

Figure 1

Composition of the Cultural Environment of International Business

| LANGUAGE | RELIGION | VALUES & ATTITUDES |
|---|---|---|
| spoken language | sacred objects | Toward: |
| written language | philosophical systens | time |
| official language | beliefs & norms | achievement |
| linguistic pluralism | prayer | work |
| language hierarchy | taboos | wealth |
| international languages | holidays | change |
| mass media | rituals | scientific method |
| | | risk-taking |

| LAW | | EDUCATION |
|---|---|---|
| common law | | formal education |
| code law | | vocational training |
| foreign law | | primary education |
| home country law | | secondary education |
| antitrust policy | | higher education |
| international law | | literacy level |
| regulation | | human resources planning |

| POLITICS | TECHNOLOGY AND MATERIAL CULTURE | SOCIAL ORGANIZATION |
|---|---|---|
| nationalism | transportation | kinship |
| sovereignty | energy systems | social institutions |
| imperialism | tools & objects | authority structures |
| power | communications | interest groups |
| national interests | urbanization | social mobility |
| ideologies | science | |
| political risk | | |

Terpstra (39, p.xiv)

Other authors break down the elements of the environment differently, but they all include similar concepts, differing mainly in terminology or emphasis. For example, Imoisili (18) separates the environment into infrastructure, economic, legal/political, educational, and socio-cultural variables. Root, on the other hand, categorizes the external environment into social, political, and policy variables (34). The inconsistency is a result of the overlapping and interdependent nature of these variables in an environment.

The economic, social, or political environment specific to a given foreign country and government policies enacted in response to trends in the environment may have either favorable or adverse consequence for the profitability of a company and on the recovery of debt or equity investments made in a country. (34, p.102).

While the current situation in a country may have a large impact on firms' operations, also of interest to companies is potential instability or irregular change. Countries throughout the world have experienced changes in the past ten years that appear abrupt, especially when contrasted against the period from post-WWII to the early 1970s. Ringbakk (32) examined changes in this period; below is a table he developed illustrating the contrast in the environment.

Table 1

| Paramaters | Third Quarter Century (WWII-early 1970s) | Fourth Quarter Century (Early 1970s--) |
|---|---|---|
| Geopolitics | 1.General political stability | 1.Breakdown of old alliances, nationalism, new conflicts |
| | | 2.Resource-based 'economic war' |
| | 2.Ideologically based Cold War | 3.Erosion of U.S. preeminence and superiority |
| | 3.U.S. dominance in international political economy | 4.Food, population, Fourth World problems |
| | 4.North-South gap | |
| Resources | 5.Ready availability of low cost energy | 5.Uncertain availability but high cost |
| | 6.Ready access to raw materials | 6.Resource nationalism and cartels |
| | 7.MDC-controlled exploration, exploitation | 7.LDC and resource-rich controlled production |
| Economics | 8.Reconstruction in Europe and Japan | 8.Preventing Malthusian prophesies of doom |
| | 9.Economic growth objectives | 9.Socio-Ecological balances |
| | 10.Closing international gaps | 10.Problematique: Multivariant, Interactive, Global |
| | 11.'Limits to Growth' unknown | 11.Conserving resources |
| | 12.GATT: promising free international trade | 12.Bilateralism, regionalism, and barter |
| | 13.IMS: offering monetary stability | 13.Breakdown of Bretton Woods system |
| Institutional Framework | 14.International communications and transportation | 14.Improved communication and transportation |
| | 15.International banking and financial markets | 15.More prudent and controlled developments |
| | 16.Eurodollars, Eurobonds, Eurocurrencies | 16.Currency cocktails,shifting currency strength |
| | 17.EEC, EFTA, LAFTA, COMECON, ANCOM | 17.OPEC, IBA type political-economic organization |
| Foreign Investments | 18.Long tradition of portfolio investments | 18.Foreign dominance or influence resisted |
| | 19.Open host environments welcoming direct investment as means to close gaps | 19.Restrictive host environments scrutinizing existing and new foreign investments |
| | 20.Home country tolerance for export of capital, technology, and management | 20.Home country concern with export export of jobs and loss of national economic welfare |
| | 21.Emphasis on short-term benefits, discounting long-term costs | 21.Perception that costs exceed benefits and that MNC is a threat to soverignty |
| | 22.Direct investments a means to national ends | 22.Important gaps are closed and direct investments have served primary purpose |
| | 23.Minor government involvement or interface | 23.Extensive government involvement in national planning and management of economic affairs |

Ringbakk (32, p.6)

The political and social changes in the world or in specific countries may be evolutionary or revolutionary. Often, government regulations may encourage significant changes in businesses' policies and may present a risk to some firms.

These changes are frequently given as one of the reasons for the slowing down of international investment in the 1980s. After record increases in 1979 and 1980, overseas investment leveled off in 1980-83. (23) The 1981 rate of increase, 5%, was the lowest in the post World War II period (41) A Wall Street Journal article attributes the reduction to "the stubborn recession, high labor costs, high taxes and competition from government subsidized industries" (7, p.1). These last three reasons would generally be included in the social and political factors which affect firms.

## Objectives of this Study

By surveying a population of U.S. multinational corporations (MNCs) this study seeks to establish what political and social circumstances MNCs currently experience in their international operations and how these situations are perceived by executives. This study will also examine what impact the environment has on these MNCs, and how they have responded to these situations. Firm characteristics such as size, type of business, and location of international operations will be identified and examined to see if the traits might help explain the experiences and reactions of the the firms.

The study will compare the results of this survey with previous, related research to see whether or not earlier trends and relations hold true today.

## Scope of Study

The external environment, particularily the social and political situations in hc countries, and its impact on multinational firms will be examined. This is not a study of political risk or assessment of political risk although these situations may spark changes in company policies and may constitute a risk to some of these firms.

## Limitations of Study

As with any mail survey, this study has several built-in limitations. First, it is impossible to ask all of the questions desirable to study a subject. In this study, for example, executives were asked to indicate what their firms' experiences and situations were in general rather than requested to specify conditions in numerous areas of the world. While this information would have been enlightening, gathering it would have placed an extreme demand on responding executives and the burden might have dissuaded individuals from completing the questionnaire.

Second, seldom do all surveyed individuals complete and return a questionnaire. This can cause a bias in the findings.

The repondents in this study will be compared with the entire surveyed population to see if the replies are representative of the larger group.

Another drawback of a mail survey is that the researcher loses control of who actually fills out the questionnaire, running the risk that an unknowledgeable person answers the questions. In this study the respondent is asked to indicate his or her position in the organiztion so that some idea is available on who actually completed the questionnaire.

Semantic problems are always possible. Various interpretations of situations or the meanings of words or categories may lead to an improper reading of the results. While personal or telephone interviews might have reduced chances for this and and for the previously mentioned problems, these methods were impractical from both a financial and time standpoint.

One point in favor of a survey method, especially a questionnaire by mail technique is that much of the research in this area has been conducted in the same way. Following is a review of literature relevant to this study.

# Chapter Two
## Related Literature & Research

Many research projects were influential in contributing ideas for the design and evaluation of results of this study. A review of the pertinent literature and research, in the order of importance to this study, follows. Many of the titles will reappear in later chapters, when the results of this study are compared with the findings of the reviewed literature.

The research project which was the impetus for this study was Pohlman's survey of the policies of multinational firms.(31) The study investigated the social, political, managerial, and ethical considerations which determine the decisions of multinational firms. A questionnaire asked about company attitudes toward differing political climates, personnel policies, product modifications, and the importance of cultural and sociological factors in business decisions. Firms chosen for the study were taken from the Directory of American Firms Operating in Foreign Countries, Seventh Edition, and surveyed firms had operations in eight or more foreign countries.

Pohlman's study was broken down into social and political factors, management philosophies, personnel policies, business ethics, and research and product decisions. Several findings are of particular interest to this current study. First, the firms responding ranked, from most to least important to the investment decision, profitability, economic conditions, sales, sociological factors, and cultural factors. Second, most firms felt that a host country's political climate and attitude toward the U.S. was very important. Most reported no problem in being wrongly perceived by a host government. Another result of importance was the finding that, of the responding firms, 29% rated tax incentives of high importance, 40% rated them of moderate importance, and 29% felt they were of low importance. Fourth, most of the companies were unaware of any personnel policies mandated by local governments, but some said that they were required to hire local nationals. Finally, most firms reported that their products offered abroad retained the same characteristics as in the U.S. market. Also firms were concerned that their products and image harmonize with the host culture.

Two publications co-authored or authored by Stephen Kobrin which are particularily important to this study are "The Assessment and Evaluation of Noneconomic Environments by American Firms" (22) and the book, Managing Political Risk Assessment. (20) The book is a final analysis of the project which was introduced and discussed in the article. The project describes how firms assess foreign political environments, how the assessments are analyzed and processed within the firm, and how the evaluations of political factors are utilized in strategic planning and investment decision-making.

Kobrin's study combined questionnaires and personal interviews. Relatively large, industrial, U.S.-based international firms were surveyed, using companies listed in the

Conference Board's Key Company Directory. A stratified quota sample for the follow-up personal interview, which consisted of 113 managers from 37 firms, was taken from the list of respondents.

Two major areas of Kobrin's research are especially relevant here. The first area examines managers' perceptions of political risk. Kobrin's questionnaire asked managers to select the four most important aspects of the political environment from a listing of nine factors. Political instability and the investment climate were two factors cited by a majority of the respondents (79.5%). Remittance restrictions and taxation were noted by over one-half of the firms while expropriation, attitudes of political parties, labor disruptions, administrative restrictions, and public sector competition were selected as important by less than one-third of the respondents.

In the personal interviews managers were questioned about the importance of political instability and most were unable to be specific about its impact. Some managers related instability to uncertainty and unpredictability. According to Kobrin, "The tendency to express perceptions of political environments in terms of general notions such as instability or the investment climate reflects unfamiliarity with political processes abroad and their implications for business operations and therefore a high level of uncertainty."(20,p.121)

The second area of Kobrin's research which is relevant to this study is his examination of the institutionalization of the political assessment function. Kobrin's questionnaire inquired about the frequency of political analysis and found that a large majority of the firms (79%) conducted an analysis in response to a pending investment proposal, an important event in a country or a similar stimulant. Just over one-third of the firms conducted a routine, annual analysis. The political analysis function was institutionalized by about 35% of the respondents, cmpared with about 62% who did not have a particular individual or group assigned to environmental scanning. He also surveyed the uses of political analysis by the respondents. Political assessments were used most often for initial investment decisions and strategic planning. Other utilizations ranked in order of frequency of use were reinvestment, divestment, international exchange and currency management, and day-to-day operations.

Another study important to this project was conducted by Franklin Root and Ahmed Ahmed (35). The study looked at 44 economic, social, political, and policy variables which had been cited by various researchers as being important determinants of foreign investment in developing countries. (See Table 2 for a listing of these variables.) These variables were tested for their significance in discriminating among three groups of developing countries designated as "unattractive", "moderately attractive", and "highly attractive", with respect to foreign investment in manufacturing. The authors hypothesized that "certain factors determine the attractiveness of a developing country to foreign direct investors in manufacturing, as measured by per capita inflows."(35,p.82) These factors can influence both revenues and costs and affect the opportunity to realize profits and the opportunity to withdraw profits (and capital) from a host country.

Table 2

Potential Determinants of Direct Foreign Manufacturing Investment Selected for This Study

Category
Variable

**A. Economic**
1.GDP (or GNP)
2-4. GDP per capita, GDP growth rate, per capita growth rate
5.Manufactured imports/GDP
6.Ratio of exports to imports
7.International liquidity (average annual percentage change)
8,9.Purchasing power of currency (change in external value relative to internal value)
10,11.Local credit (ratio of banking system claims on economy to GDP and on private sector to GDP)
12.Ratio of commerce, transport and communication to GDP
13.Energy production (equivalent tons of coal per 1000 population)
14.Degree of economic integration
15.Ratio of manufacturing to GDP
16.Ratio of raw material exports to GDP

**B. Social**
17,18.Ratio of literacy and school enrollment
19.Availability of technical and professional workers (size of middle class)
20.Modernization of outlook
21.Strength of labor movement
22.Extent of urbanization

**C. Political**
23-28.Frequency of government change by type and period
29,30.Number of internal armed attacks by period
31.Degree of administrative efficiency
32.Degree of nationalism
33-35.Per capita foreign aid from U.S., non-U.S. sources, and sum of both
36.Colonial affiliation
37,38.Role of government in economy

**D. Policy**
39.Corporate taxation (typical manufacturing burden
40.Tax incentive laws: complexity vs. simplicity
41.Tax incentives: liberality
42.Attitude toward joint ventures
43.Local content requirement
44.Limitations on foreign personnel

Root and Ahmed (34, p.83-84)

Analysis of the variables indicated six discriminating variables: per capita GDP; corporate tax level; ratio of exports to imports; extent of urbanization; commerce, transport and communication; and, regular executive transfers. Per capita GDP and extent of urbanization were correlated and were therefore combined, leaving five different dimensions of the investment climate for measurement. These five dimensions, which include market size (per capita GDP & extent of urbanization), infrastructure (commerce, transport, and communication), import capacity (ratio of exports to imports), political stability (regular executive transfers), and host country policy (corporate tax level) collectively explain 92% of the variance among the country groups.

Of the six variables which could be directly affected by government action, (see Table 2) only corporate taxation was a significant determinant of foreign direct investment. The authors concluded, therefore, that a government's policies are not likely to be decisive determinants of investment when compared to economic and social determinants and political factors which create uncertainty for investors.

Two books by Negandhi and Baliga (28 & 29) were also useful. A research project discussed in Quest for Survival and Growth (28) was examined again in a later publication, Tables are Turning (29) and combined with new findings gathered on Japanese, European, and American firms.

The first project (28) was a comparative study of American, European, and Japanese firms operating in six countries. The information was gathered primarily through interviews with executives of 124 MNC operating in six developing countries using a structured interview guide. A number of government officials, bankers, academicians, trade association members, and other knowledgeable persons in the six countries were also interviewed about the operations of MNCs and their perspectives on various issues involving MNCs. The authors examined the types and causes of conflicts experienced by these firms, host country governments, and other publics in the host countries. In addition, they looked at some internal attributes of the MNCs as well as the characteristics of host countries, and related these factors to the nature and intensity of the MNC-host country conflicts. They broke conflict out into the four following categories:

> 1. Value conflict, which is related to the basic belief and value system of a given society. The elements involved in such a conflict go far beyond the actual issues that trigger off the conflict.
>
> 2. Negotiational conflict, which has its locus in the perception of either the MNCs, the host governments, and/or the other parties involved that some basic term of contract previously agreed upon, implicitly or explicitly, has been violated by the opposite party. This type of conflict... is conceived as company-specific, and takes place on a one-to-one basis.
>
> 3. Policy-level conflict, having its locus in basic disagreements among the parties with respect to certain policy issues. In contrast to the negotiational-level conflict, the policy conflict is conceived as industry-specific. In other words, a large majority of firms in a given industry are affected by such a level of conflict...
>
> 4. Operational-level conflict, generally taking place between the MNCs and task-environment groups (e.g., consumers, suppliers, labor unions, employers) with which the firm deals in its day-to-day operations.

(28, p.103-104)

Three main issues over which MNCs experienced conflict were (1) equity participation by host country nationals, (2) the host country's desire to place the control of the foreign enterprise in the hands of local nationals, and (3) transfer pricing problems. Other issues such as interference by MNCs in the host country's political processes and the host-county's socio-political norms were cited less frequently by the executives and the host government officials. In fact, only four out of a total 139 cases of conflict could be attributed to socio-cultural factors.

American and European firms had primarily interface conflicts with governments or other publics while the Japanese firms experienced primarily operational conflicts. The conflicts experienced by the U.S. and European firms centered on the host governments' requirements for dilution of the foeign investor's equity and management control, and reduction or elimination of royalty payments. The problems faced by the Japanese firms included low morale and employee productivity, high turnover and absenteeism rates, and interpersonal conflict between the Japanese managers and locals.

Another finding was that wholly owned subsidiaries had about one-and-a-half times more negotiational-level conflicts than did minority-owned subsidiaries. In addition, majority owned firms had conflicts similar to the wholly owned subsidiaries and even minority owned firms experienced some conflict. In other words, once equity demands were complied with, the host government made new demands such as for an increase in exports and foreign exchange earnings, localization of management, or reduction in prices.

In Tables Are Turning (29) the three major types of conflict are analyzed further. A significant amount of variation in the dependent variable (64%) was unexplained. The authors suggest that variables such as the host country's degree of political stability, economic development, or extent of differences in political and economic ideology may explain some of the unexplained variation. In addition, the firm's management orientation or philosophy and its strategy may explain some of the variation.

To look at mananagement orientation, the authors subdivided the subject into four groups. In addition, personnel policies, the headquarters-subsidiary relationship, and the investment policies and strategies of the MNCs were studied. Below is a summary of Negandhi's and Baliga's findings.

I. Management Orientation

a.Company Efficiency vs. System Effectiveness- American firms had a short term profit orientation and managers felt that they were doing the host country a favor. European and Japanese firms had a long term, adaptive attitude and executives felt that the firm was a guest in the host country.

b.Adaptive vs. Reactive Behavior- In conflicts faced by MNCs:

American- 44% described by executives as very intense
European- 38% " " " " " "
Japanese- 26% " " " " " "

Europeans and Japanese used a more low-profile strategy and outcome of conflicts was more favorable than was the situation with American firms. U.S. MNCs had twice as many breakdowns in relationships as did the Europeans and three times more than the Japanese.

c.Managerial Attibutes and Conflict Resolution- While executives from MNCs of all three nations valued the same talents in managers dealing with host governments, the groups differed in how managerial resources were used in conflict resolution. American firms were open in their dealings with host governments while European and Japanese executives preferred working behind the scenes to influence decision-makers.

d. Response to Policy Changes- When looking at how the groups of MNCs reacted to change, the authors found that U.S. firms were generally less adaptable and that they demanded more clarity and consistency in their policies. The Japanese MNCs prefered an ambiguous situation, feeling it placed them in an advantageous position while the European firms were generally accepting of any situation. American insistence on clarity was often read by government officials as stubbornness or inflexibility.

II. Personnel Policies

The American MNCs had the most enlightened personnel policies, frequently employing locals and placing them in top positions, while the Japanese were reluctant to promote locals. However, in spite of American MNCs progressiveness in personnel policies, they were frequently criticized by government officials and the slowness of European and Japanese firms was often overlooked. The authors speculated that this may be due to the limited power actually given to executives, both expatriate and local, of U.S. MNCs.

III. Headquarters-Subsidiary Relations

European and Japanese MNCs had more autonomy than the U.S. firms. The American firms had a more tense relationship with their parents than did either the European or Japanese MNCs.

IV. Investment Policy and Strategies

American, European, and Japanese firms all prefered 100% ownership but the European and Japanese were more willing to take a simple majority or even a minority interest. Part of the reason that U.S. firms were less willing to go into partnership with other firms was due to U.S. anti-trust laws.

Several other books and articles were of interest to this study, including further descriptive research, as well as totally empirical studies similar to the one done by Root and Ahmed (35). These publications are particularily pertinent to certain areas of this study and will be discussed in conjunction with the findings of this project. However, first, the method used to gather the information for this study will be discussed.

# Chapter Three
# Research Procedures

To meet the first objective of this research to examine current experiences and practices, it was necessary to survey a population of multinational firms. The identification of the population to be surveyed and several of the questions used were influenced by the second objective of this study, which was to compare the findings of this project with previous research.

## Survey Method

Use of a questionnaire was determined to be the best method to survey the population for several reasons:

1. The population was large and members were scattered throughout the U.S., making personal interviews impractical.

2. A questionnaire can be forwarded to the person or persons most capable of answering the inquires and can be answered when it is most convenient for the respondents. These benefits, in addition to the problems posed by the complexity of some of the questions, made a questionnaire a better research vehicle than a telephone interview.

3. Previous research with which this study will be compared was generally conducted by use of a questionnaire to survey the population. Use of a questionnaire in this study will allow the results to be more comparable with previous studies.

**Selection of Firms Surveyed**

Firms chosen as the population for this survey were taken from the Directory of American Firms Operating in Foreign Countries, 1979. (3) This directory lists over 4,300 American corporations and includes companies in which American firms or individuals have a substantial direct capital investment.

The primary criterion for a firm to be included in the population for this survey was that it have operations in eight or more foreign countries. This criterion was chosen so that results of Pohlman's study (31) could be more validly compared with the findings of this research. (The Pohlman study used as its population firms with operations in eight or more foreign countries as listed in the 1969 edition of the directory.) These firms, because of their extensive involvement abroad, have potentially experienced a variety of political and social situations and their experiences should be a reliable catalog of the diverse types of circumstances and responses of MNCs.

The 502 firms meeting the criteria of being in eight or more foreign countries were then examined and updated. Subsidiaries and their parent companies were combined so that organizations would be represented only once. The remaining firms were compared with firms listed in Dun & Bradstreet's Million Doll: Directory 1982 (27), Directory of Corporate Affiliations 1983 (16), and the Standard Directory of Advertising Agencies Feb.-May 1983 (38). Firms which had merged were combined and companies which had been purchased by non-U.S. companies were discarded from the survey. Firms not appearing in one of these three publications were discarded, since recent information on them was desired. Information on the firms, including the names of top executives, was updated for use in conducting the survey and analyzing the results. The final sample was composed of 417 firms.

For the pretest, firms listed in the directory with operations in seven countries were chosen to be surveyed. This gave an opportunity to test the survey instrument on a similar population without having to draw on the firms chosen to receive the final questionnaire. Information on these firms was updated using the Million Dollar Directory (27). A total of 70 firms was surveyed for the pretest.

## Preparation of the Questionnaire

The questionnaire was designed to provide descriptive information on the population as a whole and on segments of the populatin. Questions were developed after a review of pertinent literature, with particular attention paid to studies by Pohlman (31) and Kobrin (22,22). In addition, The Art of Asking Questions (30) and the advice of several professors experienced in questionnaire preparation were relied on for guidance in the survey's wording.

Initial drafts of the questionnaire were critiqued by several professors in the College of Business Administration. The questionnaire was further refined after the pretest by adding additional categories to some of the questions.

The physical design of the questionnaire and placement of some of the questions was guided by Donald Dillman's book. (15) The questionnaire was designed to be attractive and easy to fill out. For most questions, respondents were asked to make a choice among alternatives. In several of the questions, space was left for possible answers not listed among the responses. Two questions were open-ended and the back page was left blank as a place for additional comments or questions. The questions were put together into a four-page booklet. A copy of this questionnaire appears in Appendix A.

The questionnaires were hand numbered in the upper right hand corner of each survey, to aid in identifying non-respondents for a reminder letter and comparing the characteristics of respondents with the total population.

The pre-test questionnaires were mailed Tuesday, August 31, 1982. The revised questionnaires for the actual survey were mailed Monday, February 14, 1983, so that it would arrive early in the week, yet miss any weekend backlog of postage. All questionnaires were addressed by name to the individual in charge of international operations or to the president of the firm if the internatinal officer was unknown. Names for these individuals were gathered from the Million Dollar Directory (27), Directory of Corporate Affiliations (16), or the Standard Directory of Advertising Agencies (38).

## The Cover Letter

A cover letter introduces the survey and must motivate recipients to complete the questionnaire. The cover letter for this study followed the suggestions by Dillman (15). He suggests that the cover letter must defend the social usefulness of the project, explain why the recipient is important to the study, promise confidentiality, provide a token reward, and thank the recipient. The letter was written on KSU, International Trade Institute stationary and the token reward for responding to this project was a copy of the results of this study. A business reply envelope was enclosed with the letter and questionnaire. A copy of the letter appears in Appendix B. The same letter was used for both the pretest and the actual survey.

## Follow-up Procedures

Following-up on questionnaires sent out is necessary to obtain a reasonable return. For the pretest, a reminder postcard was mailed September 17, 1983, two weeks after the questionnaire was sent.

The postcard informed recipients that a questionnaire had been sent to them. The note on the postcard thanked those who had responded and asked non-respondents to reply. Finally, it gave information on how to obtain a copy of the questionnaire in case the survey had been waylaid or misplaced.

A reminder postcard with the same message was sent to the recipients of the actual survey and was mailed February 21, 1983, one week after the questionnaire was sent out.

In addition, a third contact was made with firms in the actual survey who had not responded by March 11, 1983. A reminder letter with another copy of the questionnaire was sent March 14, 1983, to the non-respondents. As suggested by Dillman (15), this letter had a stronger tone, reinforcing the importance of the recipient to the success of the survey. The letter stresses the usefulness of the study, relating it to the return of the recipient's questionnaire. A copy of the reminder postcard and reminder letter are included in Appendix B.

**Questionnaire Response**

As mentioned earlier, a population of 417 firms was surveyed for this project. The deadline for accepting returned questionnaires was June 1, 1983. Out of the surveyed group, 204 firms responded, including two duplications and 31 declinations. Neglecting the duplicate responses and the declinations, the 171 firms completing the questionnaire comprised 41% of the surveyed population. The characteristics of companies who responded to the questionnaire are similar to the survey population as a whole on the basis of annual sales, number of employees and the firms' SIC classifications.

In a comparison of annual sales and number of employees the respondents are fairly similar to the total firms surveyed. See Table 3 for more information.

Table 3

Comparison of Annual Sales and Number of Employees for Survey Population and Respondents

Sales (in millions)

| | Total Population (n=387) | | Respondents (n=156) | |
|---|---|---|---|---|
| | frequency | percent | frequency | percent |
| <$500 | 81 | 20.93% | 29 | 18.59% |
| 501-1000 | 54 | 13.95 | 24 | 15.38 |
| 1001-1500 | 37 | 9.56 | 15 | 9.62 |
| 1501-5000 | 136 | 35.14 | 59 | 37.82 |
| 5001-10,000 | 44 | 11.37 | 14 | 8.97 |
| 10,001-20,000 | 19 | 4.91 | 9 | 5.77 |
| >$20,000 | 16 | 4.14 | 6 | 3.85 |
| Mean | | $4481.04 | | $4196.50 |
| Standard Deviation | | 9665.33 | | 7736.46 |

Number of Employees (in thousands)

| | Total Population (n=400) | | Respondents (n=161) | |
|---|---|---|---|---|
| | frequency | percent | frequency | percent |
| <1 | 17 | 4.25% | 4 | 2.49% |
| 1-4.9 | 60 | 15.0 | 28 | 17.39 |
| 5-9.9 | 55 | 13.75 | 18 | 11.18 |
| 10-24.9 | 94 | 23.5 | 38 | 23.6 |
| 25-49.9 | 91 | 22.75 | 37 | 22.98 |
| 50-99.9 | 59 | 14.75 | 28 | 17.39 |
| >100 | 24 | 6.0 | 8 | 4.97 |
| Mean | | 36.75 | | 37.76 |
| Standard Deviation | | 62.14 | | 68.61 |

Directory of Corporate Affiliations (16)
Million Dollar Directory (27)

The respondents are also fairly representative of the total of firms surveyed. Manufacturing is over-represented by about 1% while contract construction is underrepresented by a similar amount. Most firms have more than one Standard Industrial Classification code, and may have diverse types of operations. The table below shows the concentrations of the population surveyed and the respondents, summarized into industry groups. Appendix C includes the SIC groups, broken down into two digit codes.

Table 4

Comparison of SIC Categories for Survey Population and Respondents

| | Total Population (n=1344) | | Respondents (n=534) | |
|---|---|---|---|---|
| | frequency | percent | frequency | percent |
| Agriculture, Forestry, Fisheries | 11 | .82% | 4 | .75% |
| Mining | 66 | 4.91 | 30 | 5.62 |
| Contract Construction | 30 | 2.23 | 7 | 1.3 |
| Manufacturers | 768 | 57.14 | 310 | 58.1 |
| Transportation, Communications, Utilities | 82 | 6.10 | 27 | 5.06 |
| Wholesale | 74 | 5.51 | 28 | 5.24 |
| Retail | 44 | 3.27 | 16 | 3.0 |
| Finance, Insurance, Real Estate | 134 | 9.97 | 57 | 10.67 |
| Services | 135 | 10.05 | 55 | 10.3 |

<u>Directory of Corporate Affiliations</u> (16)
<u>Million Dollar Directory</u> (27)

The following section looks at findings compiled from the respondents' questionnaires and how these compare with prior literature.

# Chapter Four
# Findings & Analysis

This research seeks to identify the political and social circumstances that MNCs experience in their international operations and the influence that these situations have on the firms. This chapter contains the results obtained using the methods described in Chapter Three and an analysis of the findings.

Discussion of the findings is broken into four parts. Related literature and research which either supports or contrasts with these findings is integrated into the discussion. First, characteristics of the responding firms including years of experience abroad, size (measured by annual sales), reliance on international sales, and type and location of overseas operations, are examined. Second, the political factors and policies encountered in foreign countries and their impact on firms are studied. Third, social factors abroad and their effect on MNCs are reported. Finally, the integration of international social and political analysis into the firms' operations are discussed.

## Firm Characteristics

To some degree the characteristics of the respondent firms are dictated by the survey method. Since a firm had to have operations in eight or more foreign countries to receive the questionnaire, it is to be expected that most respondents would have many years of experience in international operations, be large, and operate subsidiaries in several areas of the world.

In this study, Q23 revealed that almost half, 49%, of the respondents had established their first overseas affiliate prior to World War II. Another 22% established operations abroad between 1945 and 1955, and 23% started their first international subsidiary between 1956 and 1965. Only 6% began their international operations between 1966 and 1975 and none of the respondents started after 1975.

As a measure of size of the companies, respondents indicated the annual sales of their parent organization and subsidiaries (Q24). Again, almost half are large firms - 49% report sales of over $2.5 billion per year. Less than 5% have sales of under $100 million, 23% have sales of $100 to $750 million, and 23% have sales of $751 million to $2.5 billion.

Respondents rely strongly on their international sales. Almost 60% depend on their foreign operations for more than one-quarter of their sales. A breakdown on the contribution of sales from foreign operations to total sales follows.

Table 5

Percent of Sales
Contributed by International Operations

(In percentage of respondents)

| Percent of Sales | 0-10 | 11-25 | 26-50 | 51-75 | over 75 |
|---|---|---|---|---|---|
| Firms | 10 | 31 | 46 | 10 | 3 |

(from Q25)

Nearly three-quarters of the respondents have manufacturing operations. Thirteen percent make raw materials, 34% produce intermediate goods, and 63% manufacture final goods (Q27). Many firms are involved in other types of business as well. Table 6 describes the respondents' types of business abroad.

Table 6

Types of International Operations
Engaged in By Respondents

| Type of Business | Frequency | Percentage |
|---|---|---|
| Retail | 23 | 13% |
| Wholesale | 40 | 23 |
| Services | 66 | 39 |
| Manufacturing | 126 | 75 |
| Mining | 11 | 6 |
| Other | 34 | 20 |
| banking | 3 | |
| stock brokerage | 1 | |
| insurance | 1 | |
| trading commodities | 1 | |
| marketing & sales | 3 | |
| capital goods sales | 1 | |
| direct sales- specialty chemicals | 1 | |
| industrial sales | 1 | |
| sale of motion picture and t.v. shows | 1 | |
| sales-service | 1 | |
| advertising | 2 | |
| energy (oil & gas production) | 8 | |
| oil & chemicals | 1 | |
| contract R&D and related technical services | 1 | |
| consulting engineers | 1 | |
| project mgmt, engineering, procurement, construction | 1 | |
| agribusiness | 1 | |
| publishing/ book distribution | 1 | |
| metal fabrication & construction of offshore petroleum & related devpmt | 1 | |
| processing | 1 | |
| non-profit radio | 1 | |
| military equipment | 1 | |
| business equipment | 1 | |

(from Q26)

Firms were asked to give the number of countries in which they have operations for ten regions of the world (Q28). Although the responses locate international operations, two problems with Question 28 lessen its value. First, respondents may categorize a country into different regions. For example, Mexico may be considered to be in North America by some and in Central America by others. Second, the wording of the question itself, may have encouraged many respondents merely to indicate the areas in which they have operations rather than to disclose the number of countries in each of the areas. Because of this second factor, only general regions where MNCs have operations are examined here.

Most respondents have spread their operations throughout the world. Over 90% have operations in Western Europe and North America and over three-fourths are located in South America and Asia (see Table 7). More than half operate in Africa, Oceania and Indonesia, and Central America and the Caribbean.

Table 7

Location of International Operations
(In percentage of respondents)

| | | | | | |
|---|---|---|---|---|---|
| West Europe | 96% | Oceania & Indonesia | 63% | Middle East | 44% |
| North America | 91 | | | | |
| South America | 79 | Central America & Caribbean | 62 | East Europe | 7 |
| Asia | 75 | | | Soviet Union | 3 |

(from Q28)

These characteristics are considered in later discussions, and their possible relation to the experiences and responses of the firms are discussed.

## Political Factors and Host Government Policies

Political situations and host country government policies encountered and their impact on companies are examined in this section. First, the importance of various general political conditions in host countries are considered. Second, ownership policies of host governments and respondents are studied, and third, the firms' experiences with other government policies are examined. Next, the incidence and severity of politically inflicted damage is discussed. Finally, the impact of U.S. policy on overseas operations, especially antitrust regulations, is considered.

### General Political Conditions

Respondents largely agree that foreign social and political factors have more influence now than these factors did in the past. While they affect each firm differently, 91.5% feel that the impact on their operations is greater now (Q2). One respondent, who said that the impact is not greater but the same, believes that recent events have merely made the situation more visible.

When asked about the importance of seven political and policy situations, almost all firms rated the instances as somewhat or very important. A description of these results follows.

Table 8

Importance of Various Political Factors to Multinational Firms

(In percentage of respondents)

| | Unimportant | Somewhat Important | Very Important |
|---|---|---|---|
| General political climate in the host country | 2% | 40% | 58% |
| Host government attitude toward the U.S. | 3% | 55% | 42% |
| Political stability of the host country | | 23% | 77% |
| Political/economic orientation of the host government | 3% | 50% | 47% |
| Degree of administrative efficiency/inefficiency in the host country | 9% | 72% | 19% |
| Profit remittance and exchange regulations | 1% | 23% | 76% |
| Taxation in the host countries | 2% | 38% | 60% |

(from Q2)

Two variables rated as very important by more than three-quarters of the respondents are regulations affecting profit remittance and exchange regulations. Taxation in the host country and the general political climate of a country are considered very important by more than half the firms.

Previous studies support findings that political instability is very important to the operations of MNCs. Agodo, studying foreign direct investment by 33 firms in Africa asked about factors influencing their investment decisions. While such factors as expected rate of return, presence of needed raw materials, a favorable investment climate, and a sufficiently developed infrastructure were important, he found that market size was of primary importance and that political stability was the second determinant of importance (1). Numerous other studies such as those by Basi (4), Kobrin (22), and the International Labour Office (37) rated political stability as a major factor influencing investment by multinational firms.

Kobrin's study asked respondents to select the four most important aspects of the overseas environment (22). Shown below are his findings.

Table 9
Most Important Aspects of the Overseas Environment - Kobrin
(In percentage of respondents)

| | |
|---|---|
| Political stability | 79.5 |
| Foreign investment climate | 79.5 |
| Profit remittance & exchange controls | 69.4 |
| Taxation | 51.4 |
| Expropriation | 28.4 |
| Political party attitudes toward foreign investors | 24.2 |
| Labor strikes and unrest | 21.1 |
| Administrative procedures | 15.8 |
| Pubilic sector industrial activities | 13.2 |
| Public image of the firm | 5.3 |

(22, p.41)

In a ranking of factors influencing investment decisions, Pohlman found profitability most important, then economic conditions, political conditions, sales, sociological factors, and last, cultural factors (31). When firms were asked to rate the importance "of political climate of the foreign country and its governmental attitude toward U.S. ventures", 86% said it was very important, and 14% reported that it was important when making a major investment decision (31, Q3 pt.2).

The importance of financial factors such as profit remittance, exchange regulations, and taxation in the host country has also been found to be important. For example, Kim, found that government tax incentives primarily influenced investment, and that bureaucratic red tape was the greatest disincentive (12). In comparison with the current study, though, administrative efficiency/inefficiency is the least important of the political factors, with 9% rating it as unimportant, 72% rating it as somewhat important, and 19% saying it is very important. This difference is probably due to a choice of words, since "red tape" is descriptive, while "administrative efficiency/inefficiency" is more bland. Kobrin found that "administrative procedures" were an important aspect of the overseas environment for 15.8% of his firms (see Table 9 above) (22). Root and Ahmed found that the only policy factor significantly influencing international investment was corporate taxation (35). Taxation was mentioned as important by 51.4% of the respondents in Kobrin's study (22) whereas, in Pohlman's study, a tax incentive was highly important to 29%, of medium importance to 40%, and of low importance to 29% (31).

These situations are to a large degree, determined by host government policies. They may be imposed in an attempt to guide growth and development or to appease a restless citizenry.

Ownership Policies

Distribution of equity is a major concern for both companies and host country governments. In this study, 86% of the firms report that they face ownership restrictions in their international operations (Q6). This finding is supported by Neghandi and Baliga's who showed that the major cause of conflict between multinational firms and host country governments was equity distribution (29). For respondents experiencing restrictions, 22% report exclusion from certain industries, 22% are prohibited from further acquisitions in a country, and 95% are required to allow local participation in ownership (Q7). Other types of restrictions account for 12% of the firms' experiences; these are listed in Appendix D.

A closer examination of restriction on ownership indicates that those with survice type operations appear a little less likely to experience restrictions. Ninety percent of the non-service firms are restricted while only 79% of the respondents in services are limited ($p=.0343$). Firms with operations in Oceania and Indonesia also appear to be more likely to suffer restrictions on ownership (91%) than those not operating in this area (79%) ($p=.0359$). Of the firms excluded from certain industries, services are more likely to have this experience. Twenty-six percent of the firms with services have been excluded compared with 15% of the non-service respondents ($p=.0252$). Large firms are also more likely to be excluded;

29% of firms with more than $2.5 billion are barred from certain industries, compared with 13% of those with sales between $751 million and $2.5 billion, and 7% of those with less than $750 million in sales (p=.0252). Firms with operations in either South America or Asia are also more likely to be excluded from some industries. Of firms in South America, 23% have been barred from some types of business, compared with 6% of the firms who don't have South American operations (p=.0213). Twenty-five percent of Asian-represented firms have been excluded from industries while only 5% of firms not in Asia have experienced exclusion (p=.0180).

These findings on South America and Asia may be explained by the policies of some of the countries in the regions. In South America some countries, such as Brazil and Argentina, have fairly liberal law, while many of the smaller ones have organized into the Andean Common Market (ANCOM) to improve local industry (34). Foreign direct investment is limited to activities approved by the ANCOM Commission and foreign acquisition of existing enterprises is permitted only in the case of bankruptcy, under the condition that the MNC accept minority- equity in the company within 15 years (34).

The Asian nations vary in their policies also. India which pioneered the administered economy, guides all industrial activites through government directives and regulations (12). The government limits businesses to certain types of activities and issues licences necessary to start a new industry, manufacture a new article, expand operations, or relocate. The Indian government also dictates the allowable foreign equity holdings in different categories by industry. India has substantially influenced the strategies of MNCs; in many cases firms have been required to retreat from some industries and, in some instances, to diversity into areas where neither the parent company nor the affiliate have prior experience (12).

When asked how their companies dealt with these ownership requirements, over half said they share their firm's equity (Q8). The table below shows the methods firms choose to deal with equity requirments.

Table 10

Methods of Dealing with Requiements For Equity Sharing
(In percentage of respondents
who have experienced restrictions on ownership)

| | |
|---|---|
| Joint ventures with local firms or the host government | 68% |
| Ownership participation of host country nationals | 67 |
| Withdrawal from country | 22 |
| Alteration in product or acquisition strategy | 22 |
| Consultation services to host government or local firm | 6 |
| Other | 6 |
| Long term purchase contracts | <1 |

(from Q8)

Other methods have been chosen by some. Three firms dealt with these requirements by taking no action or by not dealing with the problem. Four said they chose not to enter a country and/or not to expand their activities. (See Appendix D)

When asked about the minimum percentage of equity that is acceptable for investment in a foreign operation, less than half said they require controlling interest (Q9). The table below breaks down responses to this question.

Table 11

Minimum Percentage of Ownership
Necessary for Foreign Investment
(In percentage of respondents)

| Percent of Parent Company Ownership | 20% or less | 21-50% | 51-75% | over 75% | other |
|---|---|---|---|---|---|
| Firms | 12% | 45% | 31% | 10% | 2% |
| (from Q9) | | | | | |

This response expresses a flexibility in attitudes toward ownership arrangements not indicated by Neghandi and Baliga They found that U.S. firms were adamant about retaining 100% ownership and that this attitude was at the root of many U.S. MNC - host government conflicts (29). Some of this difference may result from the survey methods used in the two studies: Neghandi and Baliga conducted personal interviews with subsidiary managers, while this study surveyed upper level managers who may view the situation differently. Another explanation for the difference in findings may be that the minimum percentage acceptable to the firms surveyed here is different from what actually prevails. A third possible reason may be the result of time: Perhaps political realities have forced U.S. firms to accept investments with less than 100% equity.

Equity sharing is not the only government policy affecting a firm's international operations, however. Other regulations or incentives may have an equal or greater impact on an individual firm.

Other Government Policies

Inducements and disincentives to foreign direct investment are important to firms because, as Behrman and Fischer point out, governments are able to alter expectations of profitability through policies such as price controls, exchange controls, import restrictions, export requirements, and patent protection (5).

When asked about their experiences with government policies (Q10), over half the respondents cited frequent incidents of currency regulation (See Table 12). Other host government financial policies such as restrictions on repatriation of profits and price controls have also been experienced occasionally or frequently by 85% or more of the firms.

Other non-financial polices were experienced less often. For example, 36% of the firms had never been given export targets

Table 12

Encounters With Host Government Policies
(In percentage of respondents)

| | Never | Occasionally | Frequently |
|---|---|---|---|
| Restrictions on repatriation of profits | 2% | 73% | 25% |
| Price controls | 14% | 52% | 34% |
| Import regulations, tariffs, or quotas for supplies | 7% | 49% | 44% |
| Export targets for production | 36% | 57% | 7% |
| Hiring of foreign nationals | 16% | 58% | 26% |
| Health and labeling regulations | 38% | 38% | 24% |
| Currency regulations | 2% | 37% | 61% |

(from Q10)

for their production, and 38% had never encountered health and labeling regulations (see Table 12). The incidence of firms having no encounters with health and labeling regulations and export targets is probably understated: in these findings there are 23 missing values for these two variables, and many firms circled the frequencies only for variables that they had encountered.

Of the firms experiencing price controls, manufacturers are more likely to face this restriction. Only 9% of the manufacturing firms have nerver experienced price controls, compared with 31% of the non-manufacturing firms (p=.0011).

Government policies in the form of export targets are experienced more often by maufacturing firms (75%) than non-manufacturing firms (27%) (p=.0001). Export targets are also more familiar to retailing firms (85%) than to non-retailing firms (61%) (p=.0262), and more common to firms with wholesale operations (82%) than those without a wholesale business (59%) (p=.0114). However, there is probably some overlapping among these three categories, blurring these distinctions. One type of business that is less likely to experience export targets is mining. Only 47% of the mining firms have had to meet export targets, while 73% of the non-mining firms have experienced them (.0016).

Large firms and firms with longer international experience are more likely to have been required to hire foreign nationals. Only 6% of the firms with sales of more than $2.5 billion have never experienced this requirement, compared with 20% of those in the $751 million to $2.5 billion range, and 28% of those with less than $750 million in sales (p=.0302). Likewise, 11% of the respondents with overseas subsidiaries prior to 1945 have never been required to hire foreign nationals, compared with 13% of those that went overseas between 1945 & 1955, and 28% of those who entered after 1955 (p=.0403). Firms with wholesaling operations are more likely to experience health and labeling regulations (84%) than are non-wholesaling businesses (55%) (p=.0049).

These findings generally correspond with those of Poynter.

He found that the more frequent forms of government intervention were, in descending order, (1) witholding of foreign exchange, (2) product pricing regulations, (3) policies regarding employment practices (ie. wage rates, proportion of foreign employees), (4) civil service harassment, (5) regulation of intra-MNC product flows, and (6) regulations affecting the nature of the service provided by subsidiaries (3_).

Root and Ahmed found that government policies were not decisive determinants when compared to economic and social determinants and political factors. As with many other studies, their research indicated that income (measured by per capita GNP) and the extent of urbanization, which they grouped together as market size, had the greatest impact on foreign direct investment (35).

The impact of these factors is rarely the same for all companies and may vary from one to another. The frequency and degree of damage to a firm may be due to the type of industry a firm is in, its location, or other characteristics of a company.

## Politically Inflicted Damage

As mentioned previously, many firms have experienced politically inflicted damage. In this study 75% of the firms surveyed have experienced damage in at least some countries in which they operate (Q3). This is even higher than the 60% estimate by the Wall Street Journal (2).

The firms that have experienced politically inflicted damage are likely to be larger firms with lengthy experience abroad. Eighty-five percent of the firms with sales of more than $2.5 billion have been damaged by political events, compared with 69% of the firms with sales in the $751 million to $2.5 billion range, and 63% of those with sales of less than $750 million (p=.0148). Politically inflicted damage has also occurred more to firms who began operations abroad before 1945 (87%), than to firms entering between 1945 & 1955 (81%), and those who went abroad after 1955 (56%) (p=.0010).

Thirty-six percent of those experiencing this damage describe it as slight, 45% feel the damage is moderate, and 17% consider it severe. The other 2% say it varies or cited problems with certain countries, rather than noting an overall experience. This contrasts with the findings of Neghandi and Baliga. Forty-four percent of the executives they interviewed described the intensity of conflicts with host governments as high, 40% called it medium, and 16% said it was low. However, these executives were describing their perception of the intensity of three experiences with conflict, while this study inquires about the accumulated experiences of firms.

A difference in survey methods may also account for some of the variation in findings. It is possible that subsidiary managers view their situations as critical, while top executives overseeing numerous operations perceive the same conditions as minor. On the other hand, studies have shown that top executives were often poorly informed about international circumstances and tended to exaggerate the unfavorability of investments (21, 26). It is possible that top executives have become more informed about the world than they were when Neghandi and Baliga conducted their study.

In this study, firms that began their first overseas operation between 1945 and 1955 are more likely to consider the damage to be severe, than those who either started before 1945 or after 1955. Below is a table showing the perception of damage by firms with different amounts of overseas experience.

Table 13

Degree of Politically Inflicted Damage for Firms with Differing Overseas Experience (in percentage of respondents)

| | First Overseas Affiliate | | |
|---|---|---|---|
| Degree of Damage | Before 1945 (n=81) | 1945-1955 (n=37) | After 1955 (n=47) |
| No Damage (answered no to Q3) | 15% | 16% | 45% |
| Slight Damage | 32% | 30% | 19% |
| Moderate Damage | 43% | 35% | 21% |
| Severe Damage | 10% | 19% | 15% |

Chi Sq=19.931 df=6 prob=.0028

(from Q4 &Q23)

Two major types of damage experienced by the respondents are delayed payments and changes in ownership requirements (Q5). Table 14 provides more information on the prevailing types of politically inflicted damage.

Table 14

Forms of Politically Inflicted Damage

(In percentage of respondents who have experienced politically inflicted damage)

| | |
|---|---|
| Delayed Payments | 64% |
| Change in Ownership Requirements | 61 |
| Taxation Changes | 45 |
| Embargoes or Boycotts | 32 |
| Expropriation | 24 |
| Other | 23 |
| Physical Damage to Employees or Facilities | 15 |

(from Q5)

Other types of politically inflicted damage include exchange regulations (6 firms), price controls (4 firms), import/export regulations (4 firms), and procurement restrictions (2 firms). A complete listing of other types of damage is located in Appendix D.

Firms experiencing delayed payments are more likely to have been operating abroad longer. Fifty-six percent of the firms abroad before 1945 and 55% of those entering between 1945 & 1955 have felt payment delays, compared with 42% of the firms that started their first international subsidiary after 1945 (p=.0032). Those who went abroad before 1955 are also more likely to have experienced changes in ownership requirements. Only 31% of the firms entering after 1955 have had changes in ownership requirements, compared with 58% of those entering from

1945 to 1955, and 56% of those who started prior to 1945 (p=.0014). Firms with more experience abroad and greater sales are also more likely to have felt changes in taxation. They have occurred to 47% of those who went abroad before 1945, to 31% who started between 1945 & 1955, and to 21% of those entering after 1955 (.0006). Twenty-eight percent of firms with sales under $750 million and 28% of firms with sales between $751 million and $2.5 billion have experienced changes in taxation, while 46% of those with sales of more than $2.5 billion have had the same experience (.0010).

Larger firms, and those in manufacturing, appear to have experienced embargoes and boycotts more often than others. Embargoes and boycotts have occurred to 38% of those with sales of more than $2.5 billion, 21% of those with sales from $751 million to $2.5 billion, and 13% of those with sales of under $750 million (p=.0003). Thirty-one percent of the firms with manufacturing operations have experienced embargoes and boycotts, compared with 13% of those without manufacturing (.0438). Also, firms with operations in the Middle East and in Asia are more likely to have faced embargoes or boycotts. Firms with operations in the Middle East are twice as likely to have experienced boycotts (36%) as firms not operating there (18%) (p=.0082). Firms with Asian operations are even more likely (31%) than those not in Asia (12%) to have experienced embargoes or boycotts (p=.0376).

Respondents with operations in the Middle East and in Africa have undergone expropriation more often than those not operating in either of these regions. Thirty percent of those operating in the Middle East (p=.0014), and 28% of those in Africa (p=.0333), have faced expropriation, compared with 11% for those not in the Middle East and 10% for those without African operations. Large firms are also more likely to have experienced expropriation; 32% of firms with sales of more than $2.5 billion have undergone expropriation, compared with 16% in the $751 million to $2.5 billion range, and only 4% of those with sales of less than $750 million (p=.0001).

The Influence of U.S. Antitrust Policy

Most respondents do not feel a conflict between U.S. antitrust law and prevailing practices in host countries (Q11). Firms with manufacturing operations are more likely to experience this conflict (40%) than are non-manufacturing firms (14%) ($p=.0025$). One-third of the respondents have experienced a conflict and those commenting on the situation (Q12) usually say that U.S. antitrust law, because it is extraterritorial, puts them in a weakened competitive position. Other countries generally do not have such laws or, if they do, they are not enforced or given an extraterritorial aspect

Eight firms complain that they cannot divide markets or have run into conflicts with locally sponsored price control schemes, which are both *per se* violations of U.S. statutes. Nine firms commented on the pressure caused by cartels. Whereas host governments may encourage association among competitors, U.S. law prevents participation of American firms. The U.S. firms may have to compete alone against a sanctioned combination of foreign competitors. Once again, these circumstances suggest another examination of *per se* violations, as they apply to U.S. firms doing business abroad.

## Social Factors

Social factors in host countries and their influence on U.S. multinational firms are examined in this section. Using Terpstra's breakdown of the cultural environment (39), the influence of education, language, religion, social organization, technology and material culture, and values and attitudes on the respondents' operations is studied. First, the impact of the social environment on overall operations is examined. The focus then narrows to look at cultural effects on products and services, and on employee relations in host countries.

### Social Environment and Overall Operations

The social environment is of concern to firms, but respondents rate social factors as less important to their operations than political situations. This corresponds with Pohlman's findings, where firms rated sociological factors and cultural factors as being least important when considering an investment (31). When asked to rate several political factors (Q2), the respondents' rating of unimportance is highest,(9%) for the administrative efficiency/ inefficiency in the host country. In a listing of social factors (Q13), ratings ranged from 16% feeling that modernness of outlook is unimportant to 30% saying the extent of urbanization is unimportant. Likewise, the frequency of respondents rating the social variables as very important was much lower than for political factors. However, in all but the extent of urbanization, three-quarters of the respondents feel that the social factors are at least somewhat important. The table below shows how respondents rated social factors.

Table 15

Importance of Social Environment to Overall Operations (In percentage of respondents)

| Social factors | Degree of Importance Unimportant | Somewhat Important | Very Important |
|---|---|---|---|
| Rate of literacy and school enrollment | 21% | 62% | 16% |
| Size of middle class | 22 | 53 | 25 |
| Strength of labor movement | 21.5 | 57 | 21.5 |
| Extent of urbanization | 30 | 55 | 15 |
| Modernness of outlook | 16 | 56 | 28 |

(from Q13)

These five factors were the same used by Root and Ahmed (35). The only difference is that they analyzed "modernization of outlook", while this study examines the importance of "modernness of outlook".

To Root and Ahmed, extent of urbanization was the only of their social factors to emerge as an essential discriminator of location of foreign investments. This factor highly correlated with per capita GDP, so Root and Ahmed combined the two factors as a measure of market size. In this study, the extent of urbanization ranks lowest in importance, according to the respondents. Two possible reasons for this variation may be due to differences in research methods. First, Root and Ahmed looked at 41 variables and tested for their significance in discriminating among three groups of countries, while this study measures the perceptions of MNC executives. Often the factors perceived to be important by individuals do not appear significant when compared with actual events, as Kobrin and Levis showed (21),(26). Another reason is that Root and Ahmed looked only at developing countries whereas this study inquires about all of a firm's international operations.

Agodo studied environmental variables of concern to some MNCs in Nigeria (18). He found that concerns about infrastructure predominated in successful firms, with economic, legal/political, educational, and socio-cultural variables following. Neghandi and Baliga also confirmed the lesser importance of social factors. Only four of the 138 cases of MNC-host government conflict were caused by problems with socio-cultural norms.

## Influence of Social Factors on Products and Services

The respondents' products and services are influenced somewhat by social factors in host countries. Religion has no impact or merely a slight impact for 96% of the respondents and the level of technological development has a moderate to large impact for about 80% of the firms (Q14). Below is a listing of social factors and their influence on the products and services of respondents.

Table 16

Impact of Social Factors in Host Countries
Company Products and Services
(In percentage of respondents)

| Social Factor | Impact: None | Slight | Moderate | Large |
|---|---|---|---|---|
| Religion | 66% | 28% | 3% | 1% |
| Language | 37 | 38 | 20 | 5 |
| Level of technological development | 5 | 14 | 51 | 30 |
| Income levels of the population | 11 | 24 | 44 | 21 |
| Age groups in the population | 41 | 31 | 22 | 6 |
| Ratio of urban to rural population | 31 | 29 | 30 | 10 |

(from Q14)

These findings compare favorably with Pohlman's (31). When asked which factors most frequently affect product requirements, 66% said utility was very influential, economy was mentioned by 64%, and necessity was cited by 57%. Religion was an important factor for 11% of the firms.

The products and services offered by firms vary little from what they market in the U.S. (Q15). Only 1% of the respondents market totally different items in foreign operations. Fifty-three percent offer identical goods, 43% market somewhat similar items, and 3% have a combination of identical and somewhat similar procducts and services. In Pohlman's study (31), 67% of the firms said that their product offerings abroad retained the same characteristics as their U.S. goods to a high degree and the rest of the firms said they marketed moderately similar items.

## Social Factors and Personnel

The examination of social factors in personnel decisions centers on social organization in host countries. Variables such as the traditional roles of men and women and power and authority structures are examined (Q16). Values and attitudes toward work and the employer appear to affect personnel decisions the most. Over half of the respondents feel that the traditional power and authority structures have a moderate to large impact on personnel decisions. A breakdown of the impact of the social organization on the respondents' personnel management is shown below.

Table 17
Effect of Social Factors on Personnel Decisions
(In percentage of respondents)

| Social Factors | Amount of Impact: None | Slight | Moderate | Large |
|---|---|---|---|---|
| Role of men and women in society | 45% | 34% | 18% | 3% |
| Social classes or castes | 39 | 41 | 19 | 1 |
| Racial relations | 39 | 29 | 28 | 4 |
| Religious relations | 61 | 26 | 11 | 2 |
| Traditional power and authority structures | 15 | 30 | 47 | 8 |
| Values and attitudes toward work and employer | 11 | 11 | 49 | 29 |

(from Q16)

This finding about the importance of values and attitudes is supported by Agado (1). He said that inappropriate cultural attitudes or work orientation can combine with illiteracy and the discouragement of government policies to make labor costs quite high in developing countries, despite the low wages workers command.

Desatnick and Bennett recommend that firms analyze cultural and linguistic differences, climatic differences, union/workforce attitudes, political/governmental attitudes, and differences in management practices when considering human resources (13). They feel that the primary cause of failure in multinational ventures can be attributed to a lack of understanding of essential differences in managing human resources in foreign environments.

A social variable often mentioned by firms as important to their operations is the strength of organized labor and the demands of employees. In a study of U.S. multinationals and the extent of worker participation in management, DeVos found that lower levels of investment in France and Italy, in comparison with other West European countries, were due to the militant unions, communist orientation, and high labor costs (14). In this study, 91% of the firms have operations in at least some countries in which the workers are organized, and 12% of the respondents have organized labor all of the countries in which they operate (Q17).

Over three-quarters of the firms have occasionally or frequently faced restrictions on layoffs or firings and demands for increased wages or vacation time or decreased work hours. Most have never or only occasionally experienced demands for employee housing or requirements to share company profits or management decision-making with laborers. The table below shows the various labor demands experienced by the respondents.

Table 18

Dealings With Labor Demands
(In percentage of respondents)

| Demands | Never | Frequency of Occurrence: Occasionally | Frequently |
|---|---|---|---|
| Restrictions on layoffs or firings | 6% | 62% | 32% |
| Requirements on profit sharing | 35 | 59 | 6 |
| Reqirements on sharing management decision-making | 35 | 60 | 5 |
| Requirements to provide housing for laborers | 51 | 46 | 3 |
| Increased wages or vacation time | 2 | 56 | 42 |
| Decreased work hours | 20 | 65 | 15 |

(from Q18)

U.S. firms have slowed down their investments in Europe, partly because of labor demands. The high severance pay required in many countries makes U.S. companies wary of inappropriate expansion (7). The short work week in some European countries has also raised labor costs and discouraged investment (7).

The International Labour Organisation examined the operations of six U.S. companies with facilities in North and South

America, Europe, and Asia (37). Its researchers found that unions in these areas played a vital role in the determination of wage rates and in most of the basic work conditions such as fringe benefits. The influence of labor unions on issues other than wages and working conditions was not as, strong and the amount of influence possible depended more upon the legislation and general customs of countries.

## Integration of Political and Social Factor Analysis

Many firms employ some form of overseas political and social analysis in their operations. Eight-seven percent of the respondents say that they review social and political factors (Q19). The larger a firm, the more likely it is to review these factors; 78% of respondents with sales of less than $750 million review these factors, compared with 85% of those between $751 million and $2.5 billion, and 98% of those with sale of more than $2.5 billion (p=.0001). The firms who review these factors do so most often for initial investment and strategic planning and least often for divestment decisions (Q20). The table below shows the uses of politial and social review by the respondents and by those answering Kobrin's questionnaire.

Kobrin's findings are very similar to those here, although he asked firms if they had a systematic utilization of political analysis, while this study merely asks if firms review the factors.

Table 19

Use of Social and Political Review
(In percentage of respondents)

| | All respondents | Respondents who review | -Kobrin- All respondents | Respondents from institutionalized firms* |
|---|---|---|---|---|
| Initial Investment | 77% | 88% | 78.8% | 91.2% |
| Reinvestment | 62 | 72 | 69.9 | 83.8 |
| Strategic Planning | 72 | 83 | 65.8 | 77.9 |
| Divestment | 44 | 51 | 47.2 | 67.6 |
| Repatriation & other exchange operations | 46 | 53 | 42.0 | 63.2 |
| Day to day operations | 49 | 57 | 25.4 | 29.4 |
| (from Q20) | | | (20, p.149) | |

* formalized political assessment function

The only large difference is in the number of firms reviewing these factors for day-to-day activities. This may be due to the difference between the more formal analysis that Kobrin inquired about and the type of review inquired about here. Another reason may be that this study looks at social and political factors, whereas Kobrin's study looked only at political factors and evaluation.

Half the firms responding to this study have an individual or team assigned to analyze foreign social and politial factors and 57% specify someone for this duty (Q21). Kobrin found about 55%

of the firms responding had a group which reviewed these factors (22).

The firms in this study that assign someone to analyze political and social factors are more likely to be large. Sixty-two percent of the firms with sales of more than $2.5 billion have assigned an individual or team to do analysis, compared with 36% of those with sales between $751 million and $2.5 billion, and 28% of respondents with sales of less than $750 million (p=.0001).

The individuals or groups who evaluate the social and political factors do have *some influence* on the investment policies of their firms. Forty-nine percent of the firms who use an individual or team to assess the environment place moderate reliance on their reports and suggestions, and 48% rely highly on this information (Q22). Only 3% of the firms report low reliance on the analysis by these teams.

# Chapter 5
# Summary and Conclusions

Executives of multinational firms generally feel that international social and political situations have grown in importance to their operations. One respondent feels that the impact has not grown,says that recent events in nations such as Iran and Mexico have merely given the importance of political and social factors more visibility (#404)*. The impact of political factors, especially host government policy, appears to be greater than the effect of social conditions on the operations of U.S. firms abroad.

These findings are from a survey of U.S. multinational firms, conducted during the first half of 1983. The purpose of this study has been to identify the political and social circumstances that multinational firms are facing and the effect of these factors on their operations.

Firms listed as having operations in eight or more foreign countries in 1979 were chosen to be surveyed. Questionnaires were sent to 417 firms and 171 firms completed and returned the survey. Another 33 firms wrote to say that they no longer have international operations or that they have a policy of not responding to questionnaires.

The surveyed firms are generally large and diversified and the responding group reflects the characteristics of the larger group. The respondents compare favorably on the basis of annual

*respondent code number*

sales, number of employees, and Standard Industrial Classification groups.

Most of the respondents have operated internationally for quite a while - almost 75% started their first international subsidiary thirty or more years ago. International sales are essential to the respondents, with 60% relying on these sales for over one-quarter of their total sales. The respondents have diversified regionally. As one respondent put it, "With presence in about 60 countries including sales offices we have positive answers to most of your questions in one place or another, but with well over half of the business in West Europe, Canada and Japan restrictions and risks are not excessive on a weighted average basis" (#405).

As one would expect, over 90% of the firms have operations in North America and Western Europe. Over three-quarters of the firms operate in South America and Asia, and over 60% have subsidiaries in Oceania and Indonesia and in Central America and the Caribbean. Only 7% of the firms operate in Eastern Europe and 3% have subsidiaries in the Soviet Union.

The political factors of importance to most firms are political stability and profit remittance and exchange regulations. Taxation and the general political climate of the host country are of some importance to all but 2% of the respondents, and 3% rate the political/ economic climate of a country, and the government's attitude toward the U.S., as unimportant. One respondent says that "many countries are excluded for possible investment due to limiting policies on technologies and profit remittance e.g. India" (#221). However, another respondent says that these factors will affect the business relationship/structure adopted by the firm (ie. investment vs. license) but rarely precludes the firm's representation in a country (#188).

The policies of host governments are also of concern to the firms. Eighty-six percent of the firms in this study say that they face ownership restrictions, usually in the form of requirements for local participation. However, 22% of the restricted firms report exclusion from certain industries, and another 22% are prohibited from further acqusitions in a country. Most firms deal with these demands by forming joint ventures with a host government or local firm, and by allowing equity participation of nationals. Over 20% report they have withdrawn from a country or altered their product or acquisition strategy in the face of these demands. However, the respondents are generally flexible in equity participation schemes; 67% say that less than controlling interest is acceptable for a foreign investment. Only 10% of the respondents require maintaining more than 75% ownership. One respondent says that the acceptable equity holding depends upon where the balance is held; 20% is sufficient if the remaining 80% is widely held (#281).

Other government policies may affect the profitability of operations or their ease in management. Both restrictions on repatriation of profits and currency regulations have been experienced by 98% of the respondents. Sixty-one percent report frequent encounters with regulation of currency. Another frequently experienced policy concerns import regulations, tariffs, or quotas for supplies. Even the less frequently experienced policies of export targets for production, and health and labeling regulations, have been encountered at least occassionally by over half of the firms.

Three-quarters of the respondents feel their firms have been damaged by political factors in host countries. The damage is considered slight by 36%, moderate by 45%, and severe by 17% of the respondents. A few firms were unable to generalize their experience with political damage because of the extreme differences from one country to another. The types of damage are usually subtle and a minority have experienced expropriation (24%) or physical damage to employees or facilities (15%). Generally, the damage appears as a delay in payments (64%), a change in ownership requirments (61%), or taxation changes (45%).

Social factors in host countries are important to the respondents' operations, although they do not have as great an impact as do political situations. The frequency of respondents rating social variables as "very important" is much lower, and the rating of "unimportant" in much higher, than for the political factors.

Literacy and school enrollment, the size of the middle class, and strength of the labor movement are somewhat or very important to over three-quarters of the respondents. All but 16% feel that modernness of outlook is of some importance to their operations. "Dealing in different countries is ... heavily influenced by traditional social customs and habits - think, for instance, of the difference between France and Germany, or any other country and Japan", says one respondent (#274). However, one manufacturer said that politcal factors are much more important than social factors since his firm produces industrial goods (#221). A firm marketing consumer goods might be affected more by social factors.

Social factors have some influence on a firm's products and services. The level of technological development has the greatest impact; over 80% report that the influence is moderate or large. Income levels of the population rank second in importance. In decending order, the urban/rural population distribution, language, age groups of the population, and finally, religion, influence the respondents' products or services. The concern about technological sophistication and income probably stems from the desire of companies to recoup development costs and take advantage of their skills and experience through mass production. One respondent was adamant about the quality of goods sold abroad: "We do <u>not</u> want to market obsolescent products or license obsolescent technologies or 'export pollution'" (#278). The respondents overwhelmingly offer the same or similar products in their overseas operations as they do in the U.S. Only 1% of the firms market totally different goods or services.

The minimal impact of religion is also evident in an examination of social factors and personnel decisions. The cultural factor most important to the respondents is the values and attitudes toward work and the employer. Also of moderate or large importance for over half of the respondents is the traditional power and authority structure in a host country. Of importance to fewer firms are racial relations, the role of men and women in society, social classes, and finally, religious relations.

Firms are sufficiently concerned about the influence of social and political factors that most firms (87%) review these variables in some manner. The firms generally analyze these factors when studying an initial investment or when considering reinvestment. Half of the respondents have appointed an individual or a team to analyze these factors and these firms report that they place moderate to high reliance on this analysis.

Overall, the responding firms feel that social and political influences have more impact than in the past on the investment and operation decisions of multinational corporations. Over 90% feel that the impact has grown. The factors affect firms unevenly and an event which may hamper one operation may have no effect, or an indirect impact, on another. For example, one respondent says, "In the advertising industry, the impact of social and political factors is felt through the client of a multinatic agency rather than directly, in most instances. Nevertheless, a U.S. based agency with offices abroad definitely has to be or become sensitive to the realities of the individual countries in which it does business. For this reason, most agencies place foreign nationals or regional experts in positions of responsibility abroad." (#116)

The respondents indicate a genuine concern for social and political situations in host countries. Most are adapting by complying with demands and by taking the initiative in responding to these factors.

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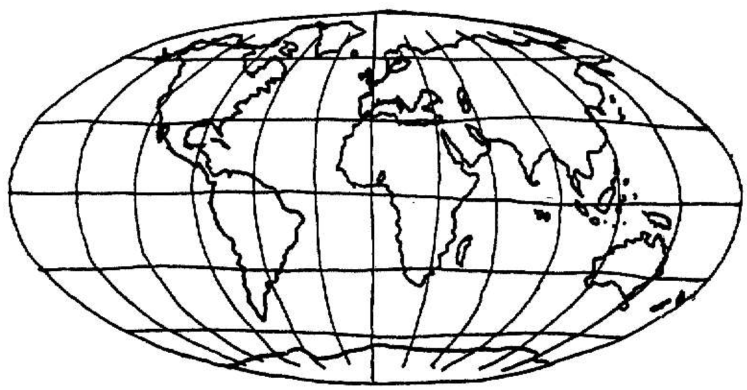
Appendix A
Sample Questionnaire



# Do Foreign Political & Social Factors Influence U.S. Multinational Firms?

a survey sponsored by
The International Trade Institute
of
Kansas State University

Q1. Do you feel that foreign social and political influences are having more impact than in the past on the investment and operation decisions of multinational corporations? (Please circle your answer)

1 NO

2 YES

Q2. Much has been said and written recently about the growing importance of the foreign political situation to multinational firms. How important are the following conditions in your operations abroad?

| | Degree of Importance (Circle your answer) | | |
|---|---|---|---|
| 1 General political climate in the host country . . . . . | UNIMPORTANT | SOMEWHAT IMPORTANT | VERY IMPORTANT |
| 2 The host government's attitude toward the U.S. . . | UNIMPORTANT | SOMEWHAT IMPORTANT | VERY IMPORTANT |
| 3 Political stability of the host country. . . . . . . | UNIMPORTANT | SOMEWHAT IMPORTANT | VERY IMPORTANT |
| 4 Political/economic orientation of the host government. . . . . . . . . . | UNIMPORTANT | SOMEWHAT IMPORTANT | VERY IMPORTANT |
| 5 Degree of administrative efficiency/inefficiency in the host country . . . . . | UNIMPORTANT | SOMEWHAT IMPORTANT | VERY IMPORTANT |
| 6 Profit remittance and exchange regulations. . . . . | UNIMPORTANT | SOMEWHAT IMPORTANT | VERY IMPORTANT |
| 7 Taxation in the host country . . . . . . . . . . . | UNIMPORTANT | SOMEWHAT IMPORTANT | VERY IMPORTANT |

Q3. Has your company suffered politically inflicted damage withing the past 10 years? (Circle number)

1 NO

2 YES, IN SOME COUNTRIES IN WHICH WE HAVE OPERATIONS

3 YES, IN ALL COUNTRIES IN WHICH WE HAVE OPERATIONS

Q4. If your company has experienced politically inflicted damage, which of the following best describes your experience? (Circle number)

1 SLIGHT DEGREE OF POLITICALLY INFLICTED DAMAGE

2 MODERATE DEGREE OF POLITICALLY INFLICTED DAMAGE

3 SEVERE DEGREE OF POLITICALLY INFLICTED DAMAGE

Q5. If your company has experienced politically inflicted damage in any degree, what form has it taken? (Circle numbers of all that apply)

1 CHANGE IN OWNERSHIP REQUIREMENTS

2 TAXATION CHANGES

3 DELAYED PAYMENTS

4 EMBARGOES OR BOYCOTTS

5 PHYSICAL DAMAGE TO EMPLOYEES OR FACILITIES

6 EXPROPRIATION

7 OTHER (PLEASE SPECIFY) ____________________

Q6. Has your company faced restrictions on ownership within foreign countries in which you have operations? (Circle number)

1 NO (PLEASE GO TO QUESTION 9)

2 YES

Q7. What form have these restrictions taken? (Circle numbers of all that apply)

1 EXCLUSION FROM CERTAIN INDUSTRIES

2 REQUIREMENTS FOR LOCAL PARTICIPATION IN OWNERSHIP

3 PROHIBITION OF FURTHER ACQUISITIONS

4 OTHER (PLEASE SPECIFY) ____________________

Q8. How has your company dealt with these requirements? (Circle numbers of all that apply)

1 JOINT VENTURES WITH LOCAL FIRMS OR THE HOST GOVERNMENT

2 OWNERSHIP PARTICIPATION OF HOST COUNTRY NATIONALS

3 ALTERATION IN PRODUCT OR ACQUISITION STRATEGY

4 CONSULTATION SERVICES TO HOST GOVERNMENT OR LOCAL FIRM

5 LONG TERM PURCHASE CONTRACTS

6 WITHDRAWAL FROM COUNTRY

7 OTHER (PLEASE SPECIFY) ____________________

Q9. What minimum percentage of ownership do you consider necessary to invest in a foreign operation? (Circle number)

1 20% OR LESS PARENT COMPANY OWNERSHIP

2 21-50% PARENT COMPANY OWNERSHIP

3 51-75% PARENT COMPANY OWNERSHIP

4 OVER 75% PARENT COMPANY OWNERSHIP

Q10. How often have you encountered the following government policies in your operations abroad?

| | Frequency of Occurrence (Circle your answers) | | |
|---|---|---|---|
| 1 Restriction on repatriation of profits . . . | NEVER | OCCASIONALLY | FREQUENTLY |
| 2 Price controls . . . . . . . . . . . . . . . | NEVER | OCCASIONALLY | FREQUENTLY |
| 3 Import regulations, tariffs, or quotas for your supplies . . . . . . . . . . . . . | NEVER | OCCASIONALLY | FREQUENTLY |
| 4 Export targets for your production . . . . . | NEVER | OCCASIONALLY | FREQUENTLY |
| 5 Hiring of foreign nationals. . . . . . . . . | NEVER | OCCASIONALLY | FREQUENTLY |
| 6 Health and labeling regulations. . . . . . . | NEVER | OCCASIONALLY | FREQUENTLY |
| 7 Currency regulations . . . . . . . . . . . . | NEVER | OCCASIONALLY | FREQUENTLY |

Q11. Have you experienced any conflicts between U.S. anti-trust law and prevailing business practices in the countries in which you have operations? (Circle your answer)

1 NO (PLEASE GO TO QUESTION 13)

2 YES

Q12. If your answer to Q11 is yes, would you elaborate below, please?

Q13. How important are the following conditions to your operations abroad?

| | Degree of Importance (Circle your answers) | | |
|---|---|---|---|
| 1 Rate of literacy and school enrollment. . . . . . . . . . . | UNIMPORTANT | SOMEWHAT IMPORTANT | VERY IMPORTANT |
| 2 Size of middle class . . . . . . | UNIMPORTANT | SOMEWHAT IMPORTANT | VERY IMPORTANT |
| 3 Strength of labor movement . . . | UNIMPORTANT | SOMEWHAT IMPORTANT | VERY IMPORTANT |
| 4 Extent of urbanization . . . . . | UNIMPORTANT | SOMEWHAT IMPORTANT | VERY IMPORTANT |
| 5 Modernness of outlook. . . . . . | UNIMPORTANT | SOMEWHAT IMPORTANT | VERY IMPORTANT |

Q14. To what degree do the following social factors affect your product or service in the foreign countries in which you operate?

| | Amount of Impact (Circle your answers) | | | |
|---|---|---|---|---|
| 1 Religion . . . . . . . . . . . . . . . . . . . . | NONE | SLIGHT | MODERATE | LARGE |
| 2 Language . . . . . . . . . . . . . . . . . . . . | NONE | SLIGHT | MODERATE | LARGE |
| 3 Level of technological development . . . . . . | NONE | SLIGHT | MODERATE | LARGE |
| 4 Income levels of the population. . . . . . . . | NONE | SLIGHT | MODERATE | LARGE |
| 5 Age groups in the population . . . . . . . . . | NONE | SLIGHT | MODERATE | LARGE |
| 6 Ratio of urban to rural population . . . . . . | NONE | SLIGHT | MODERATE | LARGE |

Q15. How similar are the products or services in your foreign operations to those you offer in the U.S.? (Circle number)

1 IDENTICAL

2 SOMEWHAT SIMILAR

3 TOTALLY DISSIMILAR

Q16. To what degree do the following social factors affect your personnel decisions in the foreign countries in which you operate?

| | Amount of Impact (Circle your answers) | | | |
|---|---|---|---|---|
| 1 Role of men and women in society. . . . . . . | NONE | SLIGHT | MODERATE | LARGE |
| 2 Social classes or castes. . . . . . . . . . . | NONE | SLIGHT | MODERATE | LARGE |
| 3 Racial relations. . . . . . . . . . . . . . . | NONE | SLIGHT | MODERATE | LARGE |
| 4 Religious relations . . . . . . . . . . . . . | NONE | SLIGHT | MODERATE | LARGE |
| 5 Traditional power and authority structures. . | NONE | SLIGHT | MODERATE | LARGE |
| 6. Values and attitudes toward work and employer . . . . . . . . . . . . . . . . . . | NONE | SLIGHT | MODERATE | LARGE |

Q17. In the countries in which you have operations, are the laborers organized? (Circle number)

1 NO

2 YES, IN SOME OF THE COUNTRIES IN WHICH WE HAVE OPERATIONS

3 YES, IN ALL OF THE COUNTRIES IN WHICH WE HAVE OPERATIONS

Q18. How often do you deal with the following labor demands?

| | Frequency of Occurrence (Circle your answers) | | |
|---|---|---|---|
| 1 Restrictions on layoffs or firings. . . . . . . | NEVER | OCCASIONALLY | FREQUENTLY |
| 2 Requirements on profit sharing with labor . . . | NEVER | OCCASIONALLY | FREQUENTLY |
| 3 Requirements on sharing management decision-making with labor (co-determination) . . . . . | NEVER | OCCASIONALLY | FREQUENTLY |
| 4 Requirements to provide housing for laborers . | NEVER | OCCASIONALLY | FREQUENTLY |
| 5 Increased wages or vacation time. . . . . . . . | NEVER | OCCASIONALLY | FREQUENTLY |
| 6 Decreased work hours. . . . . . . . . . . . . . | NEVER | OCCASIONALLY | FREQUENTLY |

Q19. Does your company review overseas social and political factors? (Circle number)

1 NO (PLEASE GO TO QUESTION 23)

2 YES

Q20. When is this review process used? (Circle numbers of all that apply)

1 INITIAL INVESTMENT

2 REINVESTMENT

3 STRATEGIC PLANNING

4 DIVESTMENT

5 REPATRIATION AND OTHER EXCHANGE OPERATIONS

6 DAY TO DAY OPERATIONS

Q21. Is an individual or a team assigned to review or analyze overseas social and political factors? (Circle number)

1 NO (PLEASE GO TO QUESTION 23)

2 YES

Q22. To what degree does your organization rely on the reports and suggestions of this individual or team when making a decision? (Circle number)

1 LOW RELIANCE

2 MODERATE RELIANCE

3 HIGH RELIANCE

Finally, we would like to ask a few questions about your organization to help us interpret the results.

Q23. When was your first overseas affiliate established? (Circle number)

1 PRIOR TO World War II

2 1945-1955

3 1956-1965

4 1966-1975

5 AFTER 1975

Q24. What are the total sales of your parent organization and its subsidiaries? (Circle number)

1 UNDER $100 MILLION

2 $100-$750 MILLION

3 $751-$2500 MILLION

4 OVER $2500 MILLION

Q25. What percentage of the above sales are from your international operations? (Circle number)

1 0-10%

2 11-25%

3 26-50%

4 51-75%

5 OVER 75%

Q26. What type or types of business are you involved in abroad? (Circle number of all that apply)

1 RETAIL
2 WHOLESALE
3 SERVICES
4 MANUFACTURING
5 MINING
6 OTHER *(PLEASE SPECIFY)* ______________________________

Q27. If you are in manufacturing, which of the following categories of items do you produce? (Circle numbers of all that apply)

1 RAW MATERIALS

2 INTERMEDIATE GOODS

3 FINAL GOODS

Q28. In each of the following areas, please indicate the number of countries in which you have operations. (Please indicate only countries where actual U.S. capital is invested. Do not include contract license, or participation solely on a royalty or profit sharing basis.)

____AFRICA

____CENTRAL AMERICA AND THE CARIBBEAN

____EASTERN EUROPE

____WESTERN EUROPE

____MIDDLE EAST

____NORTH AMERICA (EXCLUDING U.S.)

____OCEANIA & INDONESIA

____SOUTH AMERICA

____ASIA

____SOVIET UNION

Q29. Please indicate your position within your firm. ______________________________

Is there anything else you would like to tell us about the effects of foreign social and political factors on U.S. multinational firms? If so, please use this space for that purpose.

Also, any comments that you wish to make that you think may help us understand U.S. multinational firms and their relationships with foreign countries will be appreciated, either here or in a separate letter.

Your contribution to this study is greatly appreciated. If you would like a summary of the results, please print you name and address on the back of the return envelope (NOT on this questionnaire). We will see that you get the results of this study.

# Appendix B
## Sample Cover Letter, Reminder Postcard, and Reminder Letter

### Cover Letter

KSU
KANSAS STATE UNIVERSITY

**International Trade Institute**

Calvin Hall
Manhattan, Kansas 66506
913-532-6799

February 14, 1983

Dear :

Recent trade conflicts have intensified an already complicated business situation. Foreign governments and allied institutions are increasingly affecting business activities and decisions, especially those of multinational firms, because of suspicions and misconceptions about these firms.

To lessen possible translation of these misconceptions into adverse attitudes and policies, a current description of U.S. multinationals should be developed. The International Trade Institute at Kansas State University will develop such a picture of firms, but it needs your help. Please have someone acquainted with your international operations fill out the enclosed questionnaire and return it to us.

You are assured complete confidentiality. The questionnaire has an identification number for control purposes only. Your firm will never be associated with the questionnaire.

The results of this study will be available to government officials, executives, and other interested persons. You may receive a summary of the results by writing "copy of results requested" on the back of the return envelope, and printing your name and address below it. Please do not put this information on the questionnaire itself.

We will be pleased to answer any questions. You may write to me or call me at (913) 532-6892.

Thank-you for your assistance.

Sincerely,

Randolph Pohlman

Randolph Pohlman, Head, Department of Finance
Project Coordinator

Reminder Postcard

February 21, 1983

Last week a questionnaire seeking your opinion and experiences in your international operations was sent to you. If you have already completed and returned it to us, please accept our sincere thanks. If not, please do so today.

If by some chance you did not receive the questionnaire, or it got misplaced, please call me right now (913 532-6892) and I will get another one in the mail to you today.

Sincerely,

Randolph Pohlman
Project Director

Reminder Letter

KANSAS STATE UNIVERSITY

**International Trade Institute**

College of Business Administration
Manhattan, Kansas 66506
913-532-6799

March 14, 1983

Dear ;

About three weeks ago I wrote to you seeking your opinion and experiences on the influence of foreign social and political factors on your overseas operations. As of today, we have not yet received your completed questionnaire.

We have undertaken this study because of the belief that a current description of multinational firms and their policies and practices is necessary and valuable to executives, educators, and government officials.

I am writing to you again because of the significance each questionnaire has to the usefulness of this study. In order for the results of this study to be truly representative of the opinions and experiences of U.S. multinational firms it is essential that each company in the sample return their questionnaire. Please have someone aquainted with your international operations fill out the enclosed questionnaire.

In the event that your questionnaire has been misplaced, a replacement is enclosed.

Your cooperation is greatly appreciated.

Sincerely,

Randolph Pohlman, Head, Department of Finance
Project Coordinator

# Appendix C
## Standard Industrial Classification Groups: Survey Population and Respondents

Survey Population

SAS

| V2 | FREQUENCY | CUM FREQ | PERCENT | CUM PERCENT |
|---|---|---|---|---|
| . | 5 | . | . | . |
| 1 | 7 | 7 | 0.520 | 0.520 |
| 2 | 1 | 8 | 0.074 | 0.595 |
| 7 | 2 | 10 | 0.149 | 0.743 |
| 8 | 1 | 11 | 0.074 | 0.818 |
| 10 | 9 | 20 | 0.669 | 1.487 |
| 11 | 1 | 21 | 0.074 | 1.561 |
| 12 | 12 | 33 | 0.892 | 2.454 |
| 13 | 38 | 71 | 2.825 | 5.279 |
| 14 | 6 | 77 | 0.446 | 5.725 |
| 15 | 11 | 88 | 0.818 | 6.543 |
| 16 | 13 | 101 | 0.967 | 7.509 |
| 17 | 6 | 107 | 0.446 | 7.955 |
| 20 | 41 | 148 | 3.048 | 11.004 |
| 21 | 2 | 150 | 0.149 | 11.152 |
| 22 | 14 | 164 | 1.041 | 12.193 |
| 23 | 15 | 179 | 1.115 | 13.309 |
| 24 | 16 | 195 | 1.190 | 14.498 |
| 25 | 8 | 203 | 0.595 | 15.093 |
| 26 | 26 | 229 | 1.933 | 17.026 |
| 27 | 28 | 257 | 2.082 | 19.108 |
| 28 | 98 | 355 | 7.286 | 26.394 |
| 29 | 23 | 378 | 1.710 | 28.104 |
| 30 | 44 | 422 | 3.271 | 31.375 |
| 31 | 3 | 425 | 0.223 | 31.599 |
| 32 | 31 | 456 | 2.305 | 33.903 |
| 33 | 34 | 490 | 2.528 | 36.431 |
| 34 | 66 | 556 | 4.907 | 41.338 |
| 35 | 112 | 668 | 8.327 | 49.665 |
| 36 | 79 | 747 | 5.874 | 55.539 |
| 37 | 50 | 797 | 3.717 | 59.257 |
| 38 | 54 | 851 | 4.015 | 63.271 |
| 39 | 24 | 875 | 1.784 | 65.056 |
| 40 | 2 | 877 | 0.149 | 65.204 |
| 42 | 15 | 892 | 1.115 | 66.320 |
| 44 | 14 | 906 | 1.041 | 67.361 |
| 45 | 11 | 917 | 0.818 | 68.178 |
| 46 | 7 | 924 | 0.520 | 68.699 |
| 47 | 7 | 931 | 0.520 | 69.219 |
| 48 | 19 | 950 | 1.413 | 70.632 |
| 49 | 7 | 957 | 0.520 | 71.152 |
| 50 | 35 | 992 | 2.602 | 73.755 |
| 51 | 39 | 1031 | 2.900 | 76.654 |
| 52 | 5 | 1036 | 0.372 | 77.026 |
| 53 | 2 | 1038 | 0.149 | 77.175 |
| 54 | 1 | 1039 | 0.074 | 77.249 |
| 55 | 3 | 1042 | 0.223 | 77.472 |
| 56 | 5 | 1047 | 0.372 | 77.844 |
| 57 | 5 | 1052 | 0.372 | 78.216 |
| 58 | 11 | 1063 | 0.818 | 79.033 |
| 59 | 12 | 1075 | 0.892 | 79.926 |
| 60 | 14 | 1089 | 1.041 | 80.967 |
| 61 | 23 | 1112 | 1.710 | 82.677 |
| 62 | 13 | 1125 | 0.967 | 83.643 |
| 63 | 10 | 1135 | 0.743 | 84.387 |
| 64 | 5 | 1140 | 0.372 | 84.758 |

Survey Population (cont.)

SAS

| V3 | FREQUENCY | CUM FREQ | PERCENT | CUM PERCENT |
|---|---|---|---|---|
| 65 | 22 | 1162 | 1.636 | 86.394 |
| 66 | 1 | 1163 | 0.074 | 86.468 |
| 67 | 46 | 1209 | 3.420 | 89.888 |
| 70 | 5 | 1214 | 0.372 | 90.260 |
| 72 | 2 | 1216 | 0.149 | 90.409 |
| 73 | 64 | 1280 | 4.758 | 95.167 |
| 75 | 5 | 1285 | 0.372 | 95.539 |
| 76 | 1 | 1286 | 0.074 | 95.613 |
| 78 | 9 | 1295 | 0.669 | 96.283 |
| 79 | 3 | 1298 | 0.223 | 96.506 |
| 80 | 5 | 1303 | 0.372 | 96.877 |
| 81 | 1 | 1304 | 0.074 | 96.952 |
| 82 | 12 | 1316 | 0.892 | 97.844 |
| 83 | 1 | 1317 | 0.074 | 97.918 |
| 86 | 1 | 1318 | 0.074 | 97.993 |
| 87 | 1 | 1319 | 0.074 | 98.067 |
| 89 | 25 | 1344 | 1.859 | 99.926 |
| 96 | 1 | 1345 | 0.074 | 100.000 |

Respondents

SAS

| V3 | FREQUENCY | CUM FREQ | PERCENT | CUM PERCENT |
|---|---|---|---|---|
| . | 3 | . | . | . |
| 1 | 2 | 2 | 0.375 | 0.375 |
| 2 | 1 | 3 | 0.187 | 0.562 |
| 8 | 1 | 4 | 0.187 | 0.749 |
| 10 | 4 | 8 | 0.749 | 1.498 |
| 12 | 6 | 14 | 1.124 | 2.622 |
| 13 | 16 | 30 | 2.996 | 5.618 |
| 14 | 4 | 34 | 0.749 | 6.367 |
| 15 | 1 | 35 | 0.187 | 6.554 |
| 16 | 3 | 38 | 0.562 | 7.116 |
| 17 | 3 | 41 | 0.562 | 7.678 |
| 20 | 8 | 49 | 1.498 | 9.176 |
| 21 | 1 | 50 | 0.187 | 9.363 |
| 22 | 6 | 56 | 1.124 | 10.487 |
| 23 | 4 | 60 | 0.749 | 11.236 |
| 24 | 7 | 67 | 1.311 | 12.547 |
| 25 | 3 | 70 | 0.562 | 13.109 |
| 26 | 6 | 76 | 1.124 | 14.232 |
| 27 | 8 | 84 | 1.498 | 15.730 |
| 28 | 48 | 132 | 8.989 | 24.719 |
| 29 | 10 | 142 | 1.873 | 26.592 |
| 30 | 20 | 162 | 3.745 | 30.337 |
| 31 | 2 | 164 | 0.375 | 30.712 |
| 32 | 9 | 173 | 1.685 | 32.397 |
| 33 | 12 | 185 | 2.247 | 34.644 |
| 34 | 26 | 211 | 4.869 | 39.513 |
| 35 | 56 | 267 | 10.487 | 50.000 |
| 36 | 33 | 300 | 6.180 | 56.180 |
| 37 | 21 | 321 | 3.933 | 60.112 |
| 38 | 24 | 345 | 4.494 | 64.607 |
| 39 | 6 | 351 | 1.124 | 65.730 |
| 40 | 1 | 352 | 0.187 | 65.918 |
| 42 | 5 | 357 | 0.936 | 66.854 |
| 44 | 5 | 362 | 0.936 | 67.790 |
| 45 | 2 | 364 | 0.375 | 68.165 |
| 46 | 4 | 368 | 0.749 | 68.914 |
| 47 | 3 | 371 | 0.562 | 69.476 |
| 48 | 4 | 375 | 0.749 | 70.225 |
| 49 | 3 | 378 | 0.562 | 70.787 |
| 50 | 11 | 389 | 2.060 | 72.846 |
| 51 | 17 | 406 | 3.184 | 76.030 |
| 52 | 1 | 407 | 0.187 | 76.217 |
| 53 | 1 | 408 | 0.187 | 76.404 |
| 54 | 1 | 409 | 0.187 | 76.592 |
| 56 | 2 | 411 | 0.375 | 76.966 |
| 57 | 4 | 415 | 0.749 | 77.715 |
| 58 | 3 | 418 | 0.562 | 78.277 |
| 59 | 4 | 422 | 0.749 | 79.026 |
| 60 | 5 | 427 | 0.936 | 79.963 |
| 61 | 12 | 439 | 2.247 | 82.210 |
| 62 | 6 | 445 | 1.124 | 83.333 |
| 63 | 5 | 450 | 0.936 | 84.270 |
| 64 | 2 | 452 | 0.375 | 84.644 |
| 65 | 9 | 461 | 1.685 | 86.330 |
| 67 | 18 | 479 | 3.371 | 89.700 |
| 70 | 1 | 480 | 0.187 | 89.888 |

Respondents (cont.)

SAS

| V3 | FREQUENCY | CUM FREQ | PERCENT | CUM PERCENT |
|---|---|---|---|---|
| 73 | 27 | 507 | 5.056 | 94.944 |
| 75 | 1 | 508 | 0.187 | 95.131 |
| 76 | 1 | 509 | 0.187 | 95.318 |
| 78 | 1 | 510 | 0.187 | 95.506 |
| 79 | 1 | 511 | 0.187 | 95.693 |
| 80 | 4 | 515 | 0.749 | 96.442 |
| 82 | 4 | 519 | 0.749 | 97.191 |
| 86 | 1 | 520 | 0.187 | 97.378 |
| 89 | 14 | 534 | 2.622 | 100.000 |

# Appendix D
## Questionnaire Responses

| V3 | FREQUENCY | CUM FREQ | PERCENT | CUM PERCENT |
|---|---|---|---|---|
| . | 5 | . | . | . |
| 1 | 14 | 14 | 8.434 | 8.434 |
| 2 | 152 | 166 | 91.566 | 100.000 |

| V4 | FREQUENCY | CUM FREQ | PERCENT | CUM PERCENT |
|---|---|---|---|---|
| 1 | 4 | 4 | 2.339 | 2.339 |
| 2 | 68 | 72 | 39.766 | 42.105 |
| 3 | 99 | 171 | 57.895 | 100.000 |

| V5 | FREQUENCY | CUM FREQ | PERCENT | CUM PERCENT |
|---|---|---|---|---|
| 1 | 5 | 5 | 2.924 | 2.924 |
| 2 | 94 | 99 | 54.971 | 57.895 |
| 3 | 72 | 171 | 42.105 | 100.000 |

| V6 | FREQUENCY | CUM FREQ | PERCENT | CUM PERCENT |
|---|---|---|---|---|
| 1 | 1 | 1 | 0.585 | 0.585 |
| 2 | 39 | 40 | 22.807 | 23.392 |
| 3 | 131 | 171 | 76.608 | 100.000 |

| V7 | FREQUENCY | CUM FREQ | PERCENT | CUM PERCENT |
|---|---|---|---|---|
| 1 | 5 | 5 | 2.924 | 2.924 |
| 2 | 86 | 91 | 50.292 | 53.216 |
| 3 | 80 | 171 | 46.784 | 100.000 |

| V8 | FREQUENCY | CUM FREQ | PERCENT | CUM PERCENT |
|---|---|---|---|---|
| 1 | 16 | 16 | 9.357 | 9.357 |
| 2 | 123 | 139 | 71.930 | 81.287 |
| 3 | 32 | 171 | 18.713 | 100.000 |

| V9 | FREQUENCY | CUM FREQ | PERCENT | CUM PERCENT |
|---|---|---|---|---|
| . | 1 | . | . | . |
| 1 | 2 | 2 | 1.176 | 1.176 |
| 2 | 39 | 41 | 22.941 | 24.118 |
| 3 | 129 | 170 | 75.882 | 100.000 |

| V10 | FREQUENCY | CUM FREQ | PERCENT | CUM PERCENT |
|---|---|---|---|---|
| . | 1 | . | . | . |
| 1 | 4 | 4 | 2.353 | 2.353 |
| 2 | 64 | 68 | 37.647 | 40.000 |
| 3 | 102 | 170 | 60.000 | 100.000 |

| V11 | FREQUENCY | CUM FREQ | PERCENT | CUM PERCENT |
|---|---|---|---|---|
| . | 1 | . | . | . |
| 1 | 41 | 41 | 24.118 | 24.118 |
| 2 | 127 | 168 | 74.706 | 98.824 |
| 3 | 1 | 169 | 0.588 | 99.412 |
| 4 | 1 | 170 | 0.588 | 100.000 |

| V12 | FREQUENCY | CUM FREQ | PERCENT | CUM PERCENT |
|---|---|---|---|---|
| . | 2 | . | . | . |
| 0 | 39 | 39 | 23.077 | 23.077 |
| 1 | 47 | 86 | 27.811 | 50.888 |
| 2 | 58 | 144 | 34.320 | 85.207 |
| 3 | 22 | 166 | 13.018 | 98.225 |
| 4 | 3 | 169 | 1.775 | 100.000 |

| V13 | FREQUENCY | CUM FREQ | PERCENT | CUM PERCENT |
|---|---|---|---|---|
| 0 | 32 | 32 | 18.713 | 18.713 |
| 1 | 54 | 86 | 31.579 | 50.292 |
| 2 | 85 | 171 | 49.708 | 100.000 |

| V14 | FREQUENCY | CUM FREQ | PERCENT | CUM PERCENT |
|---|---|---|---|---|
| 0 | 32 | 32 | 18.713 | 18.713 |
| 1 | 76 | 108 | 44.444 | 63.158 |
| 2 | 63 | 171 | 36.842 | 100.000 |

| V15 | FREQUENCY | CUM FREQ | PERCENT | CUM PERCENT |
|---|---|---|---|---|
| 0 | 32 | 32 | 18.713 | 18.713 |
| 1 | 50 | 82 | 29.240 | 47.953 |
| 2 | 89 | 171 | 52.047 | 100.000 |

| V16 | FREQUENCY | CUM FREQ | PERCENT | CUM PERCENT |
|---|---|---|---|---|
| 0 | 32 | 32 | 18.713 | 18.713 |
| 1 | 94 | 126 | 54.971 | 73.684 |
| 2 | 45 | 171 | 26.316 | 100.000 |

| V17 | FREQUENCY | CUM FREQ | PERCENT | CUM PERCENT |
|---|---|---|---|---|
| 0 | 32 | 32 | 18.713 | 18.713 |
| 1 | 118 | 150 | 69.006 | 87.719 |
| 2 | 21 | 171 | 12.281 | 100.000 |

| V18 | FREQUENCY | CUM FREQ | PERCENT | CUM PERCENT |
|---|---|---|---|---|
| 0 | 32 | 32 | 18.713 | 18.713 |
| 1 | 105 | 137 | 61.404 | 80.117 |
| 2 | 34 | 171 | 19.883 | 100.000 |

| V19 | FREQUENCY | CUM FREQ | PERCENT | CUM PERCENT |
|---|---|---|---|---|
| 0 | 32 | 32 | 18.713 | 18.713 |
| 1 | 107 | 139 | 62.573 | 81.287 |
| 2 | 32 | 171 | 18.713 | 100.000 |

| V20 | FREQUENCY | CUM FREQ | PERCENT | CUM PERCENT |
|---|---|---|---|---|
| . | 1 | . | . | . |
| 1 | 24 | 24 | 14.116 | 14.116 |
| 2 | 146 | 170 | 85.882 | 100.000 |

| V21 | FREQUENCY | CUM FREQ | PERCENT | CUM PERCENT |
|---|---|---|---|---|
| . | 1 | . | . | . |
| 0 | 23 | 23 | 13.529 | 13.529 |
| 1 | 114 | 137 | 67.059 | 80.588 |
| 2 | 33 | 170 | 19.412 | 100.000 |

| V22 | FREQUENCY | CUM FREQ | PERCENT | CUM PERCENT |
|---|---|---|---|---|
| . | 1 | . | . | . |
| 0 | 23 | 23 | 13.529 | 13.529 |
| 1 | 8 | 31 | 4.706 | 18.235 |
| 2 | 139 | 170 | 81.765 | 100.000 |

| V23 | FREQUENCY | CUM FREQ | PERCENT | CUM PERCENT |
|---|---|---|---|---|
| . | 1 | . | . | . |
| 0 | 23 | 23 | 13.529 | 13.529 |
| 1 | 114 | 137 | 67.059 | 80.588 |
| 2 | 33 | 170 | 19.412 | 100.000 |

| V24 | FREQUENCY | CUM FREQ | PERCENT | CUM PERCENT |
|---|---|---|---|---|
| . | 1 | . | . | . |
| 0 | 23 | 23 | 13.529 | 13.529 |
| 1 | 129 | 152 | 75.882 | 89.412 |
| 2 | 18 | 170 | 10.588 | 100.000 |

| V25 | FREQUENCY | CUM FREQ | PERCENT | CUM PERCENT |
|---|---|---|---|---|
| . | 1 | . | . | . |
| 0 | 23 | 23 | 13.529 | 13.529 |
| 1 | 47 | 70 | 27.647 | 41.176 |
| 2 | 100 | 170 | 58.824 | 100.000 |

| V26 | FREQUENCY | CUM FREQ | PERCENT | CUM PERCENT |
|---|---|---|---|---|
| . | 1 | . | . | . |
| 0 | 23 | 23 | 13.529 | 13.529 |
| 1 | 49 | 72 | 28.824 | 42.353 |
| 2 | 98 | 170 | 57.647 | 100.000 |

SAS

| V27 | FREQUENCY | CUM FREQ | PERCENT | CUM PERCENT |
|---|---|---|---|---|
| . | 1 | . | . | . |
| 0 | 23 | 23 | 13.529 | 13.529 |
| 1 | 115 | 138 | 67.647 | 81.176 |
| 2 | 32 | 170 | 18.824 | 100.000 |

| V28 | FREQUENCY | CUM FREQ | PERCENT | CUM PERCENT |
|---|---|---|---|---|
| . | 1 | . | . | . |
| 0 | 23 | 23 | 13.529 | 13.529 |
| 1 | 138 | 161 | 81.176 | 94.706 |
| 2 | 9 | 170 | 5.294 | 100.000 |

| V29 | FREQUENCY | CUM FREQ | PERCENT | CUM PERCENT |
|---|---|---|---|---|
| . | 1 | . | . | . |
| 0 | 23 | 23 | 13.529 | 13.529 |
| 1 | 146 | 169 | 85.882 | 99.412 |
| 2 | 1 | 170 | 0.588 | 100.000 |

| V30 | FREQUENCY | CUM FREQ | PERCENT | CUM PERCENT |
|---|---|---|---|---|
| . | 1 | . | . | . |
| 0 | 23 | 23 | 13.529 | 13.529 |
| 1 | 109 | 132 | 64.118 | 77.647 |
| 2 | 38 | 170 | 22.353 | 100.000 |

| V31 | FREQUENCY | CUM FREQ | PERCENT | CUM PERCENT |
|---|---|---|---|---|
| . | 1 | . | . | . |
| 0 | 23 | 23 | 13.529 | 13.529 |
| 1 | 138 | 161 | 81.176 | 94.706 |
| 2 | 9 | 170 | 5.294 | 100.000 |

| V32 | FREQUENCY | CUM FREQ | PERCENT | CUM PERCENT |
|---|---|---|---|---|
| . | 8 | . | . | . |
| 1 | 19 | 19 | 11.656 | 11.656 |
| 2 | 74 | 93 | 45.399 | 57.055 |
| 3 | 51 | 144 | 31.288 | 88.344 |
| 4 | 16 | 160 | 9.816 | 98.160 |
| 5 | 3 | 163 | 1.840 | 100.000 |

| V33 | FREQUENCY | CUM FREQ | PERCENT | CUM PERCENT |
|---|---|---|---|---|
| . | 1 | . | . | . |
| 1 | 3 | 3 | 1.765 | 1.765 |
| 2 | 125 | 128 | 73.529 | 75.294 |
| 3 | 42 | 170 | 24.706 | 100.000 |

| V34 | FREQUENCY | CUM FREQ | PERCENT | CUM PERCENT |
|---|---|---|---|---|
| . | 4 | . | . | . |
| 1 | 24 | 24 | 14.371 | 14.371 |
| 2 | 86 | 110 | 51.497 | 65.868 |
| 3 | 57 | 167 | 34.132 | 100.000 |

| V35 | FREQUENCY | CUM FREQ | PERCENT | CUM PERCENT |
|---|---|---|---|---|
| . | 7 | . | . | . |
| 1 | 11 | 11 | 6.707 | 6.707 |
| 2 | 80 | 91 | 48.780 | 55.488 |
| 3 | 73 | 164 | 44.512 | 100.000 |

| V36 | FREQUENCY | CUM FREQ | PERCENT | CUM PERCENT |
|---|---|---|---|---|
| . | 23 | . | . | . |
| 1 | 53 | 53 | 35.811 | 35.811 |
| 2 | 84 | 137 | 56.757 | 92.568 |
| 3 | 11 | 148 | 7.432 | 100.000 |

| V37 | FREQUENCY | CUM FREQ | PERCENT | CUM PERCENT |
|---|---|---|---|---|
| . | 10 | . | . | . |
| 1 | 26 | 26 | 16.149 | 16.149 |
| 2 | 94 | 120 | 58.385 | 74.534 |
| 3 | 41 | 161 | 25.466 | 100.000 |

| V38 | FREQUENCY | CUM FREQ | PERCENT | CUM PERCENT |
|---|---|---|---|---|
| . | 23 | . | . | . |
| 1 | 56 | 56 | 37.838 | 37.838 |
| 2 | 56 | 112 | 37.838 | 75.676 |
| 3 | 36 | 148 | 24.324 | 100.000 |

| V39 | FREQUENCY | CUM FREQ | PERCENT | CUM PERCENT |
|---|---|---|---|---|
| . | 3 | . | . | . |
| 1 | 3 | 3 | 1.786 | 1.786 |
| 2 | 62 | 65 | 36.905 | 38.690 |
| 3 | 103 | 168 | 61.310 | 100.000 |

| V40 | FREQUENCY | CUM FREQ | PERCENT | CUM PERCENT |
|---|---|---|---|---|
| . | 11 | . | . | . |
| 1 | 107 | 107 | 66.875 | 66.875 |
| 2 | 53 | 160 | 33.125 | 100.000 |

| V41 | FREQUENCY | CUM FREQ | PERCENT | CUM PERCENT |
|---|---|---|---|---|
| . | 11 | . | . | . |
| 0 | 108 | 108 | 67.500 | 67.500 |
| 1 | 14 | 122 | 8.750 | 76.250 |
| 2 | 38 | 160 | 23.750 | 100.000 |

| V42 | FREQUENCY | CUM FREQ | PERCENT | CUM PERCENT |
|---|---|---|---|---|
| . | 3 | . | . | . |
| 1 | 36 | 36 | 21.429 | 21.429 |
| 2 | 105 | 141 | 62.500 | 83.929 |
| 3 | 27 | 168 | 16.071 | 100.000 |

| V43 | FREQUENCY | CUM FREQ | PERCENT | CUM PERCENT |
|---|---|---|---|---|
| . | 2 | . | . | . |
| 1 | 37 | 37 | 21.893 | 21.893 |
| 2 | 90 | 127 | 53.254 | 75.148 |
| 3 | 42 | 169 | 24.852 | 100.000 |

| V44 | FREQUENCY | CUM FREQ | PERCENT | CUM PERCENT |
|---|---|---|---|---|
| . | 3 | . | . | . |
| 1 | 36 | 36 | 21.429 | 21.429 |
| 2 | 96 | 132 | 57.143 | 78.571 |
| 3 | 36 | 168 | 21.429 | 100.000 |

| V45 | FREQUENCY | CUM FREQ | PERCENT | CUM PERCENT |
|---|---|---|---|---|
| . | 6 | . | . | . |
| 1 | 50 | 50 | 30.303 | 30.303 |
| 2 | 91 | 141 | 55.152 | 85.455 |
| 3 | 24 | 165 | 14.545 | 100.000 |

| V46 | FREQUENCY | CUM FREQ | PERCENT | CUM PERCENT |
|---|---|---|---|---|
| . | 2 | . | . | . |
| 1 | 27 | 27 | 15.976 | 15.976 |
| 2 | 94 | 121 | 55.621 | 71.598 |
| 3 | 48 | 169 | 28.402 | 100.000 |

| V47 | FREQUENCY | CUM FREQ | PERCENT | CUM PERCENT |
|---|---|---|---|---|
| . | 2 | . | . | . |
| 1 | 112 | 112 | 66.272 | 66.272 |
| 2 | 47 | 159 | 27.811 | 94.083 |
| 3 | 8 | 167 | 4.734 | 98.817 |
| 4 | 2 | 169 | 1.183 | 100.000 |

| V48 | FREQUENCY | CUM FREQ | PERCENT | CUM PERCENT |
|---|---|---|---|---|
| . | 1 | . | . | . |
| 1 | 63 | 63 | 37.059 | 37.059 |
| 2 | 64 | 127 | 37.647 | 74.706 |
| 3 | 35 | 162 | 20.588 | 95.294 |
| 4 | 8 | 170 | 4.706 | 100.000 |

| V49 | FREQUENCY | CUM FREQ | PERCENT | CUM PERCENT |
|---|---|---|---|---|
| . | 1 | . | . | . |
| 1 | 8 | 8 | 4.706 | 4.706 |
| 2 | 24 | 32 | 14.118 | 18.824 |
| 3 | 87 | 119 | 51.176 | 70.000 |
| 4 | 51 | 170 | 30.000 | 100.000 |

| V50 | FREQUENCY | CUM FREQ | PERCENT | CUM PERCENT |
|---|---|---|---|---|
| . | 1 | . | . | . |
| 1 | 19 | 19 | 11.176 | 11.176 |
| 2 | 41 | 60 | 24.118 | 35.294 |
| 3 | 74 | 134 | 43.529 | 78.824 |
| 4 | 36 | 170 | 21.176 | 100.000 |

| V51 | FREQUENCY | CUM FREQ | PERCENT | CUM PERCENT |
|---|---|---|---|---|
| . | 1 | . | . | . |
| 1 | 69 | 69 | 40.588 | 40.588 |
| 2 | 53 | 122 | 31.176 | 71.765 |
| 3 | 38 | 160 | 22.353 | 94.118 |
| 4 | 10 | 170 | 5.882 | 100.000 |

| V52 | FREQUENCY | CUM FREQ | PERCENT | CUM PERCENT |
|---|---|---|---|---|
| . | 2 | . | . | . |
| 1 | 53 | 53 | 31.361 | 31.361 |
| 2 | 49 | 102 | 28.994 | 60.355 |
| 3 | 50 | 152 | 29.586 | 89.941 |
| 4 | 17 | 169 | 10.059 | 100.000 |

| V53 | FREQUENCY | CUM FREQ | PERCENT | CUM PERCENT |
|---|---|---|---|---|
| 1 | 91 | 91 | 53.216 | 53.216 |
| 2 | 74 | 165 | 43.275 | 96.491 |
| 3 | 2 | 167 | 1.170 | 97.661 |
| 4 | 4 | 171 | 2.339 | 100.000 |

| V54 | FREQUENCY | CUM FREQ | PERCENT | CUM PERCENT |
|---|---|---|---|---|
| . | 3 | . | . | . |
| 1 | 75 | 75 | 44.643 | 44.643 |
| 2 | 57 | 132 | 33.929 | 78.571 |
| 3 | 31 | 163 | 18.452 | 97.024 |
| 4 | 5 | 168 | 2.976 | 100.000 |

| V55 | FREQUENCY | CUM FREQ | PERCENT | CUM PERCENT |
|---|---|---|---|---|
| . | 4 | . | . | . |
| 1 | 66 | 66 | 39.521 | 39.521 |
| 2 | 68 | 134 | 40.719 | 80.240 |
| 3 | 31 | 165 | 18.563 | 98.802 |
| 4 | 2 | 167 | 1.198 | 100.000 |

| V56 | FREQUENCY | CUM FREQ | PERCENT | CUM PERCENT |
|---|---|---|---|---|
| . | 4 | . | . | . |
| 1 | 66 | 66 | 39.521 | 39.521 |
| 2 | 48 | 114 | 28.743 | 68.263 |
| 3 | 47 | 161 | 28.144 | 96.407 |
| 4 | 6 | 167 | 3.593 | 100.000 |

| V57 | FREQUENCY | CUM FREQ | PERCENT | CUM PERCENT |
|---|---|---|---|---|
| . | 4 | . | . | . |
| 1 | 102 | 102 | 61.078 | 61.078 |
| 2 | 44 | 146 | 26.347 | 87.425 |
| 3 | 19 | 165 | 11.377 | 98.802 |
| 4 | 2 | 167 | 1.198 | 100.000 |

| V58 | FREQUENCY | CUM FREQ | PERCENT | CUM PERCENT |
|---|---|---|---|---|
| . | 7 | . | . | . |
| 1 | 24 | 24 | 14.634 | 14.634 |
| 2 | 49 | 73 | 29.878 | 44.512 |
| 3 | 77 | 150 | 46.951 | 91.463 |
| 4 | 14 | 164 | 8.537 | 100.000 |

| V59 | FREQUENCY | CUM FREQ | PERCENT | CUM PERCENT |
|---|---|---|---|---|
| . | 5 | . | . | . |
| 1 | 18 | 18 | 10.843 | 10.843 |
| 2 | 18 | 36 | 10.843 | 21.687 |
| 3 | 82 | 118 | 49.398 | 71.084 |
| 4 | 48 | 166 | 28.916 | 100.000 |

| V60 | FREQUENCY | CUM FREQ | PERCENT | CUM PERCENT |
|---|---|---|---|---|
| 1 | 14 | 14 | 8.187 | 8.187 |
| 2 | 135 | 149 | 78.947 | 87.135 |
| 3 | 21 | 170 | 12.281 | 99.415 |
| 4 | 1 | 171 | 0.585 | 100.000 |

| V61 | FREQUENCY | CUM FREQ | PERCENT | CUM PERCENT |
|---|---|---|---|---|
| . | 7 | . | . | . |
| 1 | 10 | 10 | 6.098 | 6.098 |
| 2 | 102 | 112 | 62.195 | 68.293 |
| 3 | 52 | 164 | 31.707 | 100.000 |

| V62 | FREQUENCY | CUM FREQ | PERCENT | CUM PERCENT |
|---|---|---|---|---|
| . | 9 | . | . | . |
| 1 | 56 | 56 | 34.568 | 34.568 |
| 2 | 96 | 152 | 59.259 | 93.827 |
| 3 | 10 | 162 | 6.173 | 100.000 |

| V63 | FREQUENCY | CUM FREQ | PERCENT | CUM PERCENT |
|---|---|---|---|---|
| . | 7 | . | . | . |
| 1 | 58 | 58 | 35.366 | 35.366 |
| 2 | 98 | 156 | 59.756 | 95.122 |
| 3 | 8 | 164 | 4.878 | 100.000 |

| V64 | FREQUENCY | CUM FREQ | PERCENT | CUM PERCENT |
|---|---|---|---|---|
| . | 7 | . | . | . |
| 1 | 83 | 83 | 50.610 | 50.610 |
| 2 | 76 | 159 | 46.341 | 96.951 |
| 3 | 5 | 164 | 3.049 | 100.000 |

| V65 | FREQUENCY | CUM FREQ | PERCENT | CUM PERCENT |
|---|---|---|---|---|
| . | 7 | . | . | . |
| 1 | 4 | 4 | 2.439 | 2.439 |
| 2 | 92 | 96 | 56.098 | 58.537 |
| 3 | 68 | 164 | 41.463 | 100.000 |

| V66 | FREQUENCY | CUM FREQ | PERCENT | CUM PERCENT |
|---|---|---|---|---|
| . | 7 | . | . | . |
| 1 | 32 | 32 | 19.512 | 19.512 |
| 2 | 107 | 139 | 65.244 | 84.756 |
| 3 | 25 | 164 | 15.244 | 100.000 |

| V67 | FREQUENCY | CUM FREQ | PERCENT | CUM PERCENT |
|---|---|---|---|---|
| 1 | 22 | 22 | 12.865 | 12.865 |
| 2 | 149 | 171 | 87.135 | 100.000 |

| V68 | FREQUENCY | CUM FREQ | PERCENT | CUM PERCENT |
|---|---|---|---|---|
| . | 1 | . | . | . |
| 0 | 22 | 22 | 12.941 | 12.941 |
| 1 | 17 | 39 | 10.000 | 22.941 |
| 2 | 131 | 170 | 77.059 | 100.000 |

| V69 | FREQUENCY | CUM FREQ | PERCENT | CUM PERCENT |
|---|---|---|---|---|
| . | 1 | . | . | . |
| 0 | 22 | 22 | 12.941 | 12.941 |
| 1 | 42 | 64 | 24.706 | 37.647 |
| 2 | 106 | 170 | 62.353 | 100.000 |

| V70 | FREQUENCY | CUM FREQ | PERCENT | CUM PERCENT |
|---|---|---|---|---|
| . | 1 | . | . | . |
| 0 | 22 | 22 | 12.941 | 12.941 |
| 1 | 25 | 47 | 14.706 | 27.647 |
| 2 | 123 | 170 | 72.353 | 100.000 |

| V71 | FREQUENCY | CUM FREQ | PERCENT | CUM PERCENT |
|---|---|---|---|---|
| . | 1 | . | . | . |
| 0 | 22 | 22 | 12.941 | 12.941 |
| 1 | 73 | 95 | 42.941 | 55.882 |
| 2 | 75 | 170 | 44.118 | 100.000 |

| V72 | FREQUENCY | CUM FREQ | PERCENT | CUM PERCENT |
|---|---|---|---|---|
| . | 1 | . | . | . |
| 0 | 22 | 22 | 12.941 | 12.941 |
| 1 | 69 | 91 | 40.588 | 53.529 |
| 2 | 78 | 169 | 45.882 | 99.412 |
| 3 | 1 | 170 | 0.588 | 100.000 |

| V73 | FREQUENCY | CUM FREQ | PERCENT | CUM PERCENT |
|---|---|---|---|---|
| . | 1 | . | . | . |
| 0 | 22 | 22 | 12.941 | 12.941 |
| 1 | 64 | 86 | 37.647 | 50.588 |
| 2 | 84 | 170 | 49.412 | 100.000 |

| V74 | FREQUENCY | CUM FREQ | PERCENT | CUM PERCENT |
|---|---|---|---|---|
| . | 2 | . | . | . |
| 0 | 21 | 21 | 12.426 | 12.426 |
| 1 | 64 | 85 | 37.870 | 50.296 |
| 2 | 84 | 169 | 49.704 | 100.000 |

| V75 | FREQUENCY | CUM FREQ | PERCENT | CUM PERCENT |
|---|---|---|---|---|
| . | 2 | . | . | . |
| 0 | 83 | 83 | 49.112 | 49.112 |
| 1 | 3 | 86 | 1.775 | 50.888 |
| 2 | 42 | 128 | 24.852 | 75.740 |
| 3 | 41 | 169 | 24.260 | 100.000 |

| V76 | FREQUENCY | CUM FREQ | PERCENT | CUM PERCENT |
|---|---|---|---|---|
| . | 1 | . | . | . |
| 1 | 83 | 83 | 48.824 | 48.824 |
| 2 | 38 | 121 | 22.353 | 71.176 |
| 3 | 39 | 160 | 22.941 | 94.118 |
| 4 | 10 | 170 | 5.882 | 100.000 |

| V77 | FREQUENCY | CUM FREQ | PERCENT | CUM PERCENT |
|---|---|---|---|---|
| . | 4 | . | . | . |
| 1 | 7 | 7 | 4.192 | 4.192 |
| 2 | 39 | 46 | 23.353 | 27.545 |
| 3 | 39 | 85 | 23.353 | 50.898 |
| 4 | 82 | 167 | 49.102 | 100.000 |

| V78 | FREQUENCY | CUM FREQ | PERCENT | CUM PERCENT |
|---|---|---|---|---|
| . | 2 | . | . | . |
| 1 | 17 | 17 | 10.059 | 10.059 |
| 2 | 53 | 70 | 31.361 | 41.420 |
| 3 | 78 | 148 | 46.154 | 87.574 |
| 4 | 17 | 165 | 10.059 | 97.633 |
| 5 | 4 | 169 | 2.367 | 100.000 |

| V79 | FREQUENCY | CUM FREQ | PERCENT | CUM PERCENT |
|---|---|---|---|---|
| 1 | 148 | 148 | 86.550 | 86.550 |
| 2 | 23 | 171 | 13.450 | 100.000 |

| V80 | FREQUENCY | CUM FREQ | PERCENT | CUM PERCENT |
|---|---|---|---|---|
| 1 | 131 | 131 | 76.608 | 76.608 |
| 2 | 40 | 171 | 23.392 | 100.000 |

| V81 | FREQUENCY | CUM FREQ | PERCENT | CUM PERCENT |
|---|---|---|---|---|
| 1 | 105 | 105 | 61.404 | 61.404 |
| 2 | 66 | 171 | 38.596 | 100.000 |

| V82 | FREQUENCY | CUM FREQ | PERCENT | CUM PERCENT |
|---|---|---|---|---|
| 1 | 45 | 45 | 26.316 | 26.316 |
| 2 | 126 | 171 | 73.684 | 100.000 |

| V83 | FREQUENCY | CUM FREQ | PERCENT | CUM PERCENT |
|---|---|---|---|---|
| 1 | 160 | 160 | 93.567 | 93.567 |
| 2 | 11 | 171 | 6.433 | 100.000 |

| V84 | FREQUENCY | CUM FREQ | PERCENT | CUM PERCENT |
|---|---|---|---|---|
| 1 | 137 | 137 | 80.117 | 80.117 |
| 2 | 34 | 171 | 19.883 | 100.000 |

| V85 | FREQUENCY | CUM FREQ | PERCENT | CUM PERCENT |
|---|---|---|---|---|
| 0 | 41 | 41 | 23.977 | 23.977 |
| 1 | 107 | 148 | 62.573 | 86.550 |
| 2 | 23 | 171 | 13.450 | 100.000 |

| V86 | FREQUENCY | CUM FREQ | PERCENT | CUM PERCENT |
|---|---|---|---|---|
| 0 | 42 | 42 | 24.561 | 24.561 |
| 1 | 70 | 112 | 40.936 | 65.497 |
| 2 | 59 | 171 | 34.503 | 100.000 |

| V87 | FREQUENCY | CUM FREQ | PERCENT | CUM PERCENT |
|---|---|---|---|---|
| 0 | 42 | 42 | 24.561 | 24.561 |
| 1 | 20 | 62 | 11.696 | 36.257 |
| 2 | 109 | 171 | 63.743 | 100.000 |

| V88 | FREQUENCY | CUM FREQ | PERCENT | CUM PERCENT |
|---|---|---|---|---|
| . | 2 | . | . | . |
| 1 | 61 | 61 | 36.095 | 36.095 |
| 2 | 108 | 169 | 63.905 | 100.000 |

| V89 | FREQUENCY | CUM FREQ | PERCENT | CUM PERCENT |
|---|---|---|---|---|
| . | 2 | . | . | . |
| 1 | 64 | 64 | 37.870 | 37.870 |
| 2 | 105 | 169 | 62.130 | 100.000 |

| V90 | FREQUENCY | CUM FREQ | PERCENT | CUM PERCENT |
|---|---|---|---|---|
| . | 2 | . | . | . |
| 1 | 158 | 158 | 93.491 | 93.491 |
| 2 | 11 | 169 | 6.509 | 100.000 |

| V91 | FREQUENCY | CUM FREQ | PERCENT | CUM PERCENT |
|---|---|---|---|---|
| . | 2 | . | . | . |
| 1 | 7 | 7 | 4.142 | 4.142 |
| 2 | 162 | 169 | 95.858 | 100.000 |

| V92 | FREQUENCY | CUM FREQ | PERCENT | CUM PERCENT |
|---|---|---|---|---|
| . | 2 | . | . | . |
| 1 | 94 | 94 | 55.621 | 55.621 |
| 2 | 75 | 169 | 44.379 | 100.000 |

| V93 | FREQUENCY | CUM FREQ | PERCENT | CUM PERCENT |
|---|---|---|---|---|
| . | 2 | . | . | . |
| 1 | 16 | 16 | 9.467 | 9.467 |
| 2 | 153 | 169 | 90.533 | 100.000 |

| V94 | FREQUENCY | CUM FREQ | PERCENT | CUM PERCENT |
|---|---|---|---|---|
| . | 2 | . | . | . |
| 1 | 63 | 63 | 37.278 | 37.278 |
| 2 | 106 | 169 | 62.722 | 100.000 |

| V95 | FREQUENCY | CUM FREQ | PERCENT | CUM PERCENT |
|---|---|---|---|---|
| . | 2 | . | . | . |
| 1 | 35 | 35 | 20.710 | 20.710 |
| 2 | 134 | 169 | 79.290 | 100.000 |

| V96 | FREQUENCY | CUM FREQ | PERCENT | CUM PERCENT |
|---|---|---|---|---|
| . | 2 | . | . | . |
| 1 | 42 | 42 | 24.852 | 24.852 |
| 2 | 127 | 169 | 75.148 | 100.000 |

| V97 | FREQUENCY | CUM FREQ | PERCENT | CUM PERCENT |
|---|---|---|---|---|
| . | 2 | . | . | . |
| 1 | 164 | 164 | 97.041 | 97.041 |
| 2 | 5 | 169 | 2.959 | 100.000 |

| V98 | FREQUENCY | CUM FREQ | PERCENT | CUM PERCENT |
|---|---|---|---|---|
| . | 12 | . | . | . |
| 1 | 2 | 2 | 1.258 | 1.258 |
| 2 | 20 | 22 | 12.579 | 13.836 |
| 3 | 2 | 24 | 1.258 | 15.094 |
| 10 | 14 | 38 | 8.805 | 23.899 |
| 11 | 6 | 44 | 3.774 | 27.673 |
| 13 | 3 | 47 | 1.887 | 29.560 |
| 20 | 5 | 52 | 3.145 | 32.704 |
| 21 | 29 | 81 | 18.239 | 50.943 |
| 22 | 1 | 82 | 0.629 | 51.572 |
| 23 | 19 | 101 | 11.950 | 63.522 |
| 31 | 21 | 122 | 13.208 | 76.730 |
| 32 | 3 | 125 | 1.887 | 78.616 |
| 33 | 34 | 159 | 21.384 | 100.000 |

| V99 | FREQUENCY | CUM FREQ | PERCENT | CUM PERCENT |
|---|---|---|---|---|
| . | 1 | . | . | . |
| 1 | 156 | 156 | 91.765 | 91.765 |
| 2 | 14 | 170 | 8.235 | 100.000 |

"Other" Responses to Questions and Additional Comments*

Q1. Do you feel that foreign social and political influences are having more impact than in the past on the investment and operation decisions of multinational operations?

climate is unimportant but change is very important (185)

Q2. How important are the following conditions in your operations abroad?

4. Political/economic orientation of the host government?

degree of regulation & growth planning is highly important (185)

Q3. Has your company suffered politically inflicted damage within the past *10 years*?

a. circled "no" and "yes, in some..", indicated as degree #4 (82)
b. mostly the U.S. (154)

Q4. If your company has experienced politically inflicted damage, which of the following best describes your experience?

a. varies (22)
b. severe in case of Portugal (74)
c. depending on country (391)

Q5. If your company has experienced politically inflicted damage in any degree, what form has it taken?

7. other?

a. loss of orders (9)
b. partial takeover (15)
c. nationalization (18)
d. local content regulations (22)
e. currency exchange controls (22)
f. discrimination in govt. institution purchases (51)
g. import restrictions (75)
h. preferential procurement (75)
i. immigration papers of & use of U.S. citizens in mgmt. (82)

* numbers in parenthesis indicates respondent code number

j. freeze on assets (93)
k. loss of all facilities in Okinawa (141)
l. financing (154)
m. fiscal policies designed to prejudice foreign CIES. (158)
o. industry regulation -applies to local & export regulations particularily (165)
p. change in remittance/exchange (167)
q. price control (168)
r. politically motivated price controls (173)
s. prohibition of mfrg. certain products unless other requirements met (186)
t. inability to obtain import certificates &/or foreign exchange (186)
u. foreign exchange controls (242)
v. pricing & registration restrictions (248)
w. defaults on obligations (249)
x. pressure, remittance, also exchange rate manipulation (280)
y. curtailment of operations (322)
z. Iran/Iraq war (382)
aa. exchange controls (406)
ab. change in tariff regulations (430)
ac. price controls (124)

Q6. Has your company faced restrictions on ownership?

not consistent w/answer #7 (215)

Q7. What form have these restrictions [on ownership] taken?

a. maximum % of foreign ownership (15)
b. national staffing requirements (62)
c. renewal of work papers of Americans (82)
d. restrictions on services, products we can offer (88)
e. local government participation (93)
f. limiting of radio stations per corporation (141)
g. limiting foreign ownership to 49% (150)
h. expansion into new product lines (158)
i. nationalization (178)
j. devaluation a la Mexico (184)
k. no further capital contributions allowed (196)
l. financing restrictions (226)
m. exclusion from certain product categories (247)
n. ownership participation of employees (since bought back) (252)
o. prohibition of expansion of activities (322)
p. geographic movement of facilities (366)
q. revolution & non-payment (370)
r. mandatory, in-country manufacturing (388)
s. local participation- more implied than required (394)
t. financing tied to local participation (404)
u. restriction on recapitalization (502)

Q8. How has your company dealt with these requirement [on ownership]?

3. alteration in product or acquisition strategy?

change in manufacturing strategy (252)

7. other?

a. no action/ no immediate serious pressure (51)
b. problem yet to solve (55)
c. maintain status quo position (158)
d. non-entry into country (voluntary or involuntary) (249)
e. no investment (258)
f. not expanded activities (322)
g. have not grown as planned (366)

Q9. What minimum percentage of ownership do you consider necessary?

a. would prefer majority (74)
b. no minimum (93)
c. not less than 50% (124)
d. 21-50% to acquire market share & 51-75% for mgmt control of manufacturing & business decisions (150)
e. (21-50%) under local law, provides sufficient minority rights (165)
f. (21-50%) if such company wants to use one or more of our trademarks or brand names (173)
g. 100% - present feeling (186)
h. 51-75% & over 75% both circled (212)
i. 50% w/management control preferred (247)
j. 50% in very extraordinary situations (252)
k. depends upon where balance is held - 20% is sufficient if remanining 80% is widely held (281)
l. varies (314)
m. 100% (363)
n. company confidential (388)
o. <20%-50% - depends on situation (404)

Q10. How often have you encountered the following govt. policies?

1. Restrictions on repatriation of profits?

capitalized funds (141)

2. Price controls?

   a.govt. controls price (355)
   b. N/A (7)

4. Export targets for your production?

   a. N/A (19) (88) (93)
   b. not targets for exports as such, but tax treatment & other incentives generally encourage (242)

6. Health and labeling regulations?

   a. N/A (19) (88) (198)
   b. ? (254)

Q14.To what degree do the following social factors affect your product or service?

1-6 - not familiar (409)

Q15.How similar are the products or services in your foreign operations to those you offer in the U.S.?

a. identical & somewhat similar (143) (249) (500)
b. almost (160)
c. quality-wise - same; technically adapted to meet local requirements & conditions (173)
d. very similar (391)

Q16.To what degree do the following social factors affect your personnel decisions in the foreign countries in which you operate?

a. personnel policies consistent w/local customs (37)
b. not familiar (409)

Q17.In the countries in which you have operations, are the laborers organized?

a. N/A (74)
b. No- Scotland is the exception (242)

Q18.How often do you deal with the following labor demands?

a. issues dealt with by local management (37)
b. all done locally (184)
c. N/A (355)
d. not familiar (409)

2. Requirements on profit sharing with labor?

never- so far (242)

4. Requirements to provide housing for laborers?

hardly ever (254)

Q19.Does your company review overseas social & political factors?
inconsistent w/Q20 [when is this process used?]
for response (37)

Q22.To what degree does your organization rely on the reports and suggestions of this individual or team?

? (254)

Q24.What are the total sales of your parent organization and its subsidiaries?

a. N/A (88) (93)
b. contributions (141)
c. N/A - profit (146)

Q25.What % of sales are from your international operations?

a. revenue rather than sales (88)
b. contributions (141)
c. not disclosed but at this time not significant (173)

Comments on back of questionnaires

221

For us, political factors are much more important than social factors since we manufacture industrial goods. We look favorably on countries which are pro business such as Singapore - many countries are excluded for possible investment due to limiting policies on technologies and profit remittance e.g. India.

247

-*Increasing nationalistic tendencies* thoughout *many* foreign countries to protect/develop local industry, reduce inflow of capital etc.

-Adherence to "Foreign Corrupt Practices" Acts for US business operating overseas has put US companies at a disadvantage vs. local/non-U.S. companies in foreign countries.

124

Multinationals have, in general, been the strongest positive economic force in post WWII world. This is often recognized by governments in private but never in public.

The most damaging form of *economic discrimination* is through exchange and price controls. Price controls are the weapons most frequently used particularily by hi [sic] inflation countries.

161

This questionnaire seems to concentrate on the foreign governments social & political factors - The other side of the coin is the lack of U.S. government support to conduct business overseas - especially with regards to military equipment. Our Allies U.K., Belgium, Germany, and France use foreign sales to reduce their production rate costs & increase trade, whereas the U.S. spends all its time trying to regulate U.S. business out of foreign sales.

165

We do not regard political change per se as a major risk. Usually new governments respect our management needs since they continue to value our contribution to their economy. Much more important is a change in the attitude toward government planning.

274

Every country is different so that general questions are difficult to answer. Dealing in different countries is also heavily influenced by traditional social customs and habits - think, for instance, of the difference between France and Germany, or any other country and Japan

278

English - Germanic cultures are easier to work in than Latin cultures.

Existence of bribery and corruption a strong deterrent to our company.

We do not want to market obsolescent products or license obsolescent technologies or "export pollution".

All overseas operations are audited to idential guidelines (financial, moral, environmental, etc.) that are applied to any U.S. operation.

301

Social cost-benefits in Eur. as % of base wage = 70% or =2x US

One of the poorest designed questionnaires. Review questions and ask how you would answer question basis 2 investments one in Iran & one in Japan.

This was not worth my time nor worthy of KSU

405

With presence in about 60 countries including sales offices we have positive answers to most of your questions in one place or another, but with well over half of the business in West Europe, Canada and Japan restrictions and risks are not excessive on a weighted average basis.

188

Political & social factors are important. By way of clarification of answers to "Q2" [How important are the following conditions to your operations abroad? - political climate, host govt attitude, political stability, political/economic orientation, administrative efficiency, profit remittance, taxation] Those factors do affect what business relationship/structure we adopt (ie. investment vs. license) but rarely preclude us from country representation.

404

Political and social influences are no more important now than they have been in the past, although recent cases like Iran and Mexico have probably given them higher visibility.

154

The services we provide are so removed from the general public in these countries that we do not have to contend with many of the political and social problems raised in your q estionnaire. In most cases, we would only be marginally affected compared to other multi-national firms, since we tend to be less visible and for the most part deal with well-educated professionals, either as employees or clients.

In addition, very often our services include a good amount of procurement which generates jobs for the supplying firms and, hence, we are viewed in a positive light. We also bring technology and provide transfer of technology in host and client countries.

146

I believe the pedulum is swinging away from feelings of animosity toward U.S. MNC's toward a more welcoming attitude in recognition of jobs, exports and import substitution that MNC brings. This is especially true in the Third World.

116

Advertising Agencies located outside the U.S. have fewer problems and issues than manufacturing concerns, obviously. In the advertising industry the impact of social and political factors is felt <u>through</u> the client of a multinational agency rather than directly, in most instances. Nevertheless, a U.S. based agency with offices abroad definitely has to be or become sensitive to the realities of the individual countries in which it does business. For this reason, most agencies place foreign nationals or regional experts in positions of responsibility abroad.

76

Eximbank's uncompetitive stance hinders exports and forces production out of the U.S.

19

All competitors within a given country operate under the same competitive opportunities and constraints, hence social/political factors are simply elements in the total business environment once you're operating there. We believe the best policy is to be as accomodative as possible.

FOREIGN POLITICAL AND SOCIAL FACTORS
AND THEIR INFLUENCE ON U.S. MULTINATIONAL FIRMS

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ABSTRACT

Political and social factors in host countries do affect and influence U.S. multinational firms. Political situations and host government policies appear to be much more important to operations than does the social environment. These conclusions are drawn from responses to a mail survey of U.S. corporations with operations in eight or more countries outside of the U.S. Through a questionnaire, respondents identify the social and political circumstances which they are currently facing and the importance of these situations to the firm, the impact of these factors on the firm, and actions they are taking to respond to their international environment. Top executives, from 171 of the 417 surveyed (41%), completed the questionnaire.

Among political and government policy factors, political stability of the host country and profit remittance and exchange regulations are considered very important by over three-quarters of the respondents. Restrictions on company ownership, another type of host government policy, affects 86% of the respondents. These policies have taken the form of requirements for local participation in ownership for 95% of the respondents. One-fifth of the firms have also had to change their product or acquisition strategy and to withdraw from a country. Almost 60% of the respondents will invest in an operation giving them less than controlling interest.

Social factors were rated as very important less often than were political variables. Religion is rated as having no impact

on the products offered or on personnel decisions by over 60% of the respondents. The level of technological development has the most significant impact of the social variables in question on products offered, and the values and attitudes toward work were considered to have a moderate or large influence on personnel decisions by almost 80% of the respondents. Eighty-seven percent of the respondents review social and political factors, especially when studying an initial investment and in their strategic planning process. Over half of the firms evaluating the environment have assigned an individual or team to perform the analysis and 97% place a moderate to high reliance on their suggestions.

The influence of social and political factors on U.S. multinational firms has increased over the past years and most firms have chosen to adapt to these factors through increased awareness of situations and flexibility in dealing with host country demands.