REFORMING THE INTEGRATION-RESPONSIVENESS FRAMEWORK: A BUSINESS ETHICS PERSPECTIVE

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Abstract: This article examines adverse effects of multinational enterprises' global strategy on a local community utilizing recent developments of a Finnish electronics manufacturing service firm as an illustrative case. The shortcomings of one of the most recognized global strategy frameworks, the integration-responsiveness framework are discussed from an ethical viewpoint, and an extended view of responsiveness in the global strategy context offered.

Keywords: integration-responsiveness framework, entrepreneurship, multi-national enterprise, corporate social responsibility, business ethics

OWNERSHIP CHANGE AND EFFECT ON COMPANY CSR

At the beginning of the twenty-first century, globalization and internationalization are praised in the boardrooms of large enterprises as the motors of present and future success, and the ideology of shareholder value provides both the underlying motivation for international expansion as well as the prime means of measuring success. However, the shareholder value thinking provides only one perspective on business in today's world. In this paper, we will take a very different viewpoint springing from lines of thought found within business ethics literature (e.g. Barnett & Ronald, 1974; De George, 1993; Donaldson, 1989), stakeholder thinking (Carroll, 1981; Freeman, 1984; Freeman & Gilbert, 1987; Näsi, 1995) and corporate social responsibility discourse (Carroll & Buchholtz, 2003; Zyglidopoulos, 2002). Consequently, we will examine ownership change and its effect for the acquired firm as well as outcomes for the local community, the operating base of the acquired firm.

Our story may well turn out to be a typical one in the future: an entrepreneurial firm (Mintzberg, 1989) expands rapidly while remaining deeply rooted in its home base. Getting acquired by a multinational enterprise (MNE), however, changes the setting of the acquired firm drastically. For the new foreign owner, the history of the acquired firm, its hero stories, the culture or the connections to the surrounding local community bear less significance. Thus, it is easy to send dismissal announcements to employees, which indirectly affect the whole local community.

This paper describes the transformation process of a locally-oriented yet regionally expanded firm, into a part of a global firm (Ghoshal & Nohria, 1993) as a result of strategic acquisitive move of a MNE, and the consequent mounting of pressures related to corporate globalization formerly unknown to the acquired firm. The adverse effects of the globalization of business and especially the effects of the central actors' actions driving the globalization development, the MNEs and their global strategies on local peripheral communities are discussed.

There exists a body of literature dealing with the downsides of MNEs' global strategies, concentrating for instance on human rights, environmental issues, greater product and workplace safety, minority hiring issues, and product performance issues or similar in the developing country context as indicated by Lee (1997), Guvenli and Sanyal (2002), and shown by Epstein's (1987) review of business ethics and corporate social responsibility literature. While the issue taken up is far from novel and the adverse effects of globalization are widely discussed, for instance in the downsizing literature from the job cuts perspective (e.g. Freeman & Cameron, 1993; DeWitt, 1993; Cascio et al., 1997; Budros, 1999), the setting of this study places it apart from typical contributions dealing with the adverse effects of MNEs' global strategies. The focus is on the adverse effects of MNEs' global strategies in a developed country context.

We reflect on the recent developments concerning a Finnish electronics manufacturing services (EMS) firm as an illustration of the issue and as a vehicle of discussion on the shortcomings of one of the most recognized global strategy frameworks (DeVinney et al., 2000; Kogut, 1989; Taggart, 1998), the integration-responsiveness (IR) framework of Prahalad and Doz (1987). Based on the observations we will discuss some possible benefits of expanding the IR framework by incorporating additional ethical considerations into global strategy decision-making, thus widening the scope of the issue of responsiveness beyond its currently dominant economic purport.

Although mostly theoretical, the paper utilizes a qualitative approach in illustrating the development of the EMS firm. Of the plethora of alternative ways offered by the field of qualitative methodology, the one chosen in this paper is the case study approach (e.g. Yin, 1984). The data for the case is drawn from publicly available written sources, mainly from newspaper and business journal articles.

The paper starts by introducing the research idea followed by our case study describing the events through which an entrepreneurial local firm becomes a part of a large MNE. The third part sketches two worldviews on global strategy and their consequences: the IR framework, and a review of business ethics, corporate social responsibility, and stakeholder literatures in the context of MNEs and global strategy. The third part further outlines suggestions for a revised content for the responsiveness part of the IR framework. The paper concludes with a discussion of the possible benefits of expanding the concept of responsiveness beyond its current content.

DEVELOPMENT OF THE CASE COMPANY

The story of our case company begins in a small rural village of Kyröskoski, a community of 3,800 inhabitants, part of Hämeenkyrö municipality in Western Finland. In 1978, a local technical college teacher Mr. Seppo Parhankangas founded an electronics company from his garage. The one-man company found a growth track in 1984 when Mobira, the mobile phone unit of Nokia – a small part of Nokia's business at that time – became its customer.

In 1985, the company, Kyrel EMS, already employed 30 people, and in 1987 it got proper production facilities – built by the municipality. Between 1989 and 1994, the company expanded its premises several times as the scale of operations grew steadily. In 1996, the company already employing 760 people set up a subsidiary in France. At that time Kyrel EMS had established itself as a major electronics manufacturing services provider. In fact, it was the market leader in Europe. While Kyrel's customers represented a number of industries, its key customers, however, were Nokia and Alcatel.

In October 1997, Seppo Parhankangas stepped down from his position as the CEO and was followed by Mr. Simo Parhankangas, his son. When Simo Parhankangas took over, the company continued on a positive track: the scale of operations grew, as did the workforce. The headlines of the leading regional newspaper conveyed the bright prospects of the company: for example: *"Kyrel invests and takes on workers"* (Aamulehti, Jan 25, 1998). *"Huge growth in turnover for the Kyrel concern last year"* (Aamulehti, May 6, 1999).

Simo Parhankangas continued to emphasize the entrepreneurial spirit, the need for positive growth, the importance of good relationships with the local community, as well as good employee relations: all values clearly carried over from the founding entrepreneur. Kyrel was even awarded for employing immigrants. The HR Manager of the company commented on the event in the press: *"It's not your nationality; it's what you can do that is important with us"* (Aamulehti, Sep 1, 1998).

By 1999, the firm had grown to almost 1,000 people, two-thirds of them working in the village of Kyröskoski. It was by far the largest employer in the area, it was tightly bound up with the municipality, and its growth, profitability and finances were all in good shape. The company anchored in the heart of the Finnish countryside was considered as something special: a heroic company that was producing great prosperity for its stakeholders in the local community and for those further away.

Change of Ownership – Towards a Global Setting

In June 1999, Flextronics International, a global electronic manufacturing services provider made public an agreement to acquire Kyrel EMS. The move of Flextronics International was reported in the media: "Kyrel to merge with an American giant. Owner promises that the merger won't lead to job cuts" (Aamulehti, Jun 16, 1999).

Flextronics' global customers operated in fast-growth telecommunications, computers, medical and consumer markets known to be very tough markets subject to violent fluctuations. Innovations, time-to-market, product miniaturization and cost reductions are continuous requirements. At the time of the Kyrel acquisition, Flextronics' total workforce was 18,000, but already in 2002 the number of employees exceeded 80,000. It is an American company by origin, established in 1969 in California, currently headquartered in Singapore. The two parties to the agreement were lavish with their praise for it. Simo Parhankangas, CEO of Kyrel EMS stated:

> *"We are very enthusiastic about our partnership with Flextronics. It allows us to continue focus on delivering superior service to our local customers, while adding the global capabilities and advantages of a world-class EMS provider. Partnering with Flextronics is a positive step for us to enhance our best practices in customer service and to strengthen our global competitivenes." (Electronic News, Jun 21, 1999).*

Ronny Nilsson, president of Flextronics, Western Europe was as positive in his assessment:

> *"We are pleased to announce the addition of Kyrel to Flextronics' Western European operations. The addition of Kyrel, with its experience and key customers in the telecom industry, further strengthens Flextronics' position as a leading EMS provider to telecom customers. This merger, in conjunction with recent acquisitions of certain ABB and Ericsson operations in Sweden, allows Flextronics to offer present and future customers better service and pricing due to improved experience and increased economies of scale" (Electronic News, Jun 21, 1999).*

A Good Start under the New Ownership … and a Quick Turn to the Worse

The now retired founder of Kyrel, Seppo Parhankangas, who acted as chairman of the board at the time of the takeover predicted that the company would do well as part of the American giant: *"Parhankangas expects even fatter years for Kyrel. Family company which started in garage comes under American ownershi"* (Helsingin Sanomat, Jun 16, 1999). Everything pointed to that direction at first. The acquisition caused no personnel reductions; instead, operations were expanded. New personnel were hired in the hundreds as noted by the press: *"Over 500 apply for a job with Kyrel. The Hämeenkyrö electronics firm to hire 200 temporary workers from Tampere"* (Helsingin Sanomat, Sep 24, 1999). *"Kyrel takes on 300 in Kyröskoski. A total of 550 new workers coming to the company this year"* (Aamulehti, Oct 22, 1999).

The positive development and steady growth characteristic of the company in the past – turnover growth by factor of 46 from 1990 to 1998 – came abruptly to an end in March 2000. It marked the start of a steepening downhill slide for the former Kyrel EMS' operations in Finland. *"Flextronics to negotiate about hundreds of lay-offs"* (Aamulehti, Mar 31, 2000).

The Downhill Slide Continues

In May 2000, 230 workers were laid off due to 'market turbulence' according to Flextronics. The devastating effects of the event were reported by the leading regional daily: *"Flextronics lays off 230 workers in Hämeenkyrö. Result a shock for factory's workers, many of those laid off is fixed term employees"* (Aamulehti, May 19, 2000).

The technology director from the headquarters visited Finland to say how sorry the company was and to promise better times. However, as it turned out, the laying off of 230 employees was just the tip of the iceberg. In 2001, the market for electronics manufacturing services virtually collapsed due to the worldwide economic downturn. The events at Flextronics' Swedish units resulted in great unease in Finland: Flextronics fired 1,600 employees in Sweden in the fall of 2001, closing down one unit and reducing the workforce in another three. The situation was exacerbated by Flextronics' announcement that it would reduce its workforce globally by 10,000 people – fifteen percent of the total (Digitoday 2001).

According to Flextronics, struggling with a loss of $330 million in the second quarter, this was necessary in preparation for the weakening market situation. It was made known that the job cuts were targeted in high production cost regions, and that production would be relocated in areas of lower cost (Digitoday 2001). In 2001, the management of Flextronics was able to cope by claiming that the parent company's international cutbacks would leave Finnish operations unaffected. The message was eagerly repeated by the leading regional daily: *"Flextronics won't reduce its workforce in Finland"* (Aamulehti, Aug 8, 2001). *"Flextronics redundancies won't affect Finland"* (Aamulehti, Oct 27, 2001).

Only a quarter later Flextronics had returned to profit-making track and reported an $82 million profit. It had benefited from the outsourcing trend of electronics manufacturers and managed to attract some important customers, such as mobile phone manufacturing for Ericsson and Xbox games console manufacturing for Microsoft (digitoday, 2002a). Still the apprehensiveness related to job cuts was beginning to build at the Kyröskoski unit. Despite the announcements that the Finnish units would remain unaffected – there were four units besides the Kyröskoski unit, one of them under the threat of discontinuation already – distrust against the management was evident as reported in the press:

"Demonstration by Flextronics workers. They want to remind management of its obligations and promote a healthier way to take care of personnel policy" (Aamulehti, Apr 31, 2002).

The announced downsizing strategy became reality in the fall of 2002. Flextronics fired over 5,000 people globally in August. *"Flextronics to fire thousands"* (Aamulehti, Aug 16, 2002). According to its notification the company had paid $77 million worth of costs associated with reducing its workforce (digitoday, 2002b). In September, Flextronics announced that it would cut between 200 and 300 jobs at the Kyröskoski production unit employing some 680 people: *"Flextronics to reduce its workforce by 300 in Hämeenkyrö. Electronic manufacturing services firm threatens to fire nearly half of its workforce"* (Aamulehti, Sep 11, 2002).

The grounds for the dismissals according to Flextronics were its need to adapt globally to achieve better profitability (digitoday, 2002c). Then, in late November, Flextronics fired 226 people, and CEO Parhankangas resigned. Both dramatic events were reported in the press: *"226 people to go at Flextronics"* (Aamulehti, Oct 31, 2002).*"Parhankangas quits Flextronics suddenly"* (Aamulehti, Nov 1, 2002).

From then on, it was even steeper downhill for the former Kyrel EMS. In June 2003, Flextronics announced that it would lay off an additional 130 people in Kyröskoski (Digitoday, 2003a) despite the ray of hope offered earlier in the spring when it was estimated that more people were needed to meet rising demand. *"Flextronics to fire 130"* (Taloussanomat, Jun 6, 2003). The end result of the latest round of dismissals was that a company once employing close to 1,000 people had shrunken to a dwarf of 150 employees. However, this was still not the end of the downhill slide: in August 2003, Flextronics announced that that it would be closing down the unit altogether by the end of the year. *"Flextronics to close down its Hämeenkyrö plant"* (Helsingin Sanomat, Aug 20, 2003). *"Electronics manufacturing services provider Flextronics International Inc. sets forth as a result of industrial cooperation procedures the closure of the whole Hämeenkyrö plant by Christmas"* (Digitoday, 2003b).

TWO WORLDVIEWS ON THE CONSEQUENCES OF GLOBAL STRATEGIES

In the following, we will present two perspectives on the consequences of global strategy from which the above development may be assessed. The different interpretations of the consequences of MNEs' global strategy pursuit and some possibilities for their integration will be discussed after presenting the views through a brief discussion of their central ideas.

Integration-Responsiveness Framework

The integration-responsiveness (IR) framework has been widely utilized in the international business literature to identify and discuss the diverse and often conflicting pressures that firms confront when expanding their activities worldwide: most notably the need to balance between global integration of activities and to be responsive to the local environment s simultaneously.

The global strategy discussion in general, and the IR framework in particular has grown out of earlier contributions with evolutionary orientation to the development of MNEs, such as those offered by Perlmutter (1969), Stopford and Wells (1972) and Vernon (1966) all building on economics-based reasoning. While popular models to describe and explain the advent and subsequent development of MNEs, the early models provided simplistic solutions to complex problems in multinational organizations (Bartlett & Ghoshal, 1987). This was partly due to the models' neglect of the global business environment: many issues in terms of technological, market, competitive and governmental impact the operations of MNEs. In response to this omission, Prahalad (1975), Doz (1976), and later Doz (1980), and Prahalad and Doz (1987) put together their ideas into the form we know today as the IR framework.

The two most central concepts of the IR framework are integration and responsiveness. By integration Prahalad and Doz (1987) refer to the coordination of activities across countries aimed at building efficient operations networks and taking maximum advantage of similarities across locations. By responsiveness they refer to the attempt of responding to respond to specific needs of host countries, and note that businesses can choose to emphasize one dimension over another, or to stress both dimensions. Thus, firms have basically three strategic options at their disposal: the global integration strategy, the locally responsive strategy, and as sort of an in-between option, the multi-focal strategy. The choice between the three strategic options is governed by the perceived intensity of two forces in the firms' operating environment: the pressure for global integration and the pressure for local responsiveness (Prahalad & Doz, 1987, pp. 18–21) displayed in Table 1.

TABLE 1

THE IR FRAMEWORK

Pressures for global integration	Pressures for local responsiveness
Importance of multinational customers	Differences in customer needs
Presence of multinational competitors	Differences in distribution channels
Investment intensity	Availability of substitutes and the need to adapt
Technology intensity	Market structure
Cost reduction pressures	Host government demands
Universal needs	
Access to raw materials and energy	

The IR framework has been used to discuss the impacts of the two sets of pressures on key strategic decisions. For instance, whether firms should standardize marketing activities globally or adapt them to local conditions, or whether firms should centralize or decentralize control of subsidiary operations, and the effects of the pressures on firm performance (Johansson & Yip, 1994; Martinez & Jarillo, 1991). The research has mostly focused either on the application of the framework, or on its elaboration for managerial purposes (e.g. Bartlett & Ghoshal, 1989; Ghoshal & Nohria, 1993). Its use has thus been 'technical' in nature: essentially about how to manage the balancing act between global integration and local responsiveness more successfully. In addressing this balancing act and its successful implementation, the focus has almost solely been on the economic dimension of success – the ability of the focal company to maximize profit (e.g. Devinney, Midgley & Venaik, 2000) – while virtually ignoring other impacts of firms' actions on the wider operating environment and the society at large.

Being an economics model by its roots, questions such as 'at what cost to some remote community do the profit maximization-driven activities take place?' have rarely entered the discussion. In fact, the fields of global strategy, international ethics, and corporate social responsibility have remained to a very large extent disconnected (Reynolds, 2003), despite considerable potential posed by the cross-fertilization between the overlapping fields.

While the IR framework has numerous strengths as an organizing framework for the two possibly most critical pressures a MNE needs to handle in its operations, and although its merits are widely acknowledged (e.g. Roth & Morrison, 1990; Johnson, 1995; Harzing, 2000) we are not alone in proposing extensions and refinements to the IR framework (see e.g. Devinney et al., 2000; Wood, 1991). From our point of view, the most serious omissions of the IR framework stem from the history of the global strategy field: the IR framework 'suffers' from its roots. Being derived from economics-based reasoning it carries some intrinsic assumptions, such as rationality and profit maximization as the basic modes of organizational behavior, which, in turn, encourage global strategic behavior of MNEs motivated solely by efficiency and cost reduction considerations that carry some extremely adverse effects when judged from the perspective of local communities.

As discussed above, to Prahalad and Doz the local responsiveness pressures present themselves in the form of differences in customer needs, differences in distribution channels, availability of substitutes and the need to adapt, market structure, and host government demands, all admittedly very important strategic questions for a MNE to take into account. However, as is evident from the list of factors advocating the adoption of locally responsive strategy, with the exception of the host government demands, all may be characterized as purely market-related factors, and as such, typically targets of economic considerations alone. From our point of view, such listing of defining factors reflects a narrow vision of the issue of responsiveness in the global strategy field.

The single non-market factor in the IR framework, the host government demands is rather vague and open to interpretation. This being the case, we take up the challenge of offering a reinterpretation and extension of the substance of the concept. We thus offer an expanded view on the whole issue of responsiveness by presenting an alternative, a more covering way to perceive the concept in the global strategy context by drawing from business ethics, corporate social responsibility, and stakeholder discussions.

By drawing from these broad fields of literature, we aim to broaden the concept of responsiveness in international business context from its current orientation with an exploitative undertone towards a more balanced one taking into account the unwelcome repercussions of MNEs' dominantly efficiency-driven actions brought on various stakeholders and localities by the implementation of global strategy. The recognition of the need for expansion of the concept, it is hoped, was achieved through the illustrative case standing as an extreme example of the dominance of efficiency-motivated integration considerations alone, and the lack of responsiveness considerations in implementing global strategy.

Imperatives of Business Ethics, Corporate Social Responsibility and Stakeholder Approach for MNEs

Multinational enterprises have traditionally been the subject of ethical concern and discussion in three respects: 1) by which rules are MNEs bound: the home country or the host country, 2) the issue of power: the disparity of power between large multinationals and developing countries – exploitation of labor and other resources, undermining local cultures, ignorance of health and safety regulations etc., and 3) price fixing, tax avoidance and circumvention of national legislation (Barnett & Ronald, 1974; De George, 1993; Donaldson, 1989).

Closely related to the above ethical concerns is the basic theme found within the corporate social responsibility (CSR) discussion: the relationship between business and society at large. CSR has been defined in numerous ways: Carroll divides the concept into economic, legal, ethical, and discretionary (or philanthropic) expectations that society has of organizations, whereas Frederick clarifies the concept by splitting it up to corporate social responsibility (CSR1), corporate social responsiveness (CSR2), and corporate social rectitude (CSR3) (Carroll & Buchholtz, 2003). The Confederation of Finnish Industry and Employers considers CSR to consist of the economic, environmental and social responsibilities of companies, and places the relations with stakeholders as central consideration when specifying the contents of these responsibilities (Teollisuuden ja työnantajain keskusliitto, 2001). In short, a corporation operating in a given country must comply with the legal and social norms of that country (Zyglidopoulos, 2002).

It has been suggested that the concept of social responsibility should be replaced by the concept of social responsiveness representing a more dynamic and action-oriented view of CSR (Carroll & Buchholtz, 2003). As the IR framework makes use of the concept of responsiveness, it is reasonable to concentrate on analyzing the possibilities offered by CSR and stakeholder approach in broadening the content of the 'responsiveness' concept of the IR framework. According to Epstein, the concept of corporate social responsiveness means determining, implementing, and evaluating the firm's capacity to anticipate, respond to, and manage the issues and problems arising from the diverse claims and expectations of stakeholders (Carroll & Buchholtz, 2003). As stakeholders have an important role in driving the social responsiveness process (Näsi et al., 1997), the stakeholder approach is used to further develop the IR framework.

According to the stakeholder approach, companies do not exist to satisfy the needs of their owners or stockholders alone: they have a wider range of important stakeholders who ought to be taken into account when making decisions (cf. e.g. Argandoña, 1998; Wheeler & Sillanpää, 1997). The stakeholder approach is also about combining business and ethics, and the normative ground of the stakeholder approach means integrating ethical dimensions into business practices (Carroll & Näsi, 1997). As the 'management serving shareowners' theory is neither morally sustainable (Donaldson & Preston, 1995) nor economically reasonable (Kujala & Kuvaja, 2002), it is sensible to accept that the purpose of a company and its managers is to co-ordinate stakeholder interests (see e.g. Evan & Freeman, 1988) in a responsible way.

Kujala (2001) has identified eight generic stakeholders of a company: customers, employees, competitors, owners, suppliers and dealers, community and government, financiers, and the environment. Our case shows that for MNEs entering a new locality by acquiring a local firm, at least the employees, the local community and government are stakeholders that should be brought into the core of the responsiveness considerations. In addition, as our case shows, media represent an important stakeholder that should be included in a MNE's list of local constituencies.

To concretize the important issues in local stakeholder relations that help expand the responsiveness concept of the IR framework, we follow Kujala's (2001) discussion on moral issues concerning different constituencies and utilize her framework for analyzing moral issues in stakeholder relations consisting of fifty different issues in eight stakeholder relations. Here we concentrate on issues in just two categories of stakeholder relations that appear to be the most important on grounds of our illustrative case. We believe that especially relations with community and government along with relations with employees should be included in the expanded concept of responsiveness of the IR framework in order to give it more concrete substance as outlined in Table 2.

TABLE 2

THE MODIFIED IR FRAMEWORK

Integration Pressures	Responsiveness Pressures
Importance of multinational customers Presence of multinational competitors Investment intensity Technology intensity Cost reduction pressures Universal needs Access to raw materials and energy	Differences in customer needs Differences in distribution channels Availability of substitutes and the need to adapt Market structure Host government demands, *more specifically:* - *Obeying laws and regulations of the host country* - *Co-operating with public sector officials and local residents* - *Paying taxes* - *Being a good corporate citizen* Being sensitive to employees needs, more specifically: - *Acknowledging employees right to just wage, to privacy, to participate, and to organize* - *Paying attention to hiring and firing policies* - *Denying discrimination* - *Improving working conditions* - *Guaranteeing stability and security of the work place* - *Being honest to employees* - *Offering education and development opportunities*

While the extensions to the responsiveness concept of the IR framework may be perceived by some to be minor or even light in the sense that some of the points raised here may be seen to be implicitly included in the IR framework as it currently stands, however, we would strongly disagree and argue that this is not the case. Giving more substance and concreteness to the vague host government demands factor of responsiveness pressures derived from stakeholder thinking, and thus making the issues explicit, directs attention of both academics and practitioners alike. Furthermore, it highlights the importance of relations with community and government as well as relations with employees, which, as our case shows, are easily neglected when implementing clearly efficiency-motivated global strategy in an industry which may be characterized as highly competition-oriented and thus less employee-centered in its culture (cf. Gordon, 1991; Budros, 1999).

DISCUSSION

The kind of negative development depicted above with its redundancy announcements and ultimately closure is, of course, shocking for those affected wherever in the world it might happen. So, it is no wonder that the residents of a small Finnish village and the whole municipality were shocked by the events. The negative impacts of the MNEs actions were deepened by the fact that in Finland, as the result of the most severe depression experienced by a Western European country since the 1930s, jobs are still hard to come by and hard to hold onto even today. This has resulted in a culture of silence, where even the stakeholders who suffer the most, in this case the local community and employees, remain very quiet. A headline in the leading regional daily "Dismissals shut employees' mouths" (Aamulehti. Sep 12, 2003) embodies the situation. A single demonstration and a critical statement finally issued by several trade unions (Aamulehti, Apr 26, 2002; Sep 12, 2003) were rare manifestations of what those affected were actually feeling. In any event, the end result was clear: globalization and shareholder value management had left a heavy mark on a small rural community.

The development of the acquired EMS firms serves as an example of the ethical concerns raised against the policies of MNEs, in particular the power disparity issue. However, in the developed country setting the issue is not typically between the MNE and the host country as the two may be considered more of equals in power – although the agility of MNEs in search of the lowest cost locations may be seen to somewhat tilt the scale to their advantage. There is a power disparity issue, though, but it is more evident between the regional entities and the MNE. The local communities have no means at their disposal for restraining MNEs if they choose to downsize and eventually discontinue operations in search of lower cost and higher (short term) profit. Nor do the labor unions as the case clearly demonstrates. This inequality in power between the MNEs and local actors puts pressure on the host country government to take care of the interests of all its residents.

Another ethical issue our case serves to illustrate is the question, by which rules are the MNEs supposed to play? In this case, the conduct of the MNE clearly differed from the rules the Finnish stakeholders had been accustomed to, in terms of employment stability and other terms of employment. The case also serves as an example of the end-results of one-sided global integration drive, and the overwhelming emphasis put on cost reduction pressures at the expense of responsiveness considerations – especially in the sense of the expanded view of the issue promoted in this paper.

It seems, however, that the adverse effects of MNEs' global strategies and the closely related issue of shareholder-value thinking so deeply rooted in our contemporary large corporations are starting to create counter-reactions to the perceived excessive dominance of both MNEs in the global and local business arena, as well as to the supremacy of shareholder value thinking dominant in large multinational companies. A good indication of this change of climate is the growing and ever vociferous criticism against the recently intensified corporate downsizing trend in the U.S. from where this managerial innovation originated in the 1980s (Cascio et al., 1997; Freeman & Cameron, 1993). Some have estimated that since 1979 downsizing has resulted in the loss of over 40 million jobs in the U.S. alone (Uchitelle & Kleinfield, 1996). A telling sign of the building criticism is the rise of documentary-maker Michael Moore's (1996) book, condemning such practices in several U.S. corporations that were making record profits and yet at the same time downsizing. Although there have been signs for a similar development in Finland, the scale of the issue, as well as the intensity of public debate on it has remained meager.

Although, as noted above, globalization of business and the shareholder value maximization ideology have been presented at times as the two unquestionable truths that are bringing a brighter future for mankind, the experiences of Finnish company, EMS, serve as a striking illustration of the adverse effects on one local peripheral community when one-sided economic considerations dominate global strategy practices. The developments that faced our case company lend support to Unseem's (1993) and others' findings (e.g. American Management Association, 1987; Bureau of National Affairs, 1991) of the influence of increased shareholder control from the 1980s onwards (shareholder value maximization) being closely related to the rising numbers of job cuts.

Even though the paper takes an in-depth look on just one locality in the chosen developed country context, we would be ready to claim that the setting of this paper can serve a wider illustrative purpose than the Finnish electronics industry case alone. Just briefly scanning the business press, similar downsizing and ultimately pullout practices carried out by MNEs can be observed taking place all over the developed world (cf. Cascio et al., 1997; Budros 1999). The trend is discernible in many industries that may be characterized as global industries, financial services and electronics manufacturing showing the way (Doz & Prahalad, 1991). As a recent example of similar developments in another geographical context than the one discussed here, consider the announcement of Levi Strauss in early January, 2004 regarding the closure of its last two U.S. sewing plants, a move motivated purely by the search for lower cost labor that resulted in 800 unemployed (CNN, 2004). The Finnish case may be seen as a symptomatic of global corporate strategies of MNEs driven solely by shareholder value maximization ideology and the closely related drive for lower cost of production.

There are (at least) two sides to every story. The one side not touched thus far is that of a MNE operating in electronics manufacturing services (EMS) industry. For a company pursuing a conventional global strategy, the approach of Flextronics may be considered ‘logical’, establishing itself in locations that minimize the overall cost of doing business as the internalization theory of Buckley and Casson (1976) and the OLI framework of Dunning (1977) suggests. Judging the development from this perspective and from the vantage point of Flextronics, what took place in Kyröskoski plant was merely ‘business as usual’: a pure resource allocation decision in search for best return on investment. The other side to the story is that of the stakeholders’ presented here, especially the employees of the Kyröskoski unit, and the local community of Kyröskoski, who were the final bearers of the full negative impacts of the decisions taken by the MNE.

CONCLUSION

In conclusion, although we are suggesting extension of the IR framework to take more into account the ethical considerations in implementing global strategy, we are not denying the centrality of profit imperative over time so instrumental to the existence of a business organization. The profitability and ethical conduct of (international) business are not mutually exclusive issues (Reynolds, 2003), on the contrary. Taking a long-term perspective on the issue, a responsive conduct of global strategy – in the extended sense of the concept – it may be argued, would be mutually beneficial for the key parties involved: the MNE, the host locality, as well as other stakeholders. Considering the acquisitions made by MNEs as a mode of entry, again in the long run, it is hardly in anyone’s best interest to first acquire a local firm and then dismiss the employees and run down the acquired unit.

Taking an economic perspective on the issue, it does not make economic sense either, because typically the acquirer pays a premium for the owners of the acquired firm in anticipation of future profits. In the event the acquired firm gets terminated, the money invested and the terminated entity’s assets are lost. The lost assets are not limited only to the financial capital and physical assets lost, but more importantly, the human assets lost; more specifically the know-how held by the people that is not easily transferable because of its tacit nature. Even if the sole motivation for the acquisition is to run down a competitors operations, again, considering the issue in the long run, this strategy might well backfire: it is in the interest of policy-makers to maintain competition in the marketplace. If one actor should attain a monopoly position, the legislators typically take action to prevent such a situation. A good indication of this is the legal actions taken against Microsoft in the U.S. and elsewhere on the account of breaching antitrust laws (U.S. Department of Justice, 2004).

Thus, what we are suggesting is that by incorporating more responsiveness considerations into global strategy decision-making and conduct of business, or put differently, aiming for the multifocal strategy instead of the dominant low cost driven global integration strategy, MNEs would be making better business, and in the process, increase the welfare of all stakeholders, not just one group of them.

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