

Chapter 11
ECONOMIC PATRIOTISM
AND INTERNATIONALISATION:
MANAGING A PARADOX

During an interview, a journalist once asked me: “Do big companies have a homeland?”. I found the question odd at first and many people would have been surprised by the very idea of putting a question like this to the head of a company, especially one who was born abroad. Why be interested in Homeland at all, a rather outdated concept that some people think should be left to war veteran’s reunions? But above all, why a company homeland, at a time when the idea of harmonising cultures has gained so much favour and it is the done thing to claim to be cosmopolitan? Doesn’t the mere fact of asking this surprising question today suggest a change or even the rebirth of a notion that was once considered old-fashioned?

Before answering the question, which leaves little room for subtlety, we have to agree on what the homeland is, a notion whose definition has varied in the course of history. As a layman in the field myself, I asked those who I felt were better qualified to answer. Their replies struck me as either partisan or ironic, but always incomplete and too quick to consider homeland, nation, country, etc. as synonyms.

Patria in Latin means the country of the father, i.e. of the ancestors in general. The homeland for the Romans was associated with the notion of Republic, and the military victories of Rome owed more to the patriotism of its citizens than to the

value of its army. In the 17th century the *Académie Française* defined the *patrie* (homeland) as the place of birth, which didn't stop some authors like Bossuet, from sublimating the love of the homeland. In 18th century France, the word *patrie* evoked freedom, the land of the free. So for Voltaire, the homeland was where "one feels best". The same emotional attachment had already resounded in the 16th century, in Mary Stuart's farewell to France: "Farewell, pleasant land of France, / O my homeland, most beloved, / Which nourished my childhood; / Farewell, France, farewell my happy days!".

At the end of the 18th century the homeland, with its consequent patriotism, became one of the fundamental values and a driving force behind the French Revolution. The sacred love of the homeland was used to justify everything, or almost, ignoring the wisdom of Montesquieu's words, "If I knew something to be useful to my homeland but detrimental to Europe, or useful to Europe but detrimental to Mankind, I would consider it as a crime." As the prime virtue of civilized man, according to Napoleon Bonaparte, love of the homeland leads the individual to utter devotion or even sacrifice. Few motivations are as strong and, according to Alexis de Tocqueville, "In this world only patriotism or religion are capable of leading citizens toward the same, universal goal for so long."

The wars that ensued for two centuries in the name of patriotism raised doubts in the end about how far homeland could be equated with freedom. In 1940, the gap between the two concepts widened even further when Marshal Pétain abandoned the republican precept in favour of the idea of national revolution. Homeland became suspect for intellectuals, both left and right. Some, like Pierre Drieu La Rochelle, warned that "the idea of homeland is linked to the idea of war", while others, like Benjamin Péret, opposed it to freedom: "Freedom is inconceivable as long as social and intellectual areas are haunted by the ghosts of religion and homeland". Henceforth, the notions of homeland and patriotism changed in the public eye and their

advocates were often seen as reactionary, nationalistic, chauvinistic and xenophobic.

In this context, some people were amazed recently to hear Dominique de Villepin, Prime Minister at the time, calling for “economic patriotism”. Commentators were immediately alarmed by this discordant note in the ambient chorus of Europeanization, particularly in the business world. The expression was seen as signifying a return to the protectionism of Colbert (Louis XIV’s finance minister). They saw it as a timid retreat from the threats (or rather the challenges) of globalisation, a resurgence of narrow-minded nationalism to the detriment of European solidarity or even a contamination of the governing sphere itself by the temptations of xenophobia. The Prime Minister, measuring the shock wave produced by these words, did his best to calm the reaction by explaining that economic patriotism “is not about turning inwards, it’s about regaining confidence in our abilities, promoting our assets to increase our stake in the new world order, on a national level as well as a European level”. For a country where language carries unparalleled weight in the world and where speeches sometimes hide the lack of policy, what is really important is not the choice of the terms themselves (despite their outdated connotations) but the reasons for reviving them. Among the many words, some of which are clearer than others, the “no” sent out by France to a certain concept of Europe in the referendum of 29 May 2005 no doubt had a trigger effect (as Mr. de Villepin declared at the time). It was a warning shot bolstered by the acknowledgement of two things: firstly, that “economic patriotism is simply what is already practised by the Americans, the Japanese, the Chinese and other countries”, and secondly, the increasing threats of foreign financiers to French companies, fifty of which are susceptible to hostile take-over bids, according to informed observers.

Clearly the fear is not caused by the foreign investors themselves. On the contrary, they are seen as one of the driving forces

behind economic growth, and France is happy to be among the top countries in the world to welcome foreign investment. What the Prime Minister was concerned about were hostile acts that could harm French economic interests, or even its independence if the targets lie in sensitive sectors like energy and military technology, with possible repercussions on the national population as consumers or employees. On the basis of this double prospect, the Prime Minister, in praising the merger between Gaz de France and Suez, insisted on both the need to guarantee a safe energy supply in a troubled international context, and the idea that by remaining the main shareholder in the group, the State would guarantee the interests of consumers in terms of gas tariff regulation.

The Arcelor-Mittal affair also elicited patriotic reactions, basically founded on preserving the jobs of 30,000 French employees, even though the firm Arcelor was not French but European and under Luxembourg law. This confirmed Mr de Villepin's principle whereby "it is not a question of raising illusory barriers against globalisation. It's a question of recognizing that our interests and European interests come first and, above all, allowing our companies to fight on equal terms with those of America or Asia." In a speech at Humboldt University in Berlin on 18 January 2006, he expressed his hopes for European patriotism: "Europe needs to better defend the interests of its citizens and companies. This is why I insist, even if the term is sometimes misunderstood, on the need for real European patriotism. This is not a matter of hiding behind protectionism, which is obviously outdated, it's a matter of gathering forces and uniting our efforts to move forward in the same direction and assert our interests in the world. European preference, which is one of the founding principles of Europe, still has meaning: it reminds us of our duties toward each of our fellow citizens."

So, to come back to the question about the homeland of a company, there is a major predicament: which homeland are

we talking about? Europe or France? Does a company with foreign capital, set up in France and employing people of different nationalities come within the sphere of French interests? When nationalists, claim, “I prefer my children to my cousins, my cousins to my neighbours, my neighbours to my fellow citizens, my fellow citizens to foreigners”, you might ask yourself if there’s an order of priority or preference between French and European patriotism...

The “big” company also needs to be properly defined, using a scale that is universally accepted in France and Europe, as elsewhere in the world. Yet the criteria differ depending on the management discipline. Some authors, notably specialists in human resources management, classify companies according to the number of employees, whereas others base their evaluation on turnover, added value, profits, equity capital, balance sheet results, whether or not they belong to a group, etc., or a combination of several of these factors. To complicate things even further, the thresholds vary from one country to another. In France, in the absence of a definition of a big, medium-sized or small company, the INSEE (French national institute of economic and statistical information) bases its statistics either on the threshold of 250 employees as used by Eurostat, or on a threshold of 500 employees, notably in industry. To favour statistical harmony the European Union has made a recommendation on classifying companies, which came into effect in May 2003. According to this, a “big” company is one with 250 employees or more, or has a turnover of 50 million euros per year or more and an overall balance sheet of 43 million euros and over. But we have to admit that this recommendation is not always followed by European statisticians, even less so by financiers who tend to judge the size of a company in terms of valuation, capitalisation on the stock market, etc.

“Do big companies have a homeland?” Without knowing exactly what a “big” company is, without a clear definition of

what “homeland” actually means in the 21st century and without a clear-cut definition of which homeland we’re talking about – France or Europe – it seems impossible to give a yes or no answer to that question.

Let’s try at least to answer the subsidiary question: “do big companies have a nationality?”.

Nationality is the legal and political link between a natural person or legal entity and a State. Even though the nationality of a legal entity is usually determined by where the company was set up, this apparently simple rule does hold some surprises, including the framework of official State statistics. In France, every company, whether a legal entity or person, is listed in the directory upon registering the start of their activity, and they receive an identification number. The national directory data system for companies and establishments (SIRENE), managed by the INSEE, also records foreign companies that are represented or have activities in France.

The financial world applies its own logic, often considering the true nationality of the company as that of the person or legal entity who controls it. This doesn’t stop some people from referring to the Stock Exchange quoting the company, on the principle that share purchasers outweigh nationals, in number and/or volume of purchase. This is by no means obvious: what is the nationality of a company quoted on one or a number of national stock exchanges?

Yet this is one of the very implications involved in Alcatel’s take-over of Lucent, accepted by the European and American authorities that oversee competition. Thus the new group, with its new identity, is now quoted in Paris *and* New York. Admittedly, according to the protocol agreement, Alcatel’s shareholders control 60% of the new entity and those of Lucent control the remaining 40%. The nationality of this number two world leader in equipment manufacturing (behind Cisco but ahead of Ericsson, Siemens and Nortel) should be French, particularly since the group comes under French law and has its head

office in Paris. But knowing that positions on the board of directors are distributed with equal representation and that the new group is headed by Patricia Russo, ex-CEO of Lucent, the question remains open. *Alcatel/Lucent: a giant that's less French than it looks*, was the title in Expansion.com on 3 April 2006, founding its doubts precisely on the management aspect. It said, "Generally speaking, the line management of a new mastodon is never handed over to a manager from the smaller of the two entities, even less to the one with lower performance. (...) Likewise, while the executive committee of the future challenger to Cisco contains, apart from Patricia Russo, three French, one Australian (current number two at Alcatel) and one American, it is the latter, Frank D'Amelio, who is Lucent's financial director. He will supervise 'integration and operations' in other words *the* sensitive position in any reconciliation." Moreover, Lucent's Defence activities will remain in the United States, as an independent company under the supervision of the American authorities and the White House. Under these conditions Mrs. Russo, anxious to avoid offending the French, hedged her bets when she concluded by saying that the new group she was in charge of would be "neither French, nor Franco-American, but worldwide" – but with American management ...

Conditions like these make it rather difficult to reach a consensus in defining a company's nationality!

Admittedly we can turn our attention to another possible basis of national affinity i.e. by what behaviour can we say a company *demonstrates* such and such a nationality? Can a company registered in France but whose shareholders, CEO and senior executives are of another nationality be said to really behave like a French company, or is it considered French in administrative terms only? To answer yes would perhaps be to apply to the business world the distinction made by some between "true" French "of origin" and "false" French "by papers" – which could even open the door to discrimination in terms of subsidies and State aid!

Furthermore, does a company of French nationality with French capital and French staff really have strategic and managerial practices that differ so much from the one I referred to above? Nothing is less certain! Only companies in the public sector, nationalised companies and semi-public companies, in principle, behave in the public interest and according to the expectations of citizens, consumers or workers. In this case the Authorities can directly or indirectly exert their influence due to ownership, financial participation, status or governing rules.

In the same line of thinking, when a company's procurement, research and development, production, marketing, and sales activities increasingly take place abroad, it's nationality obviously becomes a less decisive factor. The more a company internationalises its activities, the further it shifts from its original national character to become multinational or transnational. Therefore some authors define a multinational as a firm developing a commercial, industrial, technological, financial or tertiary activity outside the borders of its native country, regardless of the size and nationality of its physical and financial assets or the numbers of staff it employs. This extensive definition often leads to distinguishing three categories of multinationals, depending on size (global and truly worldwide, ordinary or glocal and mini-multinationals that adapt their marketing to local expectations). But this view is not shared by the UN for instance, for whom a multinational is any company holding a significant share of capital in subsidiaries or affiliated companies abroad!

This detour finally leads us to the situation of a company established in France but controlled by a foreign company. The parent company does not have to hold a major share of the capital or, in other words, it does not have to be a subsidiary in the strict sense of the term. When the capital is diluted by public offering, as happens with many companies quoted on the stock market, the share capital to ensure effective control of the company is well below the symbolic threshold of 50% plus

one voice. While French legislation considers that a portfolio investment is transformed into a direct investment as soon as a firm holds more than 20% of the capital of another company, there is nothing in the rules to say that a 10% share or even less is insufficient to exercise power *de facto*. Conversely, the fact that a company holds majority shares in another company does not mean it will exercise control over it. Beyond the purely formal criteria of French law, the will to take control depends far more on the time limit applied to shares or the intentions behind the approach i.e. a simple speculative purchase or a long-term investment.

This is nevertheless the underlying issue in the measures being prepared by the French government in the framework of a new system of protection against hostile takeovers, which will implement the principle of reciprocity. The government has already made arrangements to encourage long-term shareholding and employee share schemes “because strong, structured capital is the best way to defend our companies while promoting the efforts of employees”. The idea of employee share schemes is nothing new, but it has taken on different dimension to that of simple profit-sharing by placing a significant part of company capital in the hands of those whose employment is linked to strategic decisions and who could possibly unite to avoid relocation abroad. But the new policy of economic patriotism in France is also based on a real policy of economic intelligence to help company heads anticipate hostile attacks and resist them better.

Building stable shareholding to safeguard employment does not appear to contradict the law of competition, although this is a debatable point. Neelie Kroes, European commissioner For Competition, has expressed her own preference for world champions based in Europe rather than European or national champions. Her position differs from that of the French government who sees company nationality as a guarantee of employment in the country. Does that mean the only multinational

companies the French can trust to maintain jobs are necessarily those in which other French people (or the same ones, through employee shareholding) hold a significant share of the capital? Could nationality, by a strange historical twist, be the key to reconciling capital and work?

These questions lead us to the issue of company identity. When a company escapes its original framework by becoming a multinational, does it lose its identity and values, or on the contrary, impose and spread its own culture?

Once again, the answer isn't easy, as it depends on the international marketing and communication strategies for each company. But it is true that big multinationals prefer to consider the world market as a unified market in the framework of a global strategy. Scale economies linked to standardised production, R & D, marketing and communication allow them to lower their selling price or increase their profits. This explains, rightly or wrongly, why big multinationals, particularly American ones, are often reproached for imposing their values and lifestyle through their goods and services. Some people don't hesitate to refer to world "McDonaldisation" or even "Coca-Colonialism". Admittedly, homogenizing needs and expectations by adopting the universal *American way of life* would be the best way of unifying the market. On condition, that is, of ignoring cultural differences; what is good for America and the Americans is not necessarily good for everyone. This has largely contributed to the over-simplified view that many people have of the very complex reality known as globalisation. Acculturation, the process whereby a human group assimilates all or some of the cultural values of another human group, may foster mutual understanding and tolerance, but this seemingly positive phenomenon (particularly from the standpoint of those who spread their values) can have pernicious effects. Chief of these is the risk of deculturation i.e. of the other losing his identity, forgetting his own cultural norms or even the gradual

abandoning of his native language in favour of a jargon, leaving the person in an irreversible state of dependence and inferiority. What seemed at first a generous attitude can suddenly be qualified as neo-colonialist, and be confronted with a refusal to adapt to the imposed values. So it's hardly surprising when the public targeted by such and such a world brand rebels by boycotting the products. Mega-brand global strategy can be affected by the slightest incident, which amplifies and exaggerates the image phenomena, for better or for worse. International brands like *American Express*, *Coca Cola*, *McDonald's* or *Marlboro*, that have staked on the image of national origin, become the target of vindictive acts when the international politics of their country are not accepted. So the mega-brand, symbol of a nation, has seen a considerable drop in sales in certain resistant countries and its image is deteriorating even in countries that are less directly concerned but nevertheless critical in relation to a political policy. Remember the big drop in sales of "American" brands in France and Canada during the military intervention in Iraq in 2003. Reprisals are also increasingly expressed through brands. We can recall the boycott of French products in the United States (including the ridiculous idea of refusing the expression *french fries*) on the pretext that France had betrayed the United States by not rallying to their side! In short, multinationals are exposed to geopolitical changes and their international strategy cannot be defined without effective company diplomacy. This applies to sales abroad but also to sales where production in countries with less labour and environmental protection can reduce costs. The image of a world-renowned brand can rapidly deteriorate when there is proof of abnormal exploitation of natural and human resources in a poor country, particularly if this involves child labour or the work of political prisoners.

All these examples raise questions about what company identity is founded on and how it is perceived. If these multinational or transnational companies are associated with nationality to the extent that consumers react to this, whether

positively or negatively, it is because they themselves issue or even proclaim signs for the public to identify this nationality. They exploit their name and the brands they market, but also their visual identity, “*made in*” labels attached to their products, and a national image used like a promise: German reliability, Italian aesthetics, French prestige, American modernity, etc. Yet what is seen in one place as a strong point may quite easily be perceived as a weak point in another.

Each company builds a culture, a combination of beliefs, values, norms, myths and stories, collective rites and taboos, and this company culture inevitably affects the messages conveyed to the outside. In other words, culture is a construction but also a signifier, or more precisely, a set of signifiers, each referring to content, or even several contents when there are several meanings attached. Moreover, the contents may change over time or vary according to the identity of the receiver. This is why the study of company identity is so complex that it requires the use of sophisticated techniques.

In a linear and vertical, transmitter-receiver type conception of communication, the company transmits messages expressing its identity, working on the hypothesis that all the receivers will pick them up in the right way. But this hypothesis, which is already dubious in a homogenous cultural universe, quickly becomes illusory in a multicultural world, where the receiver will naturally decode these messages according to its own frame of references, its culture. So when the company and the receiver belong to different cultures, the identity and image of the company are more than ever the result of co-building. This just goes to show how vital it is, before adopting any international strategy, to study the behaviour of the local consumer. Using a basically psychosocial and ethnological approach, this study should put the decider on his guard against any conceptual gap between what is said and what will be understood. It safeguards against the ethnocentricity of the big multinational that is overconfident about itself and its dominant culture.

A multinational that is rightly or wrongly perceived as an ambassador of a powerful country, the symbol of a nation or ideology, as soon as it tries to impose a universal product, is playing with fire. The risk, well beyond the economic dimension, is to see populations react by turning to alternative-theories leading to rejection, of identity and religion turning inwards and the rise of nationalisms.

So, let me now ask you my question: quite simply, would it actually benefit mankind for multinationals to have a homeland?