*Thomas R. Buckley*

# Multinational Companies and the Cultural Industries: W.H. Smith in Canada, 1950–1989

The political hazards that host country governments pose multinational companies are multifaceted and persistent. This study focuses on the experience of the Canadian subsidiary of British retailer W.H. Smith and Son in order to examine how host country policy can influence a multinational operating in the cultural industries. While bargaining models have previously provided the principal analytical lens for analyzing the interaction between multinationals and host governments, I argue that such frameworks lack the necessary nuance in order to explain fully the interaction between the Canadian government and W.H. Smith. In order to address the intricacy of these relations, it is necessary to integrate insights from new institutional economics with conventional bargaining frameworks.

**Keywords:** international retailing, W.H. Smith and Son, multinational–host government relations, cultural industries, foreign direct investment

The principal analytical lens for examining interactions between multinational companies and host country governments in international business has been bargaining models.[1] Of these, the obsolescing

I would like to thank the editor, Walter Friedman and two anonymous reviewers for their suggestions and support during the review process. Earlier versions of this paper were presented in a PDW at AIB-UK&I Birmingham 2018, and at the European Business History Association 2018 Congress in Ancona. I am particularly grateful for comments from, and conversations with, Mark Casson, Teresa da Silva Lopes, Sarianna Lundan, Andrew Smith and Alex Wright. Last, but by no means least, thanks are due to the staff and archivists at the University of Reading's Museum of English Rural Life. Any errors are the author's own sole responsibility.

[1] Jack N. Behrman and Robert E. Grosse, *International Business and Governments: Issues and Institutions* (Columbia, SC, 1990); Grosse, "The Bargaining View of Government–Business Relations," in *International Business and Government Relations in the 21st century*, ed. Grosse (Cambridge, U.K., 2005), 273–90; Stephen J. Kobrin, "Testing the Bargaining

*Business History Review* 94 (Winter 2020): 699–727. doi:10.1017/S0007680520000744
 ISSN 0007-6805; 2044-768X (Web).

bargaining model has been the "basic building block for analyzing relations between the host country government and a multinational enterprise."[2] Since the obsolescing bargain was originally proposed, it has been refined and enhanced.[3] Despite its prevalence and its influence on evaluating relations between multinationals and host governments, the obsolescing bargain is only one characteristic of a wider process of firm-state interaction.[4] Moreover, bargaining models contain limitations; they do not fully capture the complexity of the hazards that multinationals encounter in host markets. Rather, bargaining models are frameworks that contextualize interaction between national governments and multinational companies.[5]

New institutional economics offers a complementary approach to analyzing interactions between host governments and multinationals, emphasizing host country political factors to a much greater extent.[6] An important idea that new institutional economics advances is the persistent threat that governments pose to multinationals, either directly through the straightforward expropriation of assets or indirectly through policy shifts in taxation or regulation.[7] This analysis has been extended by a distinction being made between horizontal (market-seeking) and vertical (natural resource–seeking) investments. This distinction has led to the identification of a contingency relationship: the hazards multinationals encounter in a host country depend upon the

---

Hypothesis in the Manufacturing Sector in Developing Countries," *International Organization* 41, no. 4 (1987): 609–38; Raymond Vernon, *Sovereignty at Bay: The Multinational Spread of U.S. Enterprises* (London, 1971).

2 Lorraine Eden and Maureen Appel Molot, "Insiders, Outsiders and Host Country Bargains," *Journal of International Management* 8, no. 4 (2002): 359.

3 Vernon, *Sovereignty at Bay*, 46–59; Jakob Müllner and Jonas Puck, "Towards a Holistic Framework of MNE–State Bargaining: A Formal Model and Case-Based Analysis," *Journal of World Business* 53, no. 1 (2018): 15–26; James Nebus and Carlos Rufin, "Extending the Bargaining Power Model: Explaining Bargaining Outcomes among Nations, MNEs, and NGOs," *Journal of International Business Studies* 41, no. 6 (2010): 996–1015; Sushil Vachani, "Enhancing the Obsolescing Bargain Theory: A Longitudinal Study of Foreign Ownership of US and European Multinationals," *Journal of International Business Studies* 26, no. 1 (1995): 159–80.

4 Robert E. Grosse and Diego Aramburu, "A Bargaining View of Government/MNE Relations: The Latin American Case," *International Trade Journal* 6, no. 2 (1991): 209–38.

5 Robert E. Grosse, "Introduction," in Grosse, *International Business and Government Relations*, 7.

6 Douglass C. North, *Institutions, Institutional Change and Economic Performance: The Political Economy of Institutions and Decisions* (Cambridge, U.K., 1990); Oliver E. Williamson, *The Economic Institutions of Capitalism* (New York, 1985); Luis Fernando Medina, Marcelo Bucheli, and Minyoung Kim, "Good Friends in High Places: Politico-economic Determinants of the Expropriation and Taxation of Multinational Firms," *Journal of International Business Policy* 2, no. 2 (2019): 119–41.

7 Witold J. Henisz, "The Institutional Environment for Multinational Investment," *Journal of Law, Economics, and Organization* 16, no. 2 (2000): 334–64.

type of activity, vertical or horizontal, that they are engaged in.[8] This argument illustrates the complex hazards that multinational managers must cope with in host countries—a complexity that bargaining models do not capture fully.[9]

The present study utilizes insights from bargaining models and new institutional economics to examine the case of the Canadian subsidiary of British retail firm W.H. Smith and Son over the thirty-nine-year period from 1950 to 1989. In so doing, the research addresses a relatively underexplored and little understood area: the historical activities of British international retailers.[10] Archival data analysis enables an investigation into how changes in host government policy affected the operations of a service sector multinational in a specific national context. The research illustrates that the major political hazard that W.H. Smith faced in Canada was that posed by policy changes affecting the operations of multinationals, rather than the risk posed by government reneging on a contract and expropriating corporate assets.[11] The Canadian economy is an appropriate setting in which to study the development of host country policy and its effect on multinational operations owing to the high degree of external influence to which Canada's industries, enterprises, and entrepreneurs have been exposed over time.

Through analysis of archival sources, this research thus explores how the commercial viability of multinationals is altered by the emergence of policy, in a developed economy, designed to protect industries that are identified by the government of that country as vital to national sovereignty and identity.[12] Furthermore, it does so in an industry context—the cultural and creative industries—that has been underrepresented in the business history literature.[13] Finally, the analysis demonstrates the value of utilizing a perspective informed both by bargaining models and by new institutional economics instead of simply depending on bargaining perspectives, which are too binary and do not by themselves capture the nuance of how changes in the policy environment negatively

[8] Arjen H. L. Slangen and Sjoerd Beugelsdijk, "The Impact of Institutional Hazards on Foreign Multinational Activity: A Contingency Perspective," *Journal of International Business Studies* 41, no. 6 (2010): 980–95.

[9] Douglass C. North, "The New Institutional Economics," *Journal of Institutional and Theoretical Economics* 142, no. 1 (1986): 230–37.

[10] Nicholas Alexander, "British Overseas Retailing, 1900–60: International Firm Characteristics, Market Selections and Entry Modes," *Business History* 53, no. 4 (2011): 530–56.

[11] Nathan M. Jensen, *Nation-States and the Multinational Corporation: A Political Economy of Foreign Direct Investment* (Princeton, 2008), 46–47.

[12] Anthony P. D'Costa, "Economic Nationalism in Motion: Steel, Auto, and Software Industries in India," *Review of International Political Economy* 16, no. 4 (2009): 620–48.

[13] Walter A. Friedman and Geoffrey Jones, "Creative Industries in History," *Business History Review* 85, no. 2 (2011): 237–44.

impact multinationals. After outlining the organizational background of W.H. Smith, the article considers contrasting theoretical approaches that have been developed to analyze host government–multinational relations. It then assesses the broad historical context of the Canadian environment in which W.H. Smith operated from 1950 before examining and discussing the archival data.

## W.H. Smith & Son in the United Kingdom

Founded in London in 1792 as a small newspaper shop, W.H. Smith developed into the first chain store organization in the United Kingdom.[14] This operation originated with an agreement reached in 1848 between the firm and the London North West Railway (LNWR) giving Smith's the exclusive right to sell books and newspapers at all stations under the control of the railway.[15] Expansion proceeded rapidly, with 35 bookstalls (equivalent to newsstands) in operation by 1851, and 450 by 1880.[16] The creation of this railway bookstall network had cultural as well as commercial consequences, providing Smith's the power to determine print culture in Victorian Britain.[17] During the 1850s, W.H. Smith's wholesale activities also began to expand, with provincial wholesale branches established in Birmingham and Manchester.

A dramatic change in how Smith's operated occurred in 1905. Owing to an inability to agree on a rental increase with two railway companies, the company did not renew the contracts for its railway bookstalls on those lines.[18] Instead, Smith's began developing stores on the British High Streets, extending a small group of shops from which it already traded, including one international store, in Paris.[19] By 1914, Smith's operated 26 "A" shops, with annual sales of £180,010; 107 "B" shops, which had annual sales of £466,488; and 17 provincial wholesale branches. The core of its retail business, however, remained the

[14] James B. Jefferys, *Retail Trading in Britain, 1850–1950* (Cambridge, U.K., 1954), 285.

[15] Before 1848 Smith's grew principally as a newspaper wholesaler, distributing London papers throughout the United Kingdom. "W.H. Smith and Son (Holdings) Limited," 1975, 1048, W.H. Smith Company Archives, the University of Reading (hereafter WHS CA).

[16] Charles Wilson, *First with the News: The History of W.H. Smith, 1792–1972* (London, 1985), 182.

[17] Stephen Colclough, "'Purifying the Sources of Amusement and Information'? The Railway Bookstalls of W.H. Smith & Son, 1855–1860," *Publishing History*, no. 56 (2004): 27–51.

[18] "W.H. Smith and Son (Holdings) Limited," 1975, 1, 1048, WHS CA.

[19] Kathryn A. Morrison, *English Shops and Shopping: An Architectural History* (New Haven, 2003), 201.

railway bookstalls, with annual sales in 1914 of £1,198,475.[20] At this time, no other bookseller or newspaper retailer operated on a comparable scale.[21]

The two decades between 1919 and 1939 were a challenging and decisive period for chain store organizations, not only in the United Kingdom but in North America as well.[22] Those retailers that prospered during the interwar years, such as Marks & Spencer, did so by transforming their retail proposition.[23] W.H. Smith underwent no such transformation, and its retail performance does not suggest a dynamic, pioneering organization—but neither does it suggest a weak, declining business. Rather, the notable feature of the firm's retail activities in the interwar years is that of an expanding retailer, transacting larger volumes of business but faced with rising costs. While turnover in W. H. Smith's "A" and "B" shops grew in real terms by 5.28 percent per annum on average between 1919 and 1939, over the same period total expenses as a percentage of sales in these shops increased from 15.8 percent to 21.8 percent. Real turnover in the company's bookstalls increased at the slower average rate of 2.29 percent per annum, but total expenses as a percentage of sales increased from 19.4 percent in 1919 to 26.2 percent by 1939.[24] When this performance is assessed alongside assertions that little time was spent on "continuous 'policy making,' 'decision taking,' and other such exercises,'" and is compared with the performance of retailers such as Marks & Spencer and Woolworth's, it is possible to accentuate W.H. Smith's organizational "failing's [*sic*]" and "deficiencies."[25] A full assessment of the company from 1919 to 1939 should, however, also consider the company's achievements. A second international store was opened in Brussels, in 1920, and between 1920 and 1939 the number of provincial wholesale branches grew from 35 to 64. Alongside rising real sales, the number of "A" shops expanded from 20 in 1919 to 27 in 1939 and the number of "B" shops increased from 198 to 332.[26] It should further be noted that by

[20] "Miscellaneous Statistics; 1854–1961." A290, WHS CA Generally, "B" shops were equivalent to the former railway bookstalls, while "A" shops occupied prominent high street locations. Morrison, *English Shops*, 202.

[21] Jefferys, *Retail Trading*, 287.

[22] Peter Scott and James Walker, "'The Only Way Is Up': Overoptimism and the Demise of the American Five-and-Dime Store, 1914–1941," *Business History Review* 91, no. 1 (2017): 71–103.

[23] Peter Scott and James Walker, "Barriers to 'Industrialisation' for Interwar British Retailing? The Case of Marks & Spencer Ltd.," *Business History* 59, no. 2 (2017): 179–201.

[24] Miscellaneous Statistics; 1854–1961," A290 WHS CA.

[25] Wilson, *First with the News*, 319; Donald C. Coleman, "Failings and Achievements: Some British Businesses, 1910–80," *Business History* 29, no. 4 (1987): 1–17.

[26] "Miscellaneous Statistics; 1854–1961," A290 WHS CA.

1939 Smith's had already been operating as a private family concern for more than 145 years: under sole proprietorship until 1846, as a partnership from 1846 to 1929, and from 1929 as a limited liability company.[27] It is well documented that financial performance is not the only objective of such firms.[28]

The immediate post–World War II years witnessed a number of important organizational developments. These included diversification into specialist retailing, beginning in 1946 with the acquisition of the specialist bookshop Sherratt & Hughes. This was followed, in 1953, by the acquisition of the Cambridge bookshop Bowes & Bowes. More significantly, in August 1949, W.H. Smith and Son became a public company, with a two-tier management structure. The board of the newly created holding company (W.H. Smith and Son Holding Ltd.) focused on long-term planning and financial control, while the board of the main operating subsidiary (W.H. Smith and Son Ltd.) controlled day-to-day operations.[29] Table 1 gives a sense of the company's direction in the years after becoming public in 1949.

Three salient trends emerge from Table 1. First is the decline in the number of railway bookstalls, a trend that would continue over the next twenty years. By February 1969 the number of these outlets had been reduced to 196.[30] The second noticeable trend is a rise in expenses and decline in operating profit as a percentage of sales between 1953/54 and 1956/57. This would lead, in 1957, to the creation of a "retail management group," focused on improving the company's net U.K. retail profit. Finally, the modest growth in shop numbers between 1950 and 1957 contrasts with the expansion of shops during the interwar years. A reduced expansion in shop numbers continued to be a defining feature of Smith's domestic retail policy. By 1979/80, following a series of store closures and relocations, the number of U.K. shops had decreased to 332.[31] Even with this rationalization of U.K. shops, Smith's continued to occupy a leading position in its domestic retail market, while gradually broadening the scope of its activities.[32] Of the 672 branches in the newspaper and book retail trade controlled by

[27] Terry R. Gourvish, "British Business and the Transition to a Corporate Economy: Entrepreneurship and Management Structures," *Business History* 29, no. 4 (1987): 18–45; For a more detailed analysis of W.H. Smith's interwar operations see Andrew Hull, "Managing Business Performance: The Contrasting Cases of Two Multiple Retailers, 1920 to 1939," *Business History* 60, no. 7 (2018): 959–82.

[28] Andrea Colli, "Contextualizing Performances of Family Firms: The Perspective of Business History," *Family Business Review* 25, no. 3 (2012): 243–57.

[29] "W.H. Smith and Son (Holdings) Limited," 1975, 2, 1048, WHS CA.

[30] "Newspaper and Periodical Distributive Trade," Dec. 1969, 37, 881, WHS CA.

[31] "Analysis of Performance since 1972/73." June 1980, Table 7, W98, WHS CA.

[32] Smith's established a Book Clubjoint venture with Doubleday in 1966 and launched a specialty Craftshop in 1974. In March 1979 it acquired a DIY chain, LCP Homecentres.

https://doi.org/10.1017/S0007680520000744 Published online by Cambridge University Press

*Table 1*
W.H. Smith and Son (Holdings) Company Performance, 1950–1957

| | *1950/51* | *1951/52* | *1952/53* | *1953/54* | *1954/55* | *1955/56* | *1956/57* |
|---|---|---|---|---|---|---|---|
| Net sales (£) | 30,033,000 | 35,843,000 | 37,047,000 | 38,823,000 | 40,243,000 | 42,019,000 | 47,346,000 |
| Real sales (£) (1950 = 100) | 30,033,000 | 32,761,082 | 31,957,867 | 32,821,938 | 33,373,444 | 33,652,912 | 36,257,969 |
| Purchase cost of goods sold (£) | 22,870,000 | 27,472,000 | 28,504,000 | 29,914,000 | 30,872,000 | 32,076,000 | 36,174,000 |
| Gross margin (£) | 7,163,000 | 8,371,000 | 8,543,000 | 8,909,000 | 9,371,000 | 9,943,000 | 11,172,000 |
| Gross margin (%) | 23.85 | 23.35 | 23.06 | 22.95 | 23.29 | 23.66 | 23.60 |
| Wages & salaries (£) | 3,762,000 | 4,121,000 | 4,334,000 | 4,627,000 | 4,869,000 | 5,433,000 | 6,031,000 |
| Wages & salaries (%) | 12.53 | 11.50 | 11.70 | 11.92 | 12.10 | 12.93 | 12.74 |
| Total expenses (£) | 5,468,000 | 6,146,000 | 6,301,000 | 6,710,000 | 7,060,000 | 7,952,000 | 8,957,000 |
| Total expenses (%) | 18.21 | 17.15 | 17.01 | 17.28 | 17.54 | 18.92 | 18.92 |
| Operating profit (£) | 1,695,000 | 2,225,000 | 2,242,000 | 2,199,000 | 2,311,000 | 1,991,000 | 2,215,000 |
| Operating profit (%) | 5.64 | 6.21 | 6.05 | 5.66 | 5.74 | 4.74 | 4.68 |
| Number of shops[a] | 375 | 376 | 378 | 383 | 387 | 385 | 400 |
| Number of railway bookstalls | 998 | 944 | 931 | 929 | 911 | 901 | 865 |
| Number of wholesale houses | 75 | 76 | 77 | 76 | 77 | 78 | 79 |

Sources: "Analytical and Comparative Studies in Company Performance and Finance," Aug. 1957, 802; "Miscellaneous Statistics; 1854–1961," A290, both in WHS CA.

Note: Sales are deflated using Charles H. Feinstein, *Statistical Tables of National Income, Expenditure and Output of the UK, 1855–1965* (Cambridge, U.K., 1972), table 61.

[a]"Number of shops" refers to "A" shops and "B" shops.

chain store organizations in 1950, W.H. Smith operated 360 (54 percent).[33] A quarter of a century later, in 1976, W.H. Smith's market share in U.K. bookselling was 13.5 percent, and in newspaper retailing, 2.9 percent.[34] The company did increase its store numbers internationally, however, with the incorporation in November 1949 of W.H. Smith & Son (Canada).

## Multinational–Host Government Relations

Foreign direct investment (FDI) creates opportunities both for companies making the investment and for host countries.[35] The very same investment, however, makes both the company and the state more vulnerable through an increased exposure to risk.[36] Historically, the opportunity for gains coupled with greater exposure to risk has made government policy toward FDI generally, and multinationals in particular, one of the most critical issues for policymakers and managers alike.[37] The presence of significant risk, the opportunity for significant gain, and how these risks and gains are allocated account for the prevalence of bargaining models in explaining multinational–host government relations.[38] Two ideas are important in bargaining models. First, there is a defined range within which policy can bring gains to both parties without reducing the nature or volume of the investment. Second, these policies may realize noneconomic gains.[39] The bargaining model that was first introduced to analyze host country–multinational relations, and that has proved the longest lasting, is the obsolescing bargain.[40]

[33] Jefferys, *Retail Trading*, 287. WHS CA A290, "Miscellaneous Statistics; 1854–1961." Multiple shops controlled 15 percent to 18 percent of the total newspaper and bookselling trade.

[34] "Board Policy Statement on Monopolies." 1193, WHS CA The market share of Smith's largest competitor in book retailing (John Menzies) was 4 percent. Both newspaper and book retailing were fragmented industries, where small-scale, independent businesses were central to market structure.

[35] Witold J. Henisz, and Bennet A. Zelner, "Legitimacy, interest group pressures, and change in emergent institutions: The case of foreign investors and host country governments," *Academy of Management Review* 30, no. 2 (2005): 361–382.

[36] John M. Stopford, "The Growing Interdependence between Transnational Corporations and Governments," *Transnational Corporations* 3, no. 1 (1994): 53–76.

[37] Geoffrey Jones, *Multinationals and Global Capitalism: From the Nineteenth to the Twenty-First Century* (Oxford, 2005).

[38] Jing Li, Aloysius Newenham-Kahindi, Daniel M. Shapiro, and Victor Z. Chen, "The Two-Tier Bargaining Model Revisited: Theory and Evidence from China's Natural Resource Investments in Africa," *Global Strategy Journal* 3, no. 4 (2013): 300–21.

[39] Albert E. Safarian, *Multinational Enterprise and Public Policy: A Study of the Industrial Countries* (Aldershot, 1993).

[40] Jean J. Boddewyn, "International Business–Government Relations Research, 1945–2015: Concepts, Typologies, Theories and Methodologies," *Journal of World Business* 51, no. 1 (2016): 10–22.

Initially, the main purpose of the obsolescing bargain was to explain, conceptually, how the agreement negotiated between a foreign investor from a developed economy and the government of a developing host country in the natural resources sector would become obsolete over time.[41] Theodore Moran used this framework to produce an illuminating case study of the copper industry in Chile, which emphasized economic nationalism as an important motive for governments to alter the terms of an agreement previously reached with foreign companies.[42] While broader bargaining models maintained a focus on U.S. multinationals operating in oligopolistic industries in developing countries,[43] explorations of the obsolescing bargain came to incorporate the "more heterogeneous" manufacturing sector.[44]Analysis of manufacturing led to mixed results with research initially concluding that manufacturing was not characterized by the secular obsolescence found in the natural resource–based industries.[45] Subsequent research, however, presented evidence that, on the contrary, the obsolescing bargain did take effect in the manufacturing sector.[46] These conflicting findings are relevant to the present study, as they illustrate the importance of considering both temporal dynamics and industry-specific variance in multinational–host government relations. Moreover, although the obsolescing bargain was originally grounded in the specific context of the natural resources sector, it is not too much to suggest that what really matters is that a host government conceives of a specific industry as a "key sector."[47] Such key sectors could be expected to vary from one country to another and encompass not only natural resource extraction but defense, banking, high-technology sectors, and those associated with the maintenance of national culture.[48]

Further, it is necessary to note that bargaining models originally assumed a "conflict-based view" of multinational-host government relations.[49] As hostile attitudes gave way to greater host country accommodation of multinationals—a change mirrored in the rise, from 1989, of

[41] Vernon, *Sovereignty at Bay*.

[42] Theodore H. Moran, *Multinational Corporations and the Politics of Dependence: Copper in Chile* (Princeton, 1974).

[43] Nathan Fagre and Louis T. Wells, "Bargaining Power of Multinationals and Host Governments," *Journal of International Business Studies* 13, no. 2 (1982): 9–23.

[44] Kobrin, "Testing the Bargaining Hypothesis," 610.

[45] Kobrin, "Testing the Bargaining Hypothesis," 610.

[46] Vachani, "Obsolescing Bargain Theory."

[47] Vernon, *Sovereignty at Bay*.

[48] Albert E. Safarian, *Governments and Multinationals: Policies in the Developed Countries*, vol. 33 (Washington, DC, 1983).

[49] Yadong Luo, "Toward a Cooperative View of MNC-Host Government Relations: Building Blocks and Performance Implications," *Journal of International Business Studies* 32, no. 3 (2001): 402.

bilateral investment treaties and the system for resolving international investment disputes—the insights provided by traditional bargaining models diminished in relevance.[50] The idea that conflict was no longer an accurate way to conceptualize changes in government policy toward multinationals was reinforced by assertions that the obsolescing bargain, while empirically valid, was incomplete. Other reasons could explain changes in government policy toward multinationals, including the election of a new government.[51] Even so, the basis of a "cooperative view" of multinationals and host governments remained oriented toward investments made by multinationals from economically advanced home countries into developing host countries. For example, the obsolescing bargain was reconceptualized in light of more cooperative attitudes between multinationals and host countries as a dynamic, two-tier, multiparty bargaining process.[52] This perspective situated the obsolescing bargain within the broader international environment in which companies invest across borders, where firm-firm and state-state competition are important.[53] Responses to critiques of, and developments in, the obsolescing bargaining literature, therefore, endeavored to enrich and extend the original model. The most sophisticated extension of the obsolescing bargain, the political bargaining model, recognized the need for a more nuanced approach to multinational–host country government relations, explicitly acknowledging differences between host governments.[54]

Despite progressive modifications to bargaining models, they remain unable to capture important, but subtler, aspects of the political hazards multinationals must manage.[55] Consequently, relations between multinationals and host governments have been considered from the perspective of new institutional economics, which emphasizes the importance of institutions as both formal and informal constraints on

[50] Boddewyn, "International Business–Government Relations Research"; O. Thomas Johnson Jr. and Johnathan Gimblett, "From Gunboats to BITs: The Evolution of Modern International Investment Law," in *Yearbook on International Investment Law and Policy (2010–2011)*, ed. Karl P. Sauvant (Oxford, 2012), 649–92.

[51] Eckhard Janeba, "Global Corporations and Local Politics: Income Redistribution vs. FDI Subsidies," *Journal of Development Economics* 74, no. 2 (2004): 367–91.

[52] Ravi Ramamurti, "The Obsolescing 'Bargaining Model'? MNC-Host Developing Country Relations Revisited." *Journal of International Business Studies* 32, no. 1 (2001): 23–39.

[53] Peter Dicken, "The Roepke Lecture in Economic Geography Global-Local Tensions: Firms and States in the Global Space-Economy," *Economic Geography* 70, no. 2 (1994): 101–28.

[54] Lorraine Eden, Stefanie Lenway, and Douglas A. Schuler, "From the Obsolescing Bargain to the Political Bargaining Model," in Grosse, *International Business and Government Relations*, 260.

[55] See, for example, Müllner and Puck, "Holistic Framework"; and Nebus and Rufin, "Bargaining Power Model."

https://doi.org/10.1017/S0007680520000744 Published online by Cambridge University Press

policymakers.[56] Especially relevant here is the significance a new institutional economics perspective provides to host country political factors in explaining changes in policy toward multinationals. Particularly decisive in the formation of host country policy toward multinationals is the pressure exerted by organized interest groups that influence political actors.[57] The prominence given to host country political factors notwithstanding, the actual assessment of the political hazards facing multinationals is conceived narrowly, neglecting the complexity of forces that shape the political environment in which multinationals operate. To redress this issue, and provide a more complete account of the institutional hazards confronting multinational managers, scholars have advocated for the adoption of a contingency framework.[58] This contingency framework, it is argued, enables a more precise consideration of the nature of a multinational's activity and, further, makes it possible to examine the differential impact of both formal and informal institutional hazards on multinationals.

Summarizing the contributions made by key theoretical frameworks for analyzing multinational–host government interaction, it is possible to say the following: first, that the theoretical focus has prioritized investment into developing countries/emerging markets over the investments made by firms into developed economies; second, that economic nationalism has been identified as an important government motive for renegotiating existing agreements with multinationals; third, that rather than any single sector being judged as vital a priori, what is more relevant is the extent to which the host country's government judges any specific sector as a "key sector"; fourth, that there has been explicit acknowledgment that variation between host countries exists; and finally, that it is necessary to recognize that a number of causes may explain a change in policy toward multinationals, including but not limited to a change of government, and the pressure for policy change that interest groups can exert over political actors.

[56] Witold J. Henisz, "The institutional environment for multinational investment." *The Journal of Law, Economics, and Organization* 16, no. 2 (2000): 334–364. Witold J. Henisz, and Oliver E. Williamson. "Comparative Economic Organization—Within and Between Countries." *Business and Politics* 1, no. 3 (1999): 261–277.

Michael R. Holmes Jr., Toyah Miller, Michael A. Hitt, and M. Paz Salmador, "The Interrelationships among Informal Institutions, Formal Institutions, and Inward Foreign Direct Investment," *Journal of Management* 39, no. 2 (2013): 531–66; Guy L. F. Holburn and Bennet A. Zelner, "Political Capabilities, Policy Risk, and International Investment Strategy: Evidence from the Global Electric Power Generation Industry," *Strategic Management Journal* 31, no. 12 (2010): 1290–315.

[57] Heinsz and Zelner, "Legitimacy, interest group pressures, and change."

[58] Slangen and Beugelsdijk, "Impact of Institutional Hazards."

## Canada as a Host Market

It is conventional to examine the post-1945 emergence of international investment as consisting of two distinct phases. In the first, up to 1960, the United States dominated new multinational activity.[59] Canada was a major recipient of this expansion in multinational investment: between 1946 and 1965, the book value of inward FDI to Canada increased more than sixfold, from C$2.8 billion to C$17.2 billion; of this C$17.2 billion, U.S. investment accounted for 81 percent.[60] While international investment and foreign capital had been a significant characteristic of the Canadian economy since Confederation, the nature and form these investments took after 1945 were qualitatively and quantitively different from those made in earlier periods. These differences can be summarized in terms of their nature (direct versus portfolio investment), country of origin, and industry focus.

The first official estimates of foreign capital invested in Canada, calculated in 1926, record total foreign investment of marginally more than C$6 billion by nonresidents, with the United States owning C$3.2 billion (53 percent) and the United Kingdom C$2.6 billion (44 percent).[61] Of the C$6 billion of foreign capital invested in Canada in 1926, C$1.8 billion were direct investments, with the United States accounting for C$1.4 billion.[62] In contrast, U.K. capital directly invested in Canada accounted for only C$336 million of its total C$2.6 billion investment in Canada, with C$1.9 billion invested through portfolio investment and investment in government and municipal bonds.[63] Between 1919 and 1939, foreign investment peaked in Canada in 1930 at C$7.6 billion, of which C$2.4 billion (31 percent) was invested directly. The United States owned C $4.6 billion (60 percent) of the total C$7.6 billion and the United Kingdom C$2.7 billion (36 percent).[64] The relative position of the United States and the United Kingdom would change very little until 1939.[65] By 1939 foreign capital invested in Canada had declined to C $6.9 billion; of this amount, C$2.3 billion was direct investments (33

[59] John H. Dunning and Sarianna M. Lundan, *Multinational Enterprises and the Global Economy* (Aldershot, 2008), 185.

[60] Canada, Department of Industry, Trade and Commerce, *Foreign Direct Investment in Canada since the Second World War* (Ottawa, 1970).

[61] Canada, Dominion Bureau of Statistics, *Canada's International Investment Position, 1926–1954* (Ottawa, 1956); W. T. Easterbrook and Hugh G. J. Aitken, *Canadian Economic History* (Toronto, 1956), 572.

[62] Irving Brecher and Simon S. Reisman, *Canada-United States Economic Relations* (Ottawa, 1957); Canada, Dominion Bureau of Statistics, *Canada's International Investment Position*, 19.

[63] Canada, Dominion Bureau of Statistics, *Canada's International Investment Position*, 19.

[64] Canada, Dominion Bureau of Statistics, 74.

[65] Easterbrook and Aitken, *Canadian Economic History*, 572.

percent) with U.S. direct investments accounting for C$1.9 billion. Subsequently, however, the importance of U.S. direct investments would increase, totaling C$5.7 billion by 1954—or 46 percent of the total foreign capital invested in Canada (C$12.5 billion) and 86 percent of all foreign capital directly invested in Canada (C$6.7 billion).[66] In the early post–World War II years, moreover, the majority of U.S. investment was concentrated in, and motivated by a search for, natural resources.[67]

The increasingly dominant role of U.S. multinationals in a variety of operations in a number of sectors central to the Canadian economy after 1945, coupled with Canada's increasing dependence on the United States for imports of manufactured goods and exports of natural resources, led to fears emerging in Canada in the late 1950s about the potential effects on Canadian independence and sovereignty of such high degrees of reliance on the United States.[68] Consequently, considerable controversy surfaced over the role and operation of multinationals in Canada.[69] The concerns that emerged regarding the extent of foreign ownership and control of Canadian industry and resources, as well as the seemingly ever-increasing integration with the United States, came to be crystallized in powerful nationalist spirits. While some contemporary economists dismissed the "vague anxiety" over "the closeness of Canadian economic relations with the United States," others embraced nationalistic and particularly anti-American rhetoric, forcefully advocating a nationalist economic ideology.[70]

The conflicted nature of attitudes toward foreign (U.S.) investment that this debate represents perhaps explains why Canada, as much as any other country, has experimented with a broad range of foreign investment–related policies.[71] Postwar efforts to legislate against foreign investment began with Liberal finance minister Walter Gordon's 1963 budget, which included several measures designed to restrict FDI.[72] The budget was, however, defined by "amateurishness" and the proposals on foreign investment were withdrawn.[73] Nevertheless, they generated

[66] Canada, Dominion Bureau of Statistics, *Canada's International Investment Position*, 74.

[67] Mira Wilkins, *The Maturing of Multinational Enterprise: American Business Abroad from 1914 to 1970* (Cambridge, MA, 1974), 307–8.

[68] Harry Johnson, "Nationalism in Canadian Economic Policy," *Lloyds Bank Review* 64 (1964): 30; Safarian, *Multinational Enterprise*, 113.

[69] Albert E. Safarian, *Foreign Ownership of Canadian Industry*, 3rd ed. (Toronto, 2011), 17.

[70] Harry Johnson, *The Canadian Quandary: Economic Problems and Policies* (Toronto, 1968), 103; Kari Levitt, *Silent Surrender: The American Economic Empire in Canada* (New York, 1971); Abraham Rotstein, "Canada: The New Nationalism," *Foreign Affairs* 55, no. 1 (Oct. 1976): 97–118.

[71] Daniel Shapiro and Steven Globerman, "Foreign Investment Policies and Capital Flows in Canada: A Sectoral Analysis," *Journal of Business Research* 56, no. 10 (2003): 779–90.

[72] Stephen Azzi, *Walter Gordon and the Rise of Canadian Nationalism* (Montreal, 1999), 99.

[73] "Mr Pearson's Budget Test." *The Economist*, 6 July 1963, 59.

significant publicity.[74] The increased prominence given to the issue of foreign ownership ultimately led to the publication, between 1968 and 1972, of two separate government reports focused on FDI in Canada.[75] This growing concern with the power and extent of foreign, particularly American, capital reflected a wider apprehension of how "open" and exposed Canada was to the United States.[76] Concerns over U.S. economic influence in Canada reached their policy pinnacle in 1974 with the enactment of the Foreign Investment Review Agency (FIRA), designed to screen foreign investment.[77]

The FIRA would function until 1985, when it was superseded by the Investment Canada Act, a piece of legislation designed to attract foreign investment. Arguments for Canadian nationalism were not, however, concerned simply with the ownership and control of the manufacturing and natural resource industries; arguments for Canadian nationalism also contained a strong cultural element.[78] As such, the Investment Canada Act included a government commitment to maintain Canada's cultural sovereignty and to support the economic viability of its cultural industries. The Investment Canada Act therefore specified that industries of a cultural nature must be dealt with as an exception in regards to foreign investment.

The significance of the cultural industries to Canadian sovereignty and national identity had actually arisen in the context of radio broadcasting in 1928–1929, at a time when, as discussed above, foreign investment in the Canadian economy was close to its pre–World War II peak. In 1928, the federal government established a royal commission under the chairmanship of Sir John Aird "to examine into the broadcasting situation in the dominion of Canada."[79] The findings of the Aird Commission led, in 1932, to the creation of Canadian Radio Broadcasting Commission (CRBC) through the Radio Broadcasting Act and, in 1936, to the establishment of the Canadian Broadcasting Company (CBC)

[74] Stephen Azzi, "Intuitive Nationalist Walter Gordon as Thinker," *Journal of Canadian Studies* 34, no. 4 (1999): 121–35.

[75] Canada, Task Force on the Structure of Canadian Industry. *Foreign Ownership and the Structure of Canadian Industry: Report of the Task Force on the Structure of Canadian Industry* (Watkins Report) (Ottawa, 1968); Canada, House of Commons, *Foreign Direct Investment in Canada* (Gray Report) (Ottawa, 1972).

[76] A third report, known as the Wahn Report, explored this politically. Canada. House of Commons. Standing Committee on External Affairs. *Eleventh Report of the Standing Committee on External Affairs and National Defence Respecting Canada-U.S. Relations* (Ottawa, 1970). Alan M Rugman. *Multinationals and Canada-United States Free Trade*. University of South Carolina Press, 1990.

[77] The FIRA incorporated a selection of proposals made by the Gray Report. Michael H. Howlett, M. R. Ramesh, and Alex N. Netherton, *Political Economy of Canada: An Introduction* (Oxford, 1999), 254.

[78] Rotstein, "Canada"; Howlett, Ramesh, and Netherton, *Political Economy of Canada*, 90.

[79] Canada, *Report of the Royal Commission on Radio Broadcasting* (Ottawa, 1929), 5.

through the Canadian Broadcasting Act.[80] What is particularly noteworthy in this episode is the pressure applied by Southam-owned newspapers, such as the *Ottawa Citizen*, in support of a change in the Canadian radio broadcasting system.[81] The importance of establishing Canadian autonomy in radio broadcasting, and the success of not being absorbed by the U.S. radio system, would be compared in the 1950s to Canada's having avoided reliance on the U.S. railway system.[82]

Radio broadcasting was not the only area of cultural life that would be the subject of legislative examination during the late 1920s and early 1930s. In 1931 a report into film distribution under the 1923 Combines Investigation Act into anticompetitive practices in the film industry was published.[83] The report concluded that the Famous Players Canadian Corporation (FPCC)—a subsidiary of Paramount Pictures, which throughout the 1920s had aggressively sought control of the Canadian film market through vertical integration—was operating in a way that adversely affected Canadian-owned cinemas.[84] Although the FPCC was prosecuted, under the Combines Investigation Act and section 498 of the criminal code, the company was acquitted of the charges, as the prosecutors did not prove to the judge's satisfaction that the FPCC's actions either damaged the public interest or excessively reduced competition.[85] This, then, was the market that W.H. Smith first entered in 1950.

## W.H. Smith and Son in Canada

Before 1930 few retailers had made international investments and become multinationals, although the U.S. variety stores Woolworths and S.S. Kresge had both expanded into Canada.[86] With the exception of Sears Roebuck, which pursued an aggressive program of

[80] Mary Vipond, *Listening In: The First Decade of Canadian Broadcasting, 1922–1932* (Montreal, 1992).

[81] Frank W. Peers, *The Politics of Canadian Broadcasting, 1920–1951* (Toronto, 1973).

[82] Canada, *Royal Commission on National Development in the Arts, Letters and Sciences* (Massey Report) (Ottawa, 1951).

[83] Canada, Department of Labour, *Combines Investigation Act: Investigation into an Alleged Combine in the Motion Picture Industry in Canada. Report of Commissioner. April 30, 1931* (Ottawa, 1931).

[84] Keith Acheson and Christopher J. Maule, *Much Ado about Culture: North American Trade Disputes* (Ann Arbor, 1999).

[85] Ian C. Jarvie, *Hollywood's Overseas Campaign: The North Atlantic Movie Trade, 1920–1950* (Cambridge, U.K., 1992); Mary Vipond. *The Mass Media in Canada*, 4th ed. (Toronto, 2012).

[86] Woolworths entered Canada in 1907 (Britain in 1909; Germany in 1926). John Benson, "Large Scale Retailing in Canada," in *The Evolution of Retail Systems, c. 1800–1914*, ed. John Benson and Gareth Shaw (Leicester, 1992), 189. Kresge opened its first store in Canada in 1929. Herbert Marshall, Frank Southard, and Kenneth W. Taylor, *Canadian-American Industry: A Study in International Investment* (Toronto, 1936), 157.

internationalization following entry into Mexico in 1947, this state of affairs did not change significantly until the 1970s, after which the spread of multinationals became conspicuous in some branches of retailing.[87] The reason for this relative lack of international expansion in the retail industry may be partly explained by the difficulty of "exporting" or transferring a package of managerial and technical retail knowledge across borders. In the context of the Canadian retail industry, it is necessary to note the influence that organizational and technological innovations developed extensively in the United States could have on Canadian retailers, albeit with a lagged effect.[88] Indeed, in the late 1950s, W.H. Smith executives were amazed by the methods employed by retailers in both the United States and Canada, which created the impression that "they were years ahead of us . . . we had so much to learn."[89] By 1971, Smith's Canadian subsidiary had acquired a secondary purpose, after providing a financial return to the parent company, of acting as a "periscope in the vast North American continent."[90]

The prospect of W.H. Smith's investing in Canada was first explored in March 1946 in a series of internal notes by E. H. Williamson, a member of the company's retail staff, who had been posted to Canada as part of his Royal Navy service during World War II. Williamson would go on to become the manager of Smith's first Canadian store, located at 224 Yonge Street in Toronto, which opened in September 1950. Effectively, the company's investment in Canada was a market-seeking investment. The business case advanced for Smith's investment in Canada was that, as book retailing in Canada was "not very well organized," the existing problems "can be solved . . . through the medium of the firm." In essence, the company believed that, owing to market imperfections, it could exploit its proprietary knowledge assets to profitable effect in an overseas market and thus "the firm might very profitably . . . open a series of branches in Canada."[91] The company considered Canada to be "potentially . . . one of the brightest and best economic prospects in the developed world. Vastly rich in natural resources, wheat, forest products and minerals as well as energy, water-power, gas and oil, it had an

[87] Stanley C. Hollander, *Multinational Retailing* (East Lansing, 1970), 26; Mira Wilkins, "Multinational Enterprises and Economic Change," *Australian Economic History Review* 38, no. 2 (1998): 103–34.

[88] This is demonstrated by the entry of the Canadian department store Eaton's into catalogue retailing in 1884—twenty-three years after Macy's began catalogue trading in 1861, and twelve years after the foundation of Montgomery Ward. Donica Belisle, *Retail Nation: Department Stores and the Making of Modern Canada* (Vancouver, 2011); Bruce Allen Kopytek, *Eaton's: The Trans-Canada Store* (Charleston, 2014).

[89] "Report on a Visit to Canada and New York 30 June–25 July 1967." 898, WHS CA.

[90] "W.H. Smith & Son (Canada) Ltd. Strategic Plan," Sept. 1971. 466/8, WHS CA.

[91] "Opportunity," 20 Mar. 1946. A264, WHS CA.

infrastructure provided by nature that virtually guaranteed prosperity."[92] Beyond the business case, there was appreciation of the noncommercial element of Smith's entry into Canada: booksellers are "the advanced guard in widening and deepening the cultural development of the Canadian people."[93]

Despite the economic attractiveness of Canada at the end of World War II, the book retailing industry that Smith's *actually* encountered when it entered the Canadian market does not appear, statistically at least, to have been lacking organization or to have been hindered by the numerous difficulties that the initial company assessment would suggest. In Canada in 1951 there were 580 bookstores with total sales of C$25,772,600. Of these 580 stores, 210 (36.2 percent) were located in the province of Ontario, which produced sales of C$11,251,200 (43.7 percent). Just under a third (32.5 percent) of book sales in Ontario were produced in Toronto (C$3,659,300), making that city the single largest center for book sales even though there were more bookstores in Montreal: 80 as opposed to 54 in Toronto.[94] The Canadian book retail industry may, however, have been underorganized, and full of opportunity from W.H. Smith's perspective, in the relative number of bookstores per capita and the underdevelopment of large-scale book retailing. Whereas in 1950 Britain had one bookstore per 5,143 inhabitants, Canada in 1951 had one bookstore per 24,154 inhabitants. Further, the final report of the Massey Commission, published in 1951, estimated that only two dozen bookshops throughout Canada survived through the sale of books alone.[95] In fact, the two book chains that would emerge as W.H. Smith's main competitors after 1950—Coles and Classic—had only started retailing new books in 1940 and 1938, respectively.

Almost immediately Smith's started to affect the organization of the Canadian book industry, becoming in 1952 a founder member of the Canadian Booksellers Association.[96] The larger task of creating a chain of stores with sufficient volume to address and surmount the existing market imperfections proved to be more challenging. The firm opened

[92] "Canada-October 1978," 27 Oct. 1978 1238, WHS CA.

[93] "Opportunity," 20 Mar. 1946 A264 WHS CA.

[94] Canada, Dominion Bureau of Statistics, *Ninth Census of Canada, 1951*, vol. 7, *Distribution* (Ottawa, 1954).

[95] Canada, Massey Report; Paul Litt, "The State and the Book," in *History of the Book in Canada*, vol. 3, *1918–1980*, ed. Carole Gerson and Jacques Michon (Toronto, 2007), 34–44. The mandate of the Massey commission (known formally as the Royal Commission on National Development in the Arts, Letters and Sciences) was to examine Canadian cultural agencies and institutions with the purpose of making recommendations about how they might be organized and governed.

[96] "Major Canadian Purchase by W.H. Smith," *The Bookseller*, 13 July 1985.

its first Canadian store in Toronto in September 1950, yet this store had not managed to trade for a full week by October.[97] In the first quarter of the 1951 fiscal year, average weekly sales were C$1,730 but weekly expenses amounted to C$2,500, leading to a substantial overall loss from the first full year's operations.[98] Slow turnover raised concerns that the subsidiary might face a serious markdown problem;[99] and a subsidiary director conducted a review into store operations in order to determine whether there were was any possibility of reducing operating costs. More than once the store manager was asked to investigate what possibilities there were for reducing expenses, including staff expenses.[100] These difficult trading conditions limited W.H. Smith's ambitions in Canada. The company had initially conceived of operating a chain of shops stretching from the Atlantic to the Pacific; while board-level discussions took place regarding bookstores that might be suitable for acquisition in London, Hamilton, and Ottawa, no further expansion of operations actually occurred until 1954. In that year Smith's acquired the well-known independent bookstore Burton's of Montreal, along with the Burton's store in Ottawa.[101] The following year, the company acquired a further store in Kingston.[102]

In spite of these acquisitions and the establishment of a small chain of four bookstores, the subsidiary directors budgeted for an estimated loss for the financial year 1958/59 of C$10,740 on retail sales of C $735,000.[103] Nonetheless, W.H. Smith's policy of expanding in Canada through acquiring independent bookstores continued with the takeover of Tyrrell's in Toronto in 1958.[104] In March 1960, Smith's expanded its presence in Ottawa, acquiring the bookstore Hope & Sons.[105] Also in 1960, the company opened its first bookstore in a Canadian shopping

[97] "Minutes of a Meeting of the Board of Directors of W.H. Smith & Son (Canada) Ltd. 16th October 1950," Y243, WHS CA.

[98] "Minutes of a Meeting of the Board of Directors of W.H. Smith & Son (Canada) Ltd. 16th July 1951," Y243, WHS CA.

[99] "Minutes of a Meeting of the Board of Directors of W.H. Smith & Son (Canada) Ltd. 5th April 1951," Y243, WHS CA.

[100] "Minutes of a Meeting of the Board of Directors of W.H. Smith & Son (Canada) Ltd. 2nd August 1951," Y243, WHS CA.

[101] "Minutes of a Meeting of the Board of Directors of W.H. Smith & Son (Canada) Ltd. 5th August 1954," Y193, WHS CA.

[102] "Minutes of a Meeting of the Board of Directors of W.H. Smith & Son (Canada) Ltd, 3rd June 1955," Y193, WHS CA.

[103] "Minutes of a Meeting of the Board of Directors of W.H. Smith & Son (Canada) Ltd, 30th May 1958" Y194, WHS CA.

[104] "Minutes of a Meeting of the Board of Directors of W.H. Smith & Son (Canada) Ltd, 5th September 1958" Y194, WHS CA.

[105] "Minutes of a Meeting of the Board of Directors of W.H. Smith & Son (Canada) Ltd, 21st April 1960" Y194, WHS CA.

https://doi.org/10.1017/S0007680520000744 Published online by Cambridge University Press

center, leasing a unit in the Cloverdale Centre, Etobicoke, Toronto.[106] However, the main policy of expansion through acquisition did not always generate the returns expected, especially in the case of Tyrrell's bookstore at 818–820 Young Street, which the Council of the Municipality of Metropolitan Toronto expropriated in 1959 in order to extend the city's subway, although the exportation did not come into effect until January 1962.[107] To replace Tyrrell's, Smith's leased premises at 1500 Yonge Street, although owing to the dislocation and the fact the store would trade under the Smith's name, rather than Tyrrell's, management were not confident that they would be able to retain any of Tyrrell's former customers.[108]

By 1961/62 W.H. Smith and Son had been trading in Canada for ten full years, having expanded from a single store in Toronto to a small chain of eight stores with a sales volume of C$1,463,367 and an operating loss of C$53,065. Geographically, these stores were highly concentrated: seven of the eight were located in Ontario, and four of these were in Toronto, while the only store outside Ontario, in Montreal, was in 1961 the most profitable. If the first decade had been about establishing the foundations of a viable business in a foreign market, despite incurring losses, the next decade was about capitalizing on these foundations and making progress. As Table 2 shows, in 1963/64 W.H. Smith's Canadian subsidiary recorded its first (small) operating profit of C$26,569, or 1.75 percent of sales.[109] Between 1964/65 and 1970/71, the Canadian company grew rapidly in terms of sales volume, from C$1,823,443 to C$4,608,708, while retail operating profits increased from C$35,492 (1.95 percent) to C$496,532 (10.77 percent).[110] Alongside this improved performance, the company's physical operations also increased, with the number of retail branches growing from eight to fourteen. The stores were classified into three main categories: downtown, shopping center, and "special" high-traffic locations (incorporating stores located in airports and, later, railway stations). Further geographical expansion within the Canadian market, though, particularly into the western or Pacific region, continued to present serious management and distribution problems, despite the attractiveness of these regions.[111]

[106] "Minutes of a Meeting of the Board of Directors of W.H. Smith & Son (Canada) Ltd, 21st April 1960" Y194, WHS CA.

[107] "Minutes of a Meeting of the Board of Directors of W.H. Smith & Son (Canada) Ltd, 21st April 1960" Y194. WHS CA. "Minutes of a Meeting of the Board of Directors of W.H. Smith & Son (Canada) Ltd,11th October 1961," Y194, WHS CA.

[108] "Minutes of a Meeting of the Board of Directors of W.H. Smith & Son (Canada) Ltd, 4th October 1961" Y194, WHS CA.

[109] "Balance Sheets and Accounts, various years," X187-X190; X580; X334-X337, WHS CA.

[110] "Balance Sheets and Accounts, various years," X188; X189; X190; X580; X336; X334; X337, WHS CA.

[111] "W.H. Smith and Son (Canada) Ltd. Strategic Plan," Sept. 1971, 446/8, WHS CA.

https://doi.org/10.1017/S0007680520000744 Published online by Cambridge University Press

*Table 2*
Retail Operating Results of W.H. Smith and Son (Canada), 1961/62–1970/71

| | *Sales* | *Real sales* | *Gross profit* | | *Selling expenses* | | *Operating expenses* | | *Operating profit/loss* | |
|---|---|---|---|---|---|---|---|---|---|---|
| | C$ | C$ (1970 = 100) | C$ | % | C$ | % | C$ | % | C$ | % |
| 1961/62 | 1,463,367 | 1,895,553 | 499,615 | 34.14 | 318,086 | 21.74 | 552,680 | 37.77 | –53,065 | –3.63 |
| 1962/63 | 1,355,368 | 1,739,882 | 468,933 | 34.60 | 253,146 | 18.68 | 488,996 | 36.08 | –20,063 | –1.48 |
| 1963/64 | 1,514,286 | 1,904,762 | 543,933 | 35.92 | 268,922 | 17.76 | 517,364 | 34.17 | 26,569 | 1.75 |
| 1964/65 | 1,823,443 | 2,251,164 | 686,659 | 37.66 | 334,629 | 18.35 | 651,167 | 35.71 | 35,492 | 1.95 |
| 1965/66 | 2,250,765 | 2,715,036 | 867,967 | 38.56 | 446,180 | 19.82 | 711,015 | 31.59 | 156,952 | 6.97 |
| 1966/67 | 2,618,526 | 3,048,342 | 996,984 | 38.07 | 503,607 | 19.23 | 813,059 | 31.05 | 183,925 | 7.02 |
| 1967/68 | 3,359,628 | 3,774,863 | 1,272,155 | 37.87 | 580,675 | 17.28 | 991,449 | 29.51 | 280,706 | 8.36 |
| 1968/69 | 3,808,817 | 4,104,329 | 1,472,278 | 38.65 | 632,003 | 16.59 | 1,099,425 | 28.87 | 372,854 | 9.79 |
| 1969/70 | 4,149,381 | 4,277,712 | 1,586,738 | 38.24 | 670,402 | 16.16 | 1,191,984 | 28.73 | 394,754 | 9.51 |
| 1970/71 | 4,608,708 | 4,608,708 | 1,754,295 | 38.06 | 699,437 | 15.18 | 1,257,763 | 27.29 | 496,532 | 10.77 |

Sources: “Balance Sheets and Accounts, various years,” X187-X190; X580; X334-X337, WHS CA.
Note: Sales are deflated using Table H2, Canada Consumer Price Index, in *International Historical Statistics* (London, 2013).

The expansion of the store network and the growth in the sales volume transacted in these stores led to a change in the organization of the Canadian subsidiary. In 1968 the composition of the subsidiary's board of directors was reorganized to emphasize a predominantly Canadian content and head office operations were restructured into three, as opposed to two, departments.[112] In conjunction with this reorganization, the role of the Canadian board was redefined. The management and control of the subsidiary was transferred from the United Kingdom to Canada and, in 1969, made responsible directly to the holdings board, rather than the operating board. In line with this reorganization, new targets were set for the subsidiary: profits should be C$650,000 before taxes, and the return on capital employed (ROCE) should be between 15 and 20 percent.[113] Despite the growth and improved performance of the subsidiary, W.H. Smith (Canada), as a foreign-owned and -controlled firm, was not outperforming its main Canadian competitors. In 1972/73 the profit per Smith's store was C$14,250; the profit per store of Coles, one of its two major competitors, was C$21,920. While Coles's 1972/73 profit margin was 15.26 percent, W.H. Smith's was only 3.72 percent.[114] In terms of the targets established following the 1969 reorganization of the business, although the subsidiary achieved an average return on equity of 16.5 percent between 1969/70 and 1973/74, over the same period profit before income and taxes amounted on average to only C$208,340.. In 1973 the subsidiary also launched a new venture, "Celebration," selling principally greeting cards and stationery, in addition to the regular bookstore chain.[115]

Despite the subsidiary being outperformed by one of its major local competitors, revenue and profits continued to grow; a 1976 report on Canadian operations concluded that the subsidiary had "passed through the barrier of being a small company running retail shops into a chain of retail shops."[116] At this time, the company recognized that the sociopolitical environment in which it operated was becoming more hostile. A different 1976 report recognized "a strong feeling of nationalism in Canada," and the company was acutely aware of the "force of Canadian nationalism in the Canadian Book Trade."[117] In order to meet the challenge posed by rising Canadian nationalism, the

[112] "W.H. Smith and Son (Canada) Ltd. Company Reorganization," 1 Mar. 1969, 648, WHS CA.

[113] "Five Year Plan W.H. Smith and Son (Canada) Ltd 1970/71–1974/75." Mar. 1970, 552, WHS CA.

[114] "WHS Canada and Coles Book Stores Ltd. A Financial Comparison." 6 Oct. 1976, 1238, WHS CA.

[115] "W.H. Smith Canada Ltd," July 1989, 1471, WHS CA.

[116] "Visit to Canada Report," 22 Apr. 1976, 1238, WHS CA.

[117] "WHS Internal Memo," 1 June 1976,1238, WHS CA.

report suggested that the firm's stores give much more prominence to Canadiana, in order to show "without doubt that the company is a good Canadian citizen."[118] Proposals included having a section of stores prominently feature Canadian paperbacks. At the corporate level, the possibility of taking additional Canadian equity was discussed but not considered "necessary or desirable," as the political pressure was not strong enough to justify Canadianizing the company at that time.[119] Compounding the concern around the potential hazards of rising Canadian nationalism was recognition within the company that Anglo-Canadian relations, and in particular cultural and economic ties, were becoming weaker.[120] In order to survive and prosper, the company felt it was necessary to reconceptualize the U.K.-Canada bilateral relationship within a multilateral context, to accurately reflect a changing reality.

Within this environment of growing nationalist sentiment and shifting relations between home and host country, W.H. Smith's Canadian subsidiary continued to perform satisfactorily. Expansion into western Canada began in 1974 with the acquisition of Evelyn de Mille, and between 1975/76 and 1980/81 the number of bookstores nationwide grew to forty-eight, with sixteen Celebration stores.[121] Over the same five-year period, cumulative profit growth equaled 22 percent (generated mostly by new investment) while the ROCE was a healthy 19 percent, meeting the objective of ROCE between 15 and 20 percent.[122] In 1980/81 book sales accounted for just under two-thirds (65.3 percent) of W.H. Smith's total turnover in Canada, but competition among the three major book chains in Canada was beginning to increase substantially owing to the acquisition of Coles by Southam Press.[123] Although Coles had been losing market share for a number of years, the Southam takeover placed "virtually unlimited funds at the disposal of Coles," and "a change in management style" was evident.[124] Smith's management therefore concluded that prospects for future development of the subsidiary were limited not only by increased competition but also by a wider lack of opportunities in Canada. The firm's growth targets for both equity and profits could not be achieved without pursuing a policy of

[118] "WHS Internal Memo," 1 June 1976, 1238, WHS CA.

[119] "W.H. Smith Canada Ltd. Corporate Plan 1976," Nov. 1975, W99; "Minutes of W.H. Smith Canada Ltd" 8 Jan. 1975–21 Dec. 1978, Y244, both in WHS CA.

[120] "The Maintenance and Strengthening of Anglo-American Relations through Books," 30 Oct. 1979, 1238, WHS CA.

[121] "A Report on the 1974/75 Corporate Plan," 5 July 1974, W14; "W.H. Smith Canada Ltd. Strategic Plan 1983/84," Aug. 1982, W108, both in WHS CA.

[122] "W.H. Smith Canada Ltd. Strategic Plan 1981/82," Aug. 1980, W106, WHS CA. In 1980, a new ROCE target of over 25 percent by 1983–84 was established.

[123] "Strategic Plan 1983/84"; "Strategic Plan 1981/82."

[124] "W.H. Smith Canada Ltd. Strategic Plan 1982/83," Aug. 1981, W107, WHS CA; "Strategic Plan 1981/82."

"intensified development." One option for intensifying development was through acquisition, and the prospect of Smith's acquiring one of its major competitors, Classic Bookshops, was first discussed in July 1978.[125] The possibility of taking over Classic was attractive as it was felt the chain would be "complementary" to W.H. Smith's current operations and position in the market.[126] The chief concern expressed by the board about the acquisition, however, was that as a foreign-owned and -controlled enterprise, any major acquisition of an existing Canadian corporation would be subject to review by the Foreign Investment Review Agency.[127] Nevertheless, as late as December 1979, the company made the key assumption that its developments plans would not be affected by "restrictive nationalistic legislation."[128]

W.H. Smith's prospects of acquiring Classic changed in 1984 with the election of Brian Mulroney's Conservative government, which a year later replaced the FIRA with the less restrictive Investment Canada.[129] Subsequently, in July 1985, with Classic Bookshops close to bankruptcy as a consequence of a price war initiated by Coles, Smith's agreed to merge with Classic.[130] At the time there was speculation (believed by Smith's management) that Coles's decision to discount prices and start a price war was a deliberate attempt to drive Classic from the market.[131] The merger between Smith's and Classic fundamentally altered the dynamics of W.H. Smith's Canadian growth dilemma. Prior to acquiring Classic in 1985, Smith's was the third-largest book retailer in Canada, with 79 shops totaling 200,000 square feet of selling space and a 3.2 percent market share. Classic, meanwhile, operated 117 stores with 250,000 square feet of selling space and a 5 percent share of the Canadian book retailing market. The purchase of Classic for C$3.4 million, and the repayment of a C$6 million debt, led the combined company to become the largest book retailer in Canada. In strategic terms, the acquisition of Classic by Smith's provided complementary market penetration of 100 extra bookshops; only 11 stores overlapped and only 4 stores closed. W.H. Smith thus became the largest

[125] "Minutes of W.H. Smith Canada Ltd," 8 Jan. 1975–21 Dec. 1978, Y244, WHS CA.

[126] "Tour of Canada 1979. Report of Visit by S.M. Hornby, Chief Executive," 22 Aug. 1979, 1238, WHS CA.

[127] "Minutes of W.H. Smith Canada Ltd," 8 Jan. 1975–21 Dec. 1978, Y244, WHS CA.

[128] "W.H. Smith Canada Ltd. Corporate Plan 1980/81," Dec. 1979, W105, WHS CA.

[129] "W.H. Smith Canada Ltd," July 1989, 1471, WHS CA.

[130] *The Globe and Mail* reported on July 11th 1985 that Smith's acquisition of Classic amounted to nothing less than a bailout. "Classic deal will weigh heavily on W.H. Smith," July 11th 1985 Brian Milner *The Globe and Mail*. Coles cut the prices of its twenty best sellers by 25 percent, "Price war threatens book retailers," 6 July 1985 Andrew Cohen *The Financial Post*.

[131] "Price war threatens book retailers."

book chain in Canada, with an 8.2 percent market share. A further motivation for Smith's to acquire Classic was that Classic had invested heavily in its computer systems over the previous five years. It was anticipated that the acquisition could result in a potential saving of C$450,000, as well as accelerating W.H. Smith's own computer capabilities by a year or two.[132]

Announcing the deal, the managing director of the parent company emphasized that acquiring Classic went "a long way to completing our plan for growth in Canada."[133] The company, though, remained conscious of how important it was to devise "the necessary positive sell" for the government and the industry, in order to get the deal approved.[134] This was not as straightforward as might have been expected, given the shift away from the FIRA to Investment Canada. Included in the Investment Canada Act—the very piece of policy that enabled Smith's to purchase Classic—was a government commitment to maintain Canada's cultural sovereignty and support the economic viability of Canada's cultural industries. Additional external pressure was exerted on the Canadian government by the Canadian media, which depicted W.H. Smith's acquisition of Classic as one of the first big tests of Investment Canada.[135] Furthermore, there was a keen awareness that the Smith's-Classic merger would leave Coles as the only Canadian-controlled book retailer in Canada, a situation that Coles sought to exploit by adding further pressure to the government.[136] Eventually, Canadian government assent was granted, and W.H. Smith's acquisition of Classic was allowed, with an exception being made to the rules.

Interestingly, support for the Smith's takeover of Classic came from some unlikely sources, including the *Toronto Star*'s editor-in-chief, Peter Newman. Newman, who along with Abraham Rotstein and Walter Gordon had conceived of the Committee for Independent Canada to promote Canadian economic and cultural independence, wrote to the Canadian prime minister's senior policy advisor, the Investment Canada Minister, and Minister of Communication arguing that the merger between Smith's and Classic ought to be treated as a special case: "Canada will be better served by allowing a foreign-owned company to

[132] "Acquisition of Classic Books (CBS) By W.H. Smith Canada Ltd." 1 July 1985, 1503, WHS CA.

[133] "W.H. Smith buys Canadian Bookseller," Charles Batchelor and Bernard Simon, *Financial Times*, 10 July 1985.

[134] "Letter to Malcom Field, Managing Director, W.H. Smith and Son Ltd." 10 June 1985, 1503, WHS CA.

[135] "W.H. Smith-Classic merger is test for new agency," Brian Milner, The *Globe and Mail*, 10 July 1985; "W.H. Smith Canada Ltd," July 1989, 1471, WHS CA.

[136] "Foreign buyer poised to take over bookseller," Brian Milner, The *Globe and Mail*, 9 July 1985.

buy out a failing Canadian enterprise than if the deal were disallowed."[137]

Despite such support, W.H. Smith's acquisition of Classic received government assent only because of Classic's precarious financial situation and on the condition that a commitment be made that Canadian ownership of the company would be increased to 49 percent by September 1990. However, this diverged from W.H. Smith's own submission to Investment Canada, which stated that only after the Classic acquisition had been made profitable would there be an "appropriate opportunity to offer equity in W.H. Smith to the Canadian public."[138] Furthermore, immediately after the merger had been agreed, the Canadian Minister of Communications introduced the Baie Comeau policy, which was intended to clarify the Investment Canada Act as it pertained to book publishing and distribution, stressing the need for Canadian control of the book industry in Canada.[139] At the time, it was generally understood that the spirit rather than the letter of Baie Comeau was being applied to W.H. Smith's merger with Classic.[140]

With the five-year period stipulated by Investment Canada coming to an end in September 1990, Smith's began in 1989 to explore all available options to honor the commitment it had made in 1985, including the outright sale of its majority shareholding.[141] Commercially, meanwhile, despite the acquisition of Classic, the Smith's Canadian subsidiary had reached a "profit plateau." While book sales in Canadian bookstores had grown by 14 percent in the financial year 1986/87 and 13.8 percent in 1987/88, W.H. Smith's sales in those years grew by only 3.1 percent and 7.1 percent, respectively.[142] Parent company executives began to see the subsidiary's book proposition as not being good enough, with too great an emphasis on bargain and remainder books and the discounting of best-selling hardbacks. Moreover, in an attempt to pursue this strategy while protecting the bottom line, costs had been cut dramatically. The investment required to rectify this situation was estimated to be C$7,205,000.[143]

The strategic priorities of the parent company, both in the domestic market and internationally, may also have influenced decision making.

[137] "Letter from Peter Newman to Dr. Charles McMillan," 27 Aug. 1985, 1503, WHS CA.

[138] "Classic Bookshops," 27 Sept. 1985, 1503, WHS CA.

[139] Internal accounts state that the policy statement was made "on the very weekend" that negotiations between W.H. Smith and Classic were completed. "W.H. Smith Canada Ltd," July 1989, 1471, WHS CA. See also "Shares in W.H. Smith still being discussed," Kenneth Kid, *The Toronto Star*, 18 Feb. 1989.

[140] "Shares in W.H. Smith still being discussed."

[141] "W.H. Smith Canada Ltd," July 1989, 1471, WHS CA.

[142] "Managing Director/Deputy Managing Director's Monthly Reports to the Board, 1989," Y280, WHS CA.

[143] "Managing Director."

https://doi.org/10.1017/S0007680520000744 Published online by Cambridge University Press

In October 1985, Smith's acquired news and gift shop chain Elson's, thus entering the U.S. retail market directly for the first time. In November of the same year it purchased Music Market, a small chain of record shops in the United Kingdom, followed in 1986 by the acquisition of Our Price Records for £43 million.[144] Further expansion in specialist retailing was to come in both the United Kingdom and the United States. In the United Kingdom, W.H. Smith acquired 75 percent of the stationery retailer Paperchase in 1986 for £800,000 and, in 1989, a controlling interest in the book chain Waterstones.[145] Waterstones was merged with the existing subsidiary, Sherratt & Hughes, to form a chain of seventy-eight specialist bookshops.[146] In the United States, meanwhile, the firm acquired a small Pennsylvania chain of nineteen record shops, Wee Three, also in 1989.[147] Given the estimated expenditure necessary to realign the Canadian company, it was believed that there was a serious risk to short-term profits but that, over a three-to-five-year period, this investment would ultimately result in improved performance. Against this was the existing commitment to make a public share offer so that Canadians might own 49 percent of the company.[148] By 1990 Smith's would therefore have to dispose of 35 percent equity. In effect, this meant that the company would have to commit to undertaking all of the work, assuming 100 percent of the risk and investment, for only 50 percent of the reward. As a result, in October 1989 the parent company, W.H. Smith Group, decided to sell its majority interest in W.H. Smith Canada to Federal Industries Consumer Group, in a transaction worth C$54 million.

## The Capriciousness of Policy

During a period of approximately forty years, from 1950 to 1989, W. H. Smith progressed from operating a single shop on Yonge Street in Toronto to become a leading retailer in Canada, with a dominant position in the book market. Despite W.H. Smith's desire and efforts to provide a Canadian shop with a representative selection of Canadian, English and American books and to avoid imposing a British archetype in an imperialistic way, the image of a high-quality English-language bookseller came to be integral to the company's strategy.[149] This strategy

[144] W.H. Smith Annual Report 1986, Company's House, London. Heather Farmbrough, "Expansion Lifts W.H. Smith 16%." *The Financial Times*, 28 Jan. 1988, 29.

[145] "Shops Bought," *The Times* (London), 21, 8 May 1986; W.H. Smith Annual Report 1986.

[146] W.H. Smith Annual Report 1990. Company's House, London. "W H Smith Buys Books Shops from Waterstone." Maggie Urry *Financial Times*, 19 July 1989, 21.

[147] W.H. Smith Annual Report 1989, Company's House, London.

[148] "Managing Director," Y280, WHS CA.

[149] "W.H. Smith & Son (Canada) Ltd. Corporate Plan December 1972," W13, WHS CA.

https://doi.org/10.1017/S0007680520000744 Published online by Cambridge University Press

led to the subsidiary's growth and, eventually, an improved performance. This growth and improved performance occurred, however, alongside a developing sense of Canadian nationalism and an increasing pressure on various levels of government to protect Canada's economy and culture from "foreign domination."[150]

The case of W.H. Smith's Canadian subsidiary advances understanding of multinational–host government relations in a number of ways. First, the shift in legislation from the FIRA to Investment Canada was precipitated by a change of government.[151] This evinces the threat that the nation-state can pose to a multinational, not just after initial entry but even after nearly four decades of operating in a host market.[152] The policy shift away from the more restrictive FIRA toward the more open Investment Canada retained recognizable elements of economic nationalism, evident in previous legislation, but the nationalist emphasis shifted away from protecting internal domestic markets and instead articulated nationalism externally, in international markets. This shift in emphasis recognized the potential benefits of foreign investment, signaling a more open economy, while also strengthening the government's ability to control industries in Canada that expressed national sovereignty and identity. As such, the case highlights that it is policy changes, and not simply obsolescing bargains, that matter when analyzing multinational-state interaction. The managers of multinationals need, therefore, to have knowledge of both the basis of policy and its direction.

A second way in which W.H. Smith's operations in Canada furthers understanding of the relations between multinationals and host country governments is that the subsidiary explicitly acknowledged the impact of changes in the relationship between the home country (United Kingdom) and host country (Canada) on its operating environment. This reaffirms the importance, at the firm level, of home–host country relations and does so in a service-sector context.[153] The changing nature of the United Kingdom's relationship with Canada was recognized not only at the firm level but at the policy level also. Despite shared Commonwealth membership, similar institutions, and a close historical association. Economically, trade between the United Kingdom and Canada was not as great as it had once been.[154] From a U.K. perspective, trading with, and investing in, Canada was seen as

[150] "W.H. Smith & Son (Canada) Ltd. Corporate Plan December 1972," W13, WHS CA.

[151] Janeba, "Global Corporations."

[152] Henisz, "The Institutional Environment"; Moran, *Multinational Corporations*.

[153] Ramamurti, "Obsolescing 'Bargaining Model.'"

[154] "Canada Trade Policy 1976," BT 11/7058, The National Archives of the UK (TNA), London.

difficult. There was also awareness at the policy level in the United Kingdom of the need to create a specific Canadian nationality and unity.[155] From an analysis of archival sources, it is apparent that the company operating in Canada felt these things more acutely than did civil servants and politicians in London and Ottawa.

Third, the case illustrates the relevance of industry, not just the firm, for analyzing host government–multinational relations. While W.H. Smith was not operating in a "key" sector, when the company first entered Canada in 1950 there was an acknowledgment by managers at the time of the cultural aspect of book retailing. There were also precedents in the interwar years of the Canadian government actively intervening in the cultural industries. As the book retailing industry developed after 1945, so too did the Canadian government's awareness of the industry's cultural sensitivity; while the growth of Smith's itself increased the company's profile. Despite not operating in the manufacturing or natural resource sectors, W.H. Smith's experience in Canada supports the validity of a contingency perspective in relation to the political risk facing an international company in a host country.[156] In this specific case, however, the risk was acute even though the investment was in a horizontal, market-seeking investment rather than a vertical investment. Caution must, of course be taken, when generalizing from a single case.

Fourth, the case shows the importance of understanding the competitive dynamics of a market and considering explicitly how local firms interact with multinationals even when the primary analysis concerns the relationship between multinationals and a host country government. W.H. Smith's initial entry into Canada was on a small scale, driven by the potential that existed in the book retailing industry, the perceived underdevelopment of this industry, and an apparent lack of industry organization. Over time Smith's built up a substantial business, a process that involved the accrual of sunk costs. Nevertheless, the company's exit from Canada was driven by the belief that the subsidiary had reached a profit plateau, with the board of the parent company unwilling to take on the burden of making the substantial investments the business required, only to see their ownership of the company diluted through a forced sale of equity. Finally, the case shows that the influence of external pressure exerted on governments—expressed most obviously in the newspapers and by W.H. Smith's principle competitor, Coles—needs to be taken into consideration when assessing the determinants of government policy on multinationals.

155 "Visit to the UK of Representatives of the Canadian Government," CAB 164/843, TNA.
156 Slangen and Beugelsdijk, "Impact of Institutional Hazards."

https://doi.org/10.1017/S0007680520000744 Published online by Cambridge University Press

All national governments act in their own self-interest, and recent analysis has convincingly shown how international companies can manipulate sentiments of economic nationalism to their advantage.[157] A key finding of the present research is the importance of nuance in the relationship between host governments and multinationals, a nuance that multinational managers need to be able to detect and act upon. It is this nuance that bargaining models do not capture sufficiently. In the W.H. Smith case, the company's managers did not take the action necessary to safeguard their Canadian assets, or the dominant market position they were in the process of creating, from changes in the host country policy environment. Policy is not formed in a vacuum. W.H. Smith sensed the rise of nationalism in the environment it was operating in; the company realized that relations between home and host county were changing but failed to seize the opportunity and respond accordingly. If the firm's managers had acted sooner the outcome could have been different. Instead, Smith's developed alternative avenues of diversification and growth: entering the U.S. market and expanding in the firm's home market. Nonetheless, it is necessary to understand the reasons why a particular policy is pursued in a particular country at a particular time. W.H. Smith was never a *direct* target of Canada's nationalist agenda. Yet, owing to the changes in legislation following the election of a new government, the company's freedom and ability to grow became highly constrained by the new direction that nationalist policy took. W.H. Smith's ultimate exit from the Canadian market was therefore strongly influenced by the combination of commercial considerations and government policy. This combination meant that Smith's could no longer operate viably in Canada.

. . .

THOMAS R. BUCKLEY is lecturer in International Business Strategy at the University of Sheffield Management School.

[157] Christina Lubinski and R. Daniel Wadhwani, "Geopolitical Jockeying: Economic Nationalism and Multinational Strategy in Historical Perspective," *Strategic Management Journal* 41, no.3 (2020): 400–21.