THE HANSEATIC LEAGUE AND THE INTERTEMPORAL NATURE OF MULTINATIONAL BUSINESS

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ABSTRACT

This paper is an initial effort to explore the historical dimensions of multinational business behavior. For that purpose, data on the Hanseatic League, a medieval trading organization, is compared to Fayerweather's International Business Management Model. The aim of the analysis is to investigate the multinational business practices that have changed over a long period of time, and the ones that did not. Conclusions are based on the similarities and differences found.

Two of the fundamental problems in understanding multinational business are the lack of a historical perspective of the phenomenon and the subsequent difficulty in establishing useful definitions. Multinational businesses have been regarded as a recent business development. One of the arguments in this article is that in many respects they are not. Inadequate comprehension of their evolution affects our ability to understand how they might react to future environmental changes.

In that sense, it is important to understand the effect of long-term environmental changes on the behavior of multinational businesses. For that purpose, a multinational business organization of the past will be examined to test its behavior against some standards encountered in present-day multinational corporations (MNCs). This analysis will suggest the aspects of multinational business practices that have changed over time, and others that have not.

The analysis will center on the Hanseatic League, an important medieval trading organization, and the International Business Management Model (Fayerweather 1960), a widely recognized framework for understanding the behavior of modern MNCs.

The International Business Management Model was chosen for two reasons. One, it does not require extensive quantitative data which isn't available; and two, it is comprehensive enough to encompass the various activities of the Hansa.

The Hanseatic League was chosen because it was sufficiently far in the past to assure a distinct environment and because it had a wide line of business over a large geographical area. Also, it had several hundred years of commercial and political success.

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Comparative history is the methodology adopted. Smelser has defined the comparative method as "the method of systematic comparative illustration (1968, p. 70)." Scocpol and Somers identify three forms of logic available for historical comparisons. The relevant one for this study is the "parallel demonstration of theory," in which "historical instances are juxtaposed to demonstrate that the theoretical arguments apply convincingly to multiple cases that ought to fit if the theory in question is indeed valid (1980)." In an earlier contribution to the uses of comparative history, Bloch has proposed that the conditions for comparability require the presence of "similarities between the facts observed, and dissimilarities between the situations in which they have arisen (1967, p. 47)." There is no question that the conditions surrounding the emergence of twentieth century MNCs and the rise of the Hanseatic League were distinct. It shall be demonstrated that there were similarities in the behavior of the two entities.

Similarities of behavior between the Hansa and the modern MNC might reveal that a few known behavioral variables of MNCs might in fact be attributes present in any environmental setting. Nevertheless, two limitations should be made explicit. One is the assumption that the adopted model actually represents multinational behavior. The other is the need for additional testing of the conclusions of the article against other models and other historical instances, to further validate the findings.

The Hansa--Political and Institutional Arrangements

It was for the purpose of developing trade that German merchants founded new towns on the coast of the Baltic Sea during the twelfth century. In 1241 A.D., for mutual defense against sea pirates and road robbers, these merchants founded a league, strictly for business purposes and with no state participation.

The league was a successful venture from the beginning. Between the thirteenth and the fifteenth centuries, they virtually monopolized the trade in the Baltic and in most of Northern Europe. In all of their history, Hansa ships went as far as Norway to the north, Novgorod (in modern Soviet Union) to the east, Portugal to the west and even Italy to the south. They had many facilities scattered around their trading zone, and some of the products traded were salt, flax, copper, iron, cloth, wool, herring, timber, silver, wine, wax, furs and beer.

During the fourteenth century, in order to be able to collect funds for a war against the King of Denmark, the Hansa had to change its structure from a league of merchants to a league of cities. Lubeck (in modern West Germany), assumed the leadership. The government of the towns was controlled by the merchants, whose prosperity was the only objective of the Hansa (Dollinger 1970, p. 159). The government of such towns levied taxes on persons and commodities and administered justice. Some also coined money. In addition to the member towns, the Hansa had factories outside the Holy Empire. Four of these factories became far more important than all the others: Novgorod, Bergen (Norway), London, and Bruges (Belgium).

The Hansa's governing bodies, the diets, were attended by representatives of all member towns. The general diet, the Hansetag, was the highest controlling and policy-making organ in the Hansa's political structure. It met every 25 to 30 years. It decided on disputes between towns, ratified treaties, sent ambassadors to negotiate in the name of the league, decided on war and peace, economic regulations, admissions and dismissal of members, and so forth. Meetings would be held in any town, although the majority were in Lubeck. Regional diets met several times a year. Decisions, in either case, were by majority vote. One lower level of decision making was the city council of each town involved, on which Hansa merchants kept a large majority, and in most cases, all the seats.

Important to understanding Hansa politics is the subdivision of the towns into "thirds," headed by Lubeck, Cologne and Wisby (Sweden). Later, a new division, under the leadership of Dantzig, was added. During the period of the merchant Hansa, all German merchants who had obtained commercial privileges were assumed to be members. When the Hansa of the towns was formed, citizenship in one Hansa town was required. Only rarely were members expelled from the league, and readmission was common.

The issue of the legal status of the Hanseatic League has given rise to considerable controversy, then and now. The German merchants never wanted to clarify the issue, in order to avoid collective responsibility for the action of towns or individual merchants. Nevertheless, in a letter to the King of England in 1468, they stated: "The Hansa Theutonica is not a societas . . . since there is no common property . . . and since each merchant profits or loses individually. Neither is it a collegium . . . because it is made up of widely separated towns. Nor is it a universitas . . . because it should have property in common, have a common treasury, a common seal, a common syndic and a common business manager. But the Hansa Theutonica is . . . a true confederatio of many cities, towns and communities for the purpose of ensuring that business enterprises by land and sea should have a desired and favorable outcome and that there should be effective protection against pirates and highwaymen (Dollinger 1970, p. 411)."

Only two years after that letter, which was written for the purpose of obtaining the release of two German merchants arrested in London, the Hansa diet met in Lubeck to renew their staple in Bruges. The transcription of one of the paragraphs of the renewal documents serves to show how the member towns and individual merchants of the league were much less independent than one might think after reading their letter to the King of England: "Similarly all eastern Hanseatic towns, name Lubeck, Rostock . . . and all of other Hansa towns, shall refrain from supplying anyone, whether he belongs to the Hansa or not, with any staple of goods for passage through the Sound or Belt, unless he swears an oath beforehand or gives surety that he intends to take these goods to the staple in Bruges, to Antwerp or the fair in Bergen-op-Zoon, as laid down above (Dollinger 1970, p. 413)."

The International Business Management Model

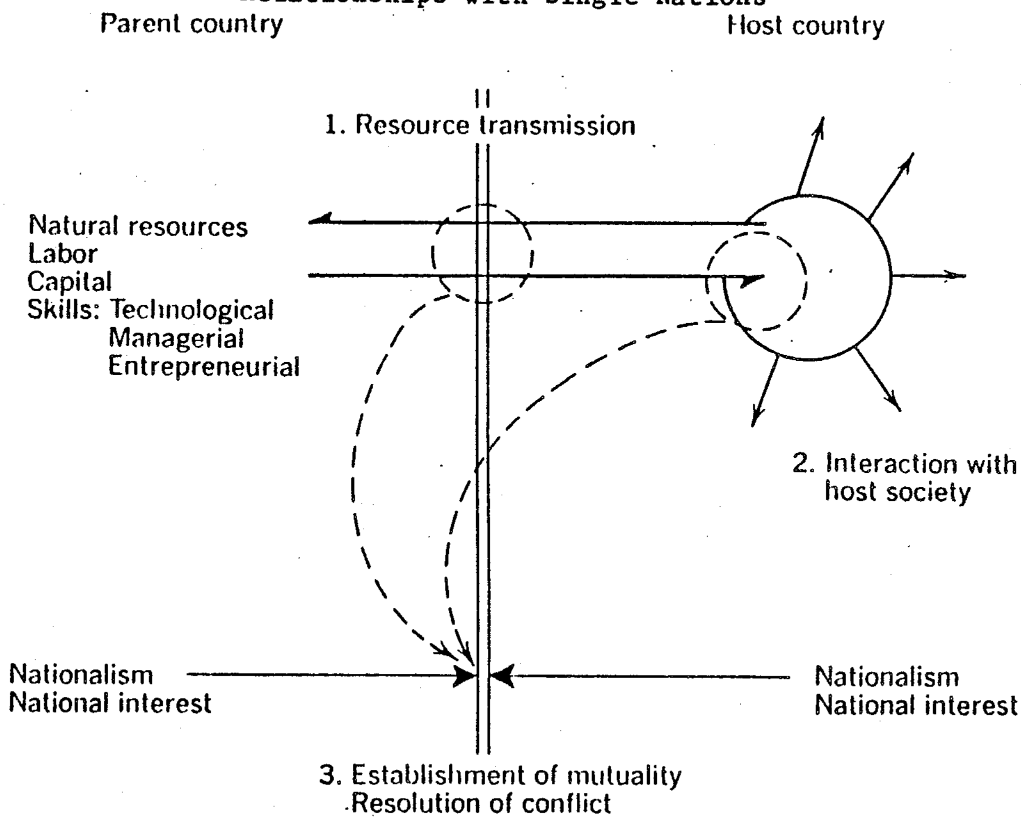
The International Business Management Model is an attempt to develop a conceptual framework for the relationships among the relevant variables in international business, from a firm's perspective.

The introductory point is the definition of international business as any "business involving two or more nations (Fayerweather 1969, p. 5)," and a multinational corporation as "any firm which engages directly in business activities in two or more countries (Fayerweather 1969, p. 3)."

Next, three forms of relationships are developed which are an integral part of the relationship between the parent and the host country. The initial relationship is transmission of resources, which explains the demand for international business in terms of resource differentials among nations. The resources considered are natural resources, capital, labor, and skills (technological, managerial and entrepreneurial). The second relationship is interaction with host societies, in which two alternative approaches are examined--conformity to the host country's business methods or the introduction of innovations. The third relationship is nationalism and national interest, dealing with the almost inevitable problem of conflict in parent company/host country interactions. Figure 1 further illustrates the relationships.

Figure 1

A Conceptual Framework for International Business:
Relationships with Single Nations

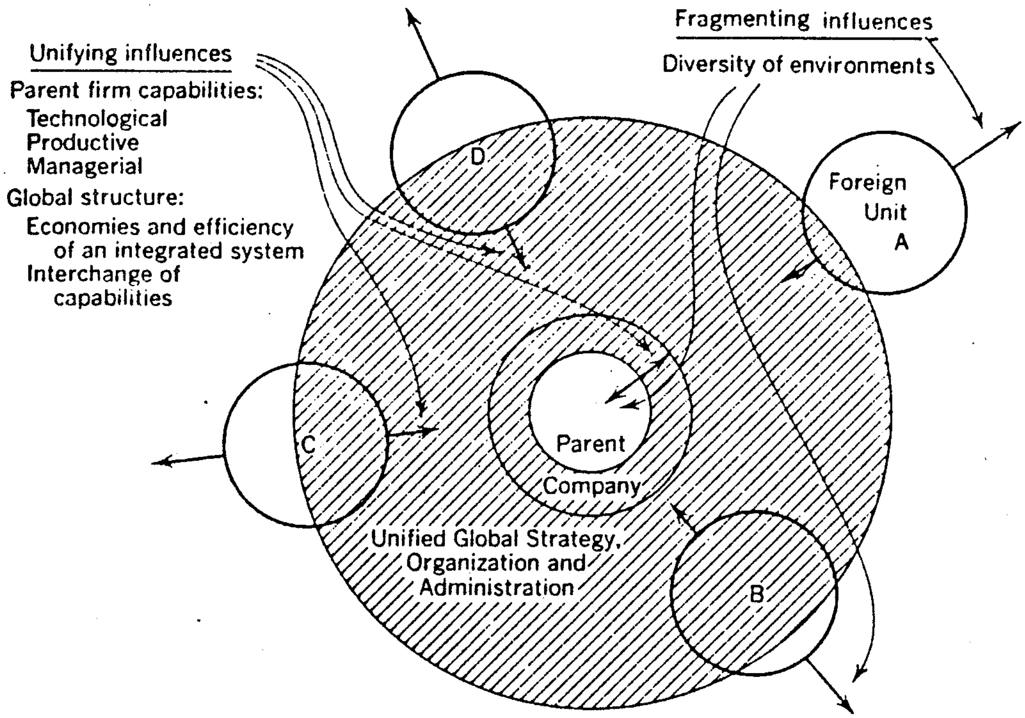


Source: Fayerweather 1969, p. 6.

To this point, the model has emphasized the relationship between the parent firm and one host country. The next step in the model, global strategy, extends the analysis to the situation in which there is more than one host country. The new variables introduced are fragmentation, in which the firm has different approaches to different regions, and unification, in which the firm has similar approaches to different regions. Finally, the model introduces organization and administration, in which communications and managerial problems are examined. Multination relationships are presented in Figure 2.

Figure 2

A Conceptual Framework for International Business:
Multination Relationships



Source: Fayerweather 1969, p. 11.

Transmission of Resources

International business takes two forms. In the direct form, transactions are across national borders; in the indirect, transactions are within national borders but have international business implications. The Hansa did both. Direct international business made up the bulk of its business. All its exporting and importing would go into that category. Its indirect international business had to do with the buying and selling that went on inside the country but had international business implications, and the relationships between its several Kontors (foreign facilities) and their host societies.

Natural resources were one form of resource being transmitted. Transmission could be done by way of exporting and importing all kinds of goods in a direct way, or by the Hansa using its privileged geographical location in an indirect way (Semple 1899). Labor also was being transmitted every time a city or colony was founded and every time a new worker went to work in the foreign Kontors. This transmission, however, was mostly one-sided. There were few foreign workers arriving to work in Hansa towns. The third form of resource transmission referred to in the model is capital. It was used to set up the foreign Kontors. Also, credit was used to finance foreign business (Pirenne 1937, p. 126), and even to finance foreign kings, in exchange for commercial privileges (Wiener 1932, p. 225). In a minimal way, capital also was used in direct investment as we know it today, to acquire, for instance, iron and copper mines in Sweden (Zimmern 1889, p. 98). There were no signs of restrictions to the free flow of capital among cities and countries, which is a significant point. Those restrictions began to appear in conjunction with the rise in power of national states. One last resource transmitted was skill. The model refers to technological, managerial and entrepreneurial skills. There is no question about the league's superior managerial skills. It controlled business very tightly over a vast area without the use of modern management information systems and accounting procedures. The entrepreneurial skills of the daring Hansa merchants were among the most important causes of their commercial accomplishments. Technology, although less important in the Middle Ages than it is today, was another important factor, as will be seen in the section on innovation.

Interaction with Host Societies

The influence of governments today is based on fiscal and monetary policies that influence exchange rates, import/export quotas and immigration policies. These policies were also present in the Hansa business environment. Fiscal policy was manifested through export taxes and tax exemptions. One important instance was the "Carta Mercatoria" issued by King Edward I in 1303 (Dollinger 1970, p. 55), conceding all foreigners exemption from taxes and freedom to trade wholesale in England. This policy was a compensation measure for an earlier increase on custom duties on the export of wool and hides. Later, Edward II revoked these privileges for all foreigners except Hansa members. Influence through monetary policy and exchange rates was complicated by the great number of currencies issued by important towns, such as the Lubeck mark and the Brandenburg thaler. Business in foreign markets was usually done in home country currency or in British or Flemish money. The right to mint coins was granted by the emperor (Dollinger 1970, p. 206). Privilege granting could take the form of quota determination, and even concession of monopoly, such as the monopoly the Hansards obtained on England's wax imports (Dollinger 1970, p. 56). Immigration policies varied from one country to another. Usually Hansa members would have access to other countries and enjoy the facilities of their Kontors, but would create difficulties for foreigners in their own town unless such a presence would be in the Hansa's self-interest (Dollinger 1970, p. 201).

The model also assumes a set of corporate characteristics. The first is that the firm has a finite combination of resources under ready control. The Hansa's resources were finite, but it is the ready control that requires more discussion. The prior reference to the legal status of the Hansa showed that there was no common property and that, therefore, it was not one firm. However, it also showed how binding the diet decisions were and how well the system worked in keeping everybody in line. The commercial sanctions imposed on Hansa members who failed to comply with the regulations were successful, with a few exceptions. In the early and peak years, it wasn't necessary to use military force to settle disputes between German towns.

The second corporate characteristic is the objective of making the business grow and profit over the long term by expanding market position. In fact, until the Peace of Stralsund (1370) the Hansa grew and expanded as much as it could. After that, however, the league generally acted more defensively in protecting the privileges it already had, instead of trying to expand. One possible explanation could be the numerous internal and external challenges to its position, which did not allow members time to think about expansion. During the early Renaissance however, the Hansa expanded its business to Spain and Portugal following the general trend of the European economy (Wiener 1932, p. 245).

The third corporate characteristic, the objective of minimizing risk rather than maximizing profits, allows limited comparison to the twentieth century. Businesses today face two different forms of risk. They face the economic risk of failing to meet the demands of the market and the political risk of failing to cope with the demands of the political environments in the home or host countries.

For the Hanseatic League, once the proper privileges were obtained, economic risk became limited. Political risks were similar to those of today. In addition, Hansa merchants faced a third form of risk that, although still existing today, is not as relevant now in the context of twentieth century forms of international business. Piracy and other forms of robbery were an enormously important aspect of their business environment. The whole concept of merchant associations rises from this aspect. Unsafe roads, pirates on the sea routes, hostile landlords and priests, long lines of communication, and other high risk characteristics of the times made a Hanseatic merchant a risk-taking individual. To reduce the problems of high risk in doing business, Hansa merchants usually asked for specific privileges from host governments: exemption from wreckage laws by which all the cargoes that came ashore from a sunken ship belonged to the landowner, indemnification of property losses during war, their own court systems in the Kontors, the right to have their own weight measuring devices, and so on (Dollinger 1970, p. 156).

The model also proposed corporate strategies for transmission of resources: defensive investments to protect markets or aggressive investments to capitalize on opportunities. Although one could perceive that dichotomy in the business environment of the late Middle Ages, it is the word investment that accounts for the little explanatory power of the model on this point. As we understand it today, foreign direct investment is the acquisition of income-generating assets in foreign countries, with decision-making control (Robock, Simmonds, Zwick 1977, p. 37). We have previously referred to the small amounts the league invested in such a way. But that doesn't mean that the league didn't invest. It had its own ways to cope with its environment. One of the most important features of the environment was medieval manufacturing, which was first rural, then mostly urban, and from the fourteenth century on, back to rural areas, until the Industrial Revolution started (Pounds 1974, p. 284). It was controlled by local guilds.

To gain access to markets and control them in such environments, the Hansa used its economic, diplomatic, and military power to obtain and keep commercial privileges. That strategy was the same to protect the markets where the league already had privileges or to enter new ones. It varied mostly according to the strength of the host country's government. There was no evolution of transmission from exporting to local manufacturing, nor was there any emphasis on skill transmission as suggested in our model. The emphasis was on transmitting raw materials, capital, and labor.

In addition to its role as a resource transmitter, and as also proposed by Thorelli (1966), our theoretical framework also identifies the multinational corporation (MNC) as an agent of change. Innovation generally is presented as desirable, and as necessary to enhance the competitive capabilities of MNCs. Therefore, the multinational business should be able to introduce innovations to be successful.

There are numerous instances of the introduction of new business methods in host societies by the Hanseatic League. One is the growing participation of

German merchants in Scandinavian trade of the thirteenth century that culminated in a monopoly by the Hansa. Among the innovations brought into Scandinavia was a new type of ship, the Hanseatic cog, which was larger, could better protect the cargo, and was also more navigable than local vessels (Christensen 1957, p. 107). The Hansa also used its mining experience in the home region of the Harz, where copper and silver were mined, to send capital and skilled labor to Central Sweden, where the extraction of iron and copper was made more efficient (Christensen 1957, p. 108). Finally, the Germans provided capital to Danish fishermen to increase production, and then added salt from the home country mines of Oldesloe and Luneburg to treat herrings so that they could be marketed throughout Europe (Christensen 1957, p. 112).

Nationalism and National Interest

No discussion of multinational corporations, past or present, is possible without addressing the issue of nationalism and national interest. Although the first term has strong emotional implications, and the second has political and economic ones, the policy alternatives related to them are similar.

As they still are today, nationalistic views in host societies are among the most important obstacles to multinational business. In addition to its diplomatic efforts, the Hansa brought wars, boycotts and blockades to countries where it did business. To better relate Hansa behavior in terms of our framework, we will use an example, the crisis of 1377-1380 involving the league and England. A summary of the facts of the developments of the crisis follows.

Only seven years after the Peace of Stralsund, the Hansa was at the peak of its power. According to Palais (1959), the Germans were abusing their privileges, which included an export tax that was even lower than the tax to English merchants, the right to own (not rent) the Steelyard (Hansa facilities in London), the right to own the valuable tin mines at Cornwall, and many others. Also, one of the Hansa officials in the Steelyard shared municipal authority in London as an alderman. Nevertheless, English merchants prospered and became jealous of the Hansa privileges. In the nationalistic uprising that followed, Hansa merchants were accused of evading even the small taxes they had to pay, and worst of all, of obstructing English trade in the Baltic. As the English were increasing their importance in the Baltic towns, especially Dantzig, the situation worsened. Finally, German Baltic towns, especially in Prussia, began to harass English merchants. Injustices also were reported in Norway and Sweden. As a result, the British restricted the privileges of the Hanseatic League.

The model suggests two policy approaches; first, accommodating to tone down the nationalistic issues and, second, when they cannot be toned down anymore, allowing the power balance to settle the issue. In assessing the power balance, both sides have sources of power. The MNC will rely on the resources and political strength of the parent company, on the power to withhold resources or investment, and on aid to foreign countries by the parent government being linked to policies toward MNC's. Also, if there is mutually interconnected business between two countries, one could use the power of retaliation. The sources of power by the host country include the weaker position of the MNC in host country politics and the economic power of representing an opportunity.

Our example provides instances for each of the points mentioned. The accommodation period was short. The parties soon established the issues and their negotiating positions. The Hanseatics wanted their privileges back, and the English wanted access to Scandinavian and German markets.

In the crisis of 1380, the German diplomats sent to London are an example of the use of the political strength of the parent company. They also used their power to withhold resources or investment by threatening to stop all trade with England. They provided aid linked to the host country's policy toward the MNC by financing the king who, by the way, remained an ally to the Hansa as much as possible. Finally, they also used their power to retaliate against British merchants in all countries where there was a strong Hanseatic presence. The British also used their powers. They knew that the Hansa wanted to keep its privileges in London, and so the strongest ally of British merchants, the Parliament, used its powers to legislate on privileges. The model also emphasizes change as the origin for conflicts and destabilization of the balance of power. And so it was, for the origin of this crisis was known to be the development of British trade in the Baltic.

In the end, after disturbances in London included riots against the Steelyard, and after the league threatened to establish a commercial blockade against the English, negotiations took place in London between British authorities and special Hansa envoys from Lubeck and Thorn. England gained some trade rights in the Baltic, and the Hansa got back its privileges and was paid damages for its destroyed property.

Global Business Strategy

Our theoretical framework establishes a dichotomy for global business strategy selection. One strategy is fragmentation, the use of different approaches to different regions, and the second is unification, the use of similar approaches to different regions. Some of the basic influences for adopting a unification strategy are parent firm capabilities or skills, advantages of a global structure in terms of the efficiencies of an integrated system, and changes in foreign environments and business methods. The most important fragmenting influence occurs in cases in which the MNC is in many countries and must cope with many economic, cultural and national environments.

These strategic decisions are to be made in six areas. The product policy of the Hansa was unified because product lines simply were not yet sophisticated enough to allow for significant fragmentation. Its logistic plans were unified, for one of the strengths of the league was its ability to move products efficiently, with little influence exerted at local borders. It had an ideal situation--its own ships, total control over its facilities and inventory levels, and freedom of movement. Although it might have had some R&D work, this was not a relevant issue in everyday business of the late Middle Ages. Its financial flow system was fragmented because each merchant, as long as Hansa rules were not violated, could decide himself where to make financial transactions, and there were few restrictions to the flow of capital. Its operating methods were fragmented according to what could be accomplished in each market or Kontor, which was strongly related to the Hansa position in a particular country.

So far in the analysis, we have addressed several objectives for the multinational corporation. Three of them, transmission of resources, innovation in host societies, and implementation of the benefits of unification constitute what Fayerweather (1969, p. 206) has called the "flow of superior skills and beneficial decisions from the parent firm to the foreign unit," meaning that the multinational business must have some competitive advantage to offset its competitive disadvantages, such as the larger overhead it usually has to pay. We have seen in previous sections that, sometimes in its own peculiar ways, the Hansa shared these objective and also a fourth one, handling nationalism and national interests.

In order to fulfill these objectives, the adopted conceptual framework suggests four communication gaps that have to be dealt with. Cultural and nationalistic gaps were as important to the German Hansa as they are today. Environment and distance gaps, however, were far more difficult to cope with at a time when a letter from Lubeck to Bruges could take twelve days to be delivered in the summer (Dollinger 1970, p. 417), and a ship passage from Lubeck to Bergen could take three to four weeks (Gade 1950, p. 60).

Organizational Structure

Four our purposes, the relevant aspect of the league's organizational and administrative system was the skillful scheme it put together to manage business in a large territorial area with the extremely poor communications systems at its disposal. The scheme was loose enough to permit varied arrangements among the many merchants in the association, but had strict rules that kept it all together, enforced by powerful aldermen in towns and Kontors.

The German settlement in Bergen, recognized by the King of Norway in 1343, lasted for more than three centuries and, at times, monopolized Norwegian trade. It is a good example of Hansa management methods. According to Gade (1950), the Bergen Kontor consisted of 35 gardens. Each had its own pier for vessels and one building complex. The ground floor was divided into sales rooms, the second floor in offices and bedrooms for superiors and visitors. The third floor contained the bedrooms for the workers. At the rear were located the kitchen, storerooms and cellars. Each garden had its own administration and court, whose decisions could be appealed to the Kontors' Council and even to Lubeck. The Bergen Kontor was completely free from Norwegian law. The connection between Bergen and Lubeck was made by a society of merchant capitalists who went regularly to the Kontor. Some sailed their own ships. Other important positions in the society were those of the secretary, in charge of correspondence, and the superintendents of freight. Many times, partnerships were formed, with one partner in Lubeck and the other in Bergen. These partnerships were controlled and regulated by the league. Only Germans could be partners, and dealings in options were prohibited. In addition, German merchants refused Norwegian citizenship in order to avoid taxes and military service.

Still according to Gade (1950), a career as a German merchant in a foreign Kontor started relatively early. To be sent abroad, they must have lived in their home town for at least seven years, and be approved by the heads of the league. Beginning as simple helpers, those who made it put in seven to ten years to work their way up to alderman. Working conditions were extremely tough, and certain promotions were even tougher, because of the ill-fated and brutal games that worked as rites of passage. Although in the Hansa environment nothing like a local manager could ever exist--they all had to be Germans--the Kontor did its best to maintain good relations with the townspeople by inviting some to parties and by making generous contributions to local churches and the poor.

Similarities and Differences

Let us now review the most important similarities and differences between the organization and behavior of the Hanseatic League and that of the multinational firm represented in our model. As one would expect, a time span of four hundred to five hundred years has produced many differences, although similarities remain. We will begin with the differences.

First, in transmitting resources, the emphasis of the Hansa was on transmitting capital, labor and materials, as opposed to skills. The strategy seemed to aim at keeping trading skills inaccessible to any outsider. Second, its ill-defined legal status, purposely kept that way, could not exist today. On one hand, the Hansa regulated all business activities and even had some powers of a state and, on the other hand, it did not want to accept collective responsibility for the actions of one of its towns or merchants. A third difference was its military option when dealing with host governments. Multinationals of today do not openly recruit armies. Fourth, its investment options were different. Although in some instances it is truth still today, the friendship of a king could be seen as an income-generating asset. He was, perhaps, not totally under control, but did delegate privileges and controls over markets. Fifth, its organizational and managerial system had almost nothing to do with what we see today. Examples among its policies were its one-sided and eventually even cruel relations with labor, and its partial and sometimes total independence from the law of the host country. Finally, its organizational characteristic of having independent merchants required it to have fragmented financial policies. This is one of the factors that kept it from being a totally unifying force in Northern Europe, although it had unifying approaches to product policies and logistics.

Some variables have remained unchanged. The Hanseatic League's major economic role was to transmit resources, just as MNC's do today. Likewise, we have reviewed a number of instances where they have introduced innovations in host societies. Another important similarity was their need to handle nationalism and national interest issues. The section on the Hansa's institutional arrangement has suggested how they have put together an organization of finite resources under ready control. Finally, the evidence has suggested that the corporate objective of long-term market penetration and control was a major goal of the Hansa merchants.

Conclusions

The aim of this article has been to determine if there are similarities in the behavior of the international organizations studied.

The Hanseatic League operated in an environment distinct from anything we see today. It was an environment of poor communications, of weak national states--especially in Germany, of few technological innovations, of simple and limited manufacturing possibilities, of mostly inland navigation, and of a rather distinct risk structure. The Hansa could not survive in the twentieth century. It was especially adapted to its own time. Every business must adapt to its environment in order to survive. Environments change over time, and so do multinational businesses.

The point, however, is that multinational businesses have changed only their form, represented by the differences we have found, and not their nature, represented by the similarities we have found. The analysis suggests that transmission of resources, introduction of innovations in host societies, and the need to deal with nationalism and national interest are present regardless of the environment, and might represent the core of multinational business behavior.

Therefore, definitions of multinational business that are based on form will lose their explanatory value over time. Definitions based on nature are more appropriate. The study suggests that multinational businesses will set up an organization capable of controlling profitable or potentially profitable markets or sources of raw materials, regardless of national borders. By control it is meant the ability to transmit resources, introduce innovations, and deal with nationalism and national interests.

The form of multinational business has evolved over the years. The rise in the power of national states was one of the leading causes of the Hanseatic League's decline. Colonialism is one form of multinational business in which the home country takes over the host country and then grants privileges to home merchants and corporations. Since then, multinational businesses have had to cope with ever increasing powers of host countries, and trade privileges granted by the home country have given way to foreign production with total control, to joint ventures, to licensing agreements, and so forth. The rise in power of host countries has also manifested itself through the development of state-owned companies and their growing role in the international markets of the second half of the twentieth century (Aharoni 1980).

Still, questions remain. Future research in the area should be directed at confirming or disconfirming the nature/form dichotomy that has been suggested. In addition, an investigation into the environmental variables that contributed most to past changes in the form of multinational business would be invaluable.

Finally, to understand its evolution in the future, we must acknowledge the fact that multinational business is very old. As the study indicates, it will adapt to future environmental changes by evolving into new forms in such a way as to be able to continue to transmit resources, introduce innovations and deal with nationalism and national interests.

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