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**REPERCUSSIONS OF THE ECONOMIC AND MONETARY UNION IN THE
CONFIGURATION OF THE VALUE CHAIN OF INTERNATIONAL INDUSTRIAL
ENTERPRISES INSTALLED IN EUROPE**

Theme: Globalization and Configuration of the Value Chain.

Title: Repercussions of the Economic and Monetary Union in the Configuration of the Value Chain of International Industrial Enterprises Installed in Europe.

Content:

- 1.- Introduction.
- 2.- Main effects of the Euro on the international competition inside the European Union.
- 3.- Value chain in international spaces: structure and drivers.
- 4.- Competitive effects on the configuration of the value chain.
- 5.- Discussion.
- 6.- References.

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1.- Introduction

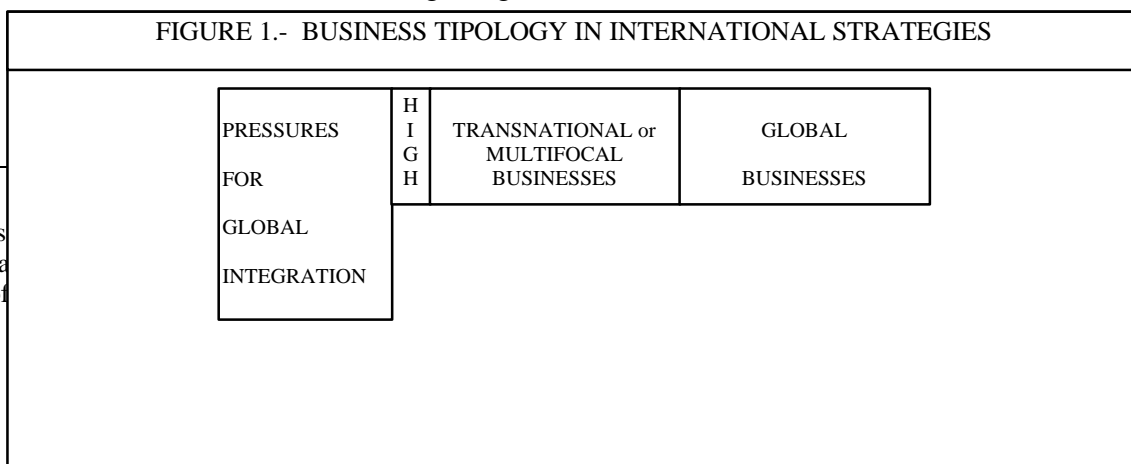
The Economic and Monetary Union -EMU- is a political and economic event with noteworthy effects for the competition in the European Union -EU- next in the time⁽¹⁾. Although this fact has wakened a remarkable interest, the existent studies are characterized in its biggest part: a) to be centered in considerations of macroeconomic and aggregate character; b) to descend to the establishment of the entrepreneurial repercussions in a limited way, adopting an administrative perspective; c) to reserve the competitive analysis to the financial sector and, mainly, banking sector; d) not to use, in any event, a strategic focus.

In accordance with these deficiencies, in this paper we outline, from a strategic perspective, a competitive analysis of one of the most important repercussions that will influence on the industrial firms operating in the Single European Market -SEM-: the reconfiguration of their value chains.

In the first place, the most important implications that the EMU will have on the industrial firms installed in Europe are described in competitive terms. Next, the relative theoretical framework to the structure and determinants of value chains in international scopes is introduced, to model the repercussions of the previous competitive effects referring them to a concrete dimension of the entrepreneurial development. In third place, we present the basic implications that can be extracted starting from the previous conceptual framework: the tendency to the absence of fragmentation or partial fragmentation of the value chain, the reinforcement of strategies guided to share resources in diversified enterprises operating in the EU and the increment of the regional headquarters' power in detriment of the corporate, business and national unit managers. In fourth place, the most important conclusions that can be derived of the previous analysis are discussed.

2.- Main effects of the Euro on the international industrial enterprises installed in Europe.

The main repercussions of the EMU can be entered in competitive terms assisting to the sector typology in internationalization strategies proposed in the figure 1, where four categories in function of the variables “advantages of global integration” and “necessity of local responsiveness” can be distinguished. In accordance with this outline, the effects can group in two levels as they influence in these two variables, forcing the globalization of the industrial sectors in the EU scope:



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L O W	MULTIDOMESTIC BUSINESSES	DOMESTIC BUSINESSES
	HIGH	LOW
PRESSURES FOR LOCAL RESPONSIVENESS		

Source: Adapted from PRAHALAD and DOZ (1987), BARTLETT and GHOSHAL (1989) and ROTH and MORRISON (1990).

1.- Elimination of the monetary barriers. The Single European Act went into effect in 1987 pursuing the creation of a Single Market in the community space. Starting from the elimination of the physical, technical, fiscal barriers and the liberalization of the internal competition, the goal was the attainment of the free movement of goods, people, services and capitals (CEC, 1989). Nevertheless, in this process that in January of 1993 were reached, the elimination of the monetary barriers was not contemplated although they are a substantial obstacle to the competition in the EU scope (DTI, 1992; WISE and GIBB, 1993), due to:

a) The existence of monetary transaction costs: they include the exchange costs and, mainly, the cover of risk in foreign exchange costs (EMERSON and HUHNE, 1991). The remarkable uncertainty that the Exchange Rate Mechanism of the European Monetary System lived starting from September of 1992, caused that these costs rise in a substantial way, making a smaller competitive presence of firms in the whole EU, because they partly compensated the possible advantages of global integration (DREW, 1992).

b) The negative pressure on the value chain configuration: the presence of exchange risk acts as an incentive to the foreign investment as protection mechanism, since an important fluctuation of par values can destroy the competitive advantage of a export-based firm (GEORGE and SCHROTH, 1991). Therefore, the fragmentation of the value chain is forced by this type of risk not allowing the appropriate use of the advantages of global integration (FAYERWEATHER, 1969).

2.- The progress in the standardization of the European consumers' necessities. The harmonization policy of the EU applied in all the members countries has caused a noteworthy advance in the configuration of the so-called "European global consumer" (CEC, 1993). Although the differences that still exist are remarkable, a considerable degree of homogeneity has been reached in such aspects as the economic, financial and technological development, the distribution channels, the transport systems, the media, etc. (CALORI and LAWRENCE, 1991; THE KAHAL, 1994), while the social and cultural variables continue being appreciable sources of heterogeneity for the entrepreneurial activities (MASS, 1990; RANDLESON *et al.*, 1990)⁽²⁾. The Euro will

⁽²⁾ Diverse applied studies have verified the tendency to the standardization of necessities and likes along the time inside concrete industries (ESPEY, 1989). In accordance with an empirical investigation carried out in all Europe can be distinguished six geographical cluster of high homogeneity: The Netherlands, Denmark, Luxembourg and West

suppose very excellent progresses toward this homogeneity, by three means:

a) The establishment of an single unit of account: the fact that all the European citizens make their purchase efforts starting from prices settled down in the same unit of account, will imply the comparison of an outstanding part of their cultures.

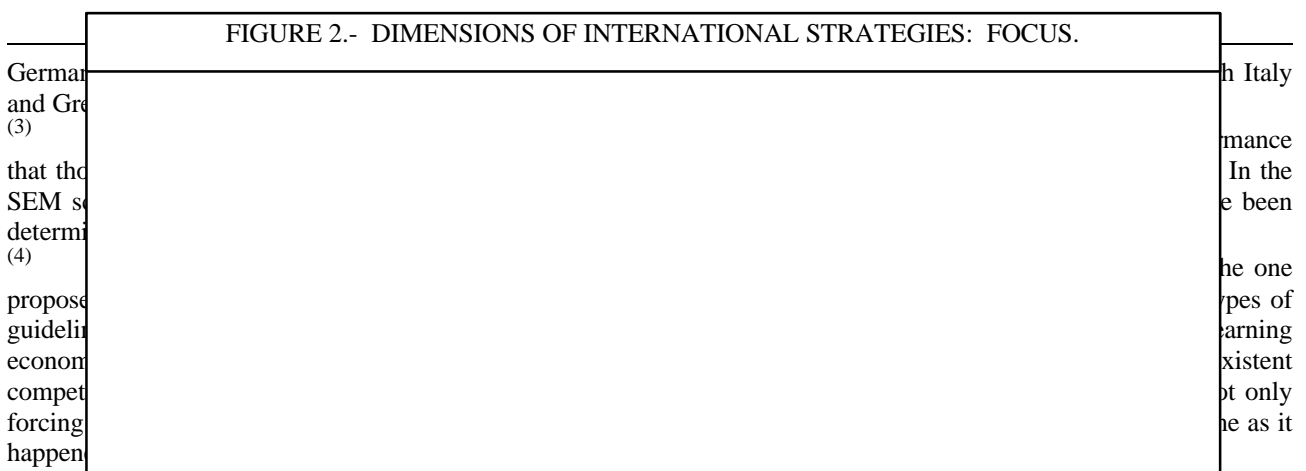
b) The biggest displacement ease inside the EU: the reached levels about free movement of people, including workers, will be reinforced by the nonexistence of monetary barriers. A bigger degree of displacements inside the community countries will rebound, long term, on the harmonization of its attitudes and behaviors, and, short term, in the necessity that products and global marks exist in the EU (BURGGRAEVE, 1990).

c) The proliferation of global strategies: this is a factor that causes and, in turn, it is consequence of the European consumer's harmonization. On one hand, the firms value in more measure the possibilities of global integration that exist in the EU and, on the other hand, the unfolding of this type of strategies foments a common answer in its clients⁽³⁾.

In short, we can appreciate how the competitive effects of the EMU can be entered starting from the proposed outline, forcing the globalization of the industrial sectors that respond at the present time to anyone of the other three categories⁽⁴⁾.

3.- Value chain in international spaces: structure and drivers.

An international strategy can be defined by mean of the precise delimitation of three basic dimensions: competitive scope, competitive advantage and international focus. Supposing that the competitive scope includes the EU and the competitive advantage can refer to cost or differentiation leadership, we are going to center us on the international focus that comprises the value chain structure (PORTER, 1980 and 1985). The international focus can vary along a continuum between two ends that would be the simple global strategy and the simple multidomestic strategy, implying different configurations of the value chain -figure 2- (PORTER, 1986a and 1986b):



APPROACH	SIMPLE GLOBAL	EXPORTING WITH DECENTRALIZED MK	FOREIGN INVESTMENT WITH COORDINATION	SIMPLE MULTIDOMESTIC
FRAGMENTATION OF VALUE CHAIN	NO (SINGLE)	PARTIAL	COMPLETE	NO (SOME INDEPENDENT)
MECHANISMS OF INTEGRATION	CONCENTRATION and/or COORDINATION	CONCENTRATION/DISPERSE; COORDINATION; LACK COORD.	DISPERSE; COORDINATION	DISPERSE; LACK OF COORDINATION
TYPE OF ENTERPRISE		VERTICALLY INTEGRATED	HORIZONTALLY INTEGRATED	

Source: Adapted from PORTER (1986a and 1986b).

1.- Simple global perspective. The competitive advantage is obtained starting from a single value chain, by means of highly integrated activities due to the concentration and coordination of these.

2.- Simple multidomestic perspective. In this case, fragmentation of the value chain does not exist, since each subsidiary has all the activities focused in a certain geographical space, constituting independent configurations due to integration mechanisms are not applied -neither concentration neither coordination-.

3.- Export-based perspective with decentralized marketing. It is based on the existence of a value chain broken into fragments partially, since the support activities -infrastructure, human resource management, technology development and procurement- and upstream activities -inbound logistics, operations and part of outbound logistics- are single, while the downstream activities -part of outbound logistics, marketing and sales, and service- are decentralized. Therefore, concentration and coordination mechanisms are applied in some activities and dispersion and lack of coordination mechanisms are used for others. In this case, the enterprise is denominated vertically integrated taking an international approach⁽⁵⁾.

4.- High foreign investment perspective with extensive coordination among subsidiaries. Each one of the subsidiaries has a complete but not independent value chain of the rest, therefore, dispersion mechanisms of activities are applied but they stay coordinated. The value chain of the firm, considered as a whole, is broken into fragments totally for each one of the geographical locations. The enterprise is denominated horizontally integrated taking an international approach.

Since the simple focuses do not usually exist actually, we can affirm that most of the international firms operating in the ESM is located in intermediate points among the partial and

⁽⁵⁾ This term is characteristic of the industrial organization studies about the internationalization processes: a) horizontally integrated firm: it produces the same goods in their plants located in different geographical markets; b) vertically integrated firm: some plants generate outputs that are inputs for others, located in different spaces (BUCKLEY and CASSON, 1976; RUGMAN, 1981; TEECE, 1981; DIG, 1982; WILLIAMSON, 1994).

total fragmentation of the value chain. The main factors that determine a structure type or another is those that impact positive or negatively on each one of the integration mechanisms:

1.- Positively on the concentration. Those that impact on the absolute number of viable localizations and those that determine the concrete establishment can be distinguished. The first ones come given by the presence of scale and learning economies (FAYERWEATHER, 1982; HOUT, PORTER and RUDDEN, 1982). The seconds comprises the existence of comparative advantages in a concrete local space and of advantages in the co-localization of some activities -for example, operations and research and development- (COLLIS, 1991).

2.- Negatively on the concentration. On one hand, those market factors that can be included under the denomination of concentration costs, referred to:

a) The existence of pronounced local sensibilities that annul the scale or learning advantages (PEEBLES, 1989).

b) The informative losses in design and application of plans and programs of marketing derived from the geographical concentration, since the reception of relative signs about the consumer's behavior in the different local spaces is eliminated (SAMIEE and ROTH, 1992).

c) The learning losses in strategic and operations management, due to the absence of dispersed “sensors” dedicated to incorporate knowledge generated in concrete geographical scopes (HAMEL, 1991; TUDOR and TRUMBLE, 1996; SAMBHARYA, 1996)⁽⁶⁾.

d) Impossibility of taking advantage of the superior efficiency provided by endogenous production factors characteristic of a certain country. In other terms, the concentrated configuration would determine not to be able to exploit the derived benefits of locating each one of the activities in the countries that maintain comparative advantages in its production (PORTER, 1994).

e) Incur high of transport costs, mainly for those products that present a high volume/value added rate. In spite of the substantial decrease of these costs that the technological advances have allowed, in some industrial sectors continue assuming certain relevance (FLAHERTY, 1986).

Other barriers to the concentration from the political-institutional dimension, are: tariff and non tariff barriers, the requirements of local content, the volatility of exchange rates, the risk-country presence, etc. (BARNEY, 1997).

3.- Positively on the coordination. The coordination of activities in numerous countries allows transferring the intangible resources obtained in a country to another on an ongoing base.

⁽⁶⁾ The relevance attributed to the learning organizations at the present time, guided to the generation of competitive advantages on a ongoing base, in the face of the impossibility of discreet maintenances in the time, due to the competitive benchmarking processes and the turbulence of the environment, has caused the focusing in the elements linked to the knowledge as factors of localization of first order (SPENDER and GRANT, 1996; SPENDER, 1996; MATHEWS, 1996).

One of the main arguments posed for the development of international competitive processes is the use of a intangible resources set or distinctive capacities set in a wider scope (KOGUT and ZANDER, 1993). However, this fact does not only happen in a first moment but rather it will occur in any the rest of the international competitive behavior of the firm. The advantage that presents the coordination as a dimension of the global strategies, in front of the multidomestic strategies, is not only to permit the mentioned continuity in the transfer but also in the generation of knowledge⁽⁷⁾.

4.- Negatively on the coordination. The coordination costs depend on the sector type and the concrete organizational form adopted, being able to be distinguished two main classes: commitment costs and coordination costs in strict sense (MARTINEZ and JARILLO, 1989)⁽⁸⁾.

The framework described until this moment is suitable for the analysis of an international firm's value chain structure. Nevertheless, when the analysis object is a diversified organization is necessary to make some shades. A firm competing in related sectors can reach some benefits of the coordination inter-sector inside the same country instead of intra-sector in diverse nations (MARKIDES and WILLIAMSON, 1994). The firm would opt for a multidomestic strategy that,

⁽⁷⁾ The concrete advantages are the following ones:

1.- The peculiarities characteristic of each country allow the generation of an improved knowledge of the business in two senses: a) these singularities enable the reception of shades and different aspects from the own business (BARKEMA, BELL and PENNING, 1996); b) the firm can make consciously investigations of experimental character testing diverse strategic options in function of the mentioned peculiarities (PENNING, BARKEMA and DOUMA, 1994).

2.- The coordinated activities in a world space allow substantial possibilities to make in front of the turbulence of the environment, providing a high degree of flexibility in numerous fronts: a) certain drastic changes in the sector can be materialized or to be appreciated with more intensity in a concrete country in function of their singularities, so the firm can anticipate the same ones in other countries (KOGUT, 1985); b) movements in the exchange rates, basic production factors or political conditions can be overcome without more than to reallocate the production among the different coordinated countries. In multidomestic strategies this option is not accessible, due to these movements can counteract gravely the competitive advantage reached in a country or destroy it in its entirety (ROTH and RICKS, 1994); c) the firm has a great answer capacity in front of the competition taking advantage of its international positioning of flexible character. Indeed, two mechanisms exist in this sense: i) to develop different strategic competitive behaviors in each country; ii) to deploy concrete actions in a critical country for the competition, forcing them a change of strategic positions in other countries (GHOSHAL, 1987).

3.- It contributes from a decisive way to the reinforcement of cost and differentiation leadership strategies: a) obtaining scale economies in spite of the geographical dispersion if this is according with specialization patterns. An activity possesses different aspects or dimensions, so if in each geographical space each one of these components are located, the scale economies are accessible (FAYERWEATHER and KAPOOR, 1975); b) offering a good in multiple countries in a consistent way -common mark and uniform product- can reinforce the image of the firm and contribute to its differentiation position in the whole world. This fact is, in particular, appreciable when some of these two circumstances are given: i) a sector where the transnational informative flows are remarkable; ii) the clients of the product make an use of it in multiple countries (LEVITT, 1983).

⁽⁸⁾ 1.- Commitment costs: in numerous aspects linked to the offer -use of productive factors- and to the demand -precise adaptation to local sensibilities-, the coordinated firm will obtain sub-optimum results in the different countries. The commitment with the uniformity in the offer and the demand determines individual costs that, in some cases, can overcome the advantages of the coordination (HAMEL and PRAHALAD, 1985).

2.- Coordination costs in strict sense: referred to information costs and provision of incentives costs (LESSARD and ZAHEER, 1996): a) transaction costs: administration of the information in long distance, language problems and cultural barriers to the communication (HWANG, YAN and SCHERER, 1996); b) alignment of incentives costs: the generated and accumulated knowledge by a subsidiary will not be transferred to other since, unless the appropriate incentive structures are designed, the different countries can be considered as competitors more than as collaborators (ZALAJ and WESTPHAL, 1994; SZULANSKI, 1996; PEPPARD and FITZGERALD, 1997).

however, would not disable it for the obtaining of derived advantages of the coordination among the different sectors inside a country (ROBINS and WIERSEMA, 1995). In fact, when the firm follows a concentric diversification strategy, it will be difficult to adopt a global focus in the international scope, because it must assume double coordination costs and inter-sector and intra-sector considerable commitment costs. In turn, these remarkable limitations to the coordination would condition a dispersed configuration (PORTER, 1986a).

In short, it is possible to differentiate two value chain structures in international spaces according to their configuration -total or partly broken into fragments-, what comes given by the structural factors pressing in positive or negative terms on the two existent mechanisms of integration -localization and coordination- and by the supposition that the firm follows a concentric diversification strategy.

4.- Competitive effects on the configuration of the value chain.

The main competitive repercussion of the EMU is the globalization of the industrial sectors inside the EU, in function of the modification of the variables “pressure for global integration” and “pressure for local responsiveness”. The biggest structural potential of globalization should be perceived by the firms operating in the competitive scope of reference and taken advantage in strategic terms (PRAHALAD and HAMEL, 1994). This strategic answer can be concentration or coordination of activities giving place to a global value chain. Nevertheless, we have analyzed the factors that impact positive and negatively on each one of these integration mechanisms, giving place to value chains whose structure differs. Our goal in this epigraph is to link these relationships to demonstrate that the Euro will destroy the obstacles to the concentration of activities, causing a tendency toward the absence of fragmentation or partial fragmentation of the value chain, in general, likewise modifying the configuration of diversified firms installed in Europe.

In accordance with the conceptual framework introduced in the previous epigraph, the EMU will imply the disappearance of the monetary barriers and the progress in the standardization of the European consumers' likes. These guidelines suppose to eliminate completely and to diminish in a considerable way, respectively, two factors that impacted in negative terms on the concentration mechanism as instrument of globalization of the value chain. Therefore, a substantial reduction of the main incentives to the configuration of broken into fragment value chain will take place according to an international focus of high foreign investment with extensive coordination of subsidiary, passing to a structure of partial fragmentation or absence of fragmentation that allow to the firms installed in Europe to exploit scale and learning economies in the whole community space:

1.- Absence of monetary barriers. The fluctuations of the par exchange rate can alter in a significant way the competitive advantage, being able to destroy it in their entirety, in concentrated international firms⁽⁹⁾ (KESTER and LUEHRMAN, 1989). In these cases, the firms have four options

⁽⁹⁾ The export-based firm decrease its competitiveness before an appreciation of its reference currency,

to manage the strategic risk of exchange rate (KOGUT, 1985; DIXIT, 1989a y 1989b; von UNGERN-STERNBERG and von WEIZSACKER, 1990):

a) To speculate: to select the location in certain countries assuming a substantial risk since they are accepting a possible negative fluctuation⁽¹⁰⁾. Therefore, a focus of global character is adopted, configuring a single value chain, although the risk is very appreciable.

b) To diversify: to duplicate localizations for the same activity, incurring derived costs of the lack of concentration. In this case, a very near strategy to the simple multidomestic is selected, where they are not considered mechanisms of integration of activities -concentration or coordination-.

c) To make flexible: besides having one or several plants for the same activity, surplus capacity allows the production transfer in function of the exchange rate oscillations, which requires the existence of coordination systems of activities, approaching to a high foreign investment strategy with extensive coordination among subsidiary, that implies a total fragmentation of the value chain.

d) To imitate: to locate the firm in the same countries that the world leaders or most of global competitors, so that the competitive advantage do not depend, in effective terms, of the exchange rate, since a negative fluctuation would affect equally to all of them. Although it can seem an appropriate argument, serious problems exist in applied terms, due to the firms' international configuration differs in a considerable way, therefore a oscillation do not affect them in the same way.

The last three strategic management perspectives of exchange rate imply not to use the concentration mechanism for the integration of activities, while the first one is clearly rather an option of theoretical character, so it can be concluded that the monetary barriers act as a disincentive to the adoption of strategies that comprise an absence of fragmentation or partial fragmentation of the value chain. In accordance with these considerations, the EMU will imply a noteworthy incentive to concentrate activities in the EU scope.

2.- Progresses in the standardization of the European consumers' likes. Although the disappearance of the monetary barriers implies an excellent progress in the use of the concentration as

compensating its initial advantage.

⁽¹⁰⁾ Two fundamental guidelines to take this type of decision exist, one of monetary character and another of real nature. On one hand, in accordance with the purchasing power parity theory, the export-based firm will evaluate if the exchange rates are in their levels of parity or, on the contrary, they are over or undervalued. Likewise, it will consider the evolution of the differential of prices increment rate among the implied countries, assuming that those presenting bigger inflation will experience a fall of their exchange rates. On the other hand, those countries that have a positive differential in the productivity growth regarding other, will revalue their currencies. In accordance with this approach, the firm will must locate in weak countries from the economic point of view and in those nations whose global productivity increases below the growth rhythm of the own firm.

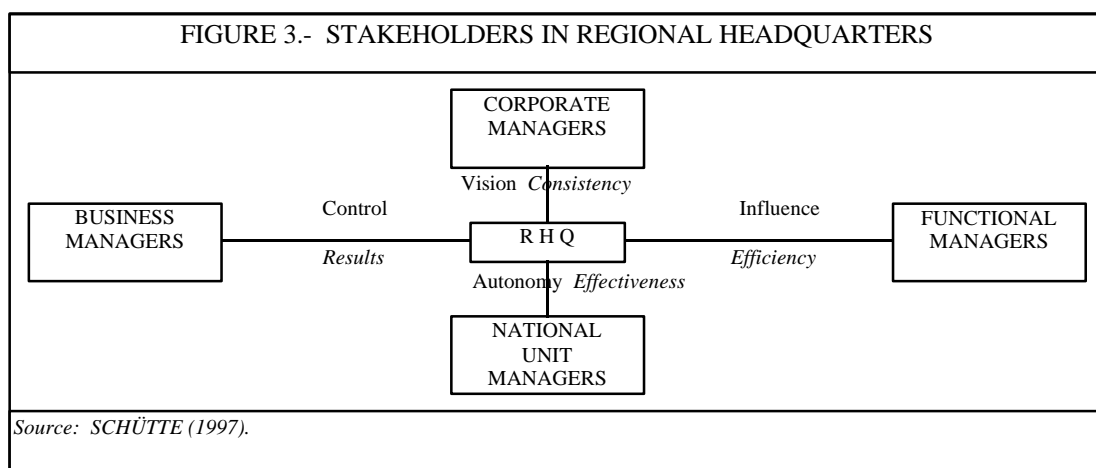
Although these approaches of monetary and real order are known for some time by the international managers, they constitute very chancy decision criterion, for two reasons: in the first place, because of the uncertainty associated to all forecast -the differentials could have been not well estimated or the firm is unable to reach the established productivity increment-; in second place, they operate long term, so they do not exclude the possibility of wide imbalance periods toward the structural conditions (LESSARD and NOHRIA, 1990; FIEDLER, 1995).

integration mechanism of activities, the heterogeneity in the European consumers' necessities must be kept in mind. If this is high, the pan-European firm could incur commitment costs of such a magnitude that overcome to the benefits of the concentration (KOTHA, 1995). Nevertheless, as we have indicated previously, the EMU implies substantial progresses in the harmonization process, so net performance of this type of value chain configuration will be positive (GUIANLUIGI, 1991).

In short, the competitive effects of the EMU can be clarified in accordance with the existent literature in structure and drivers of value chain in international spaces, to conclude the tendency to the concentration of activities, and, therefore, the absence of fragmentation or partially fragmentation.

In diversified firms applying a strategy guided to share resources among different sectors inside the same country, the most appreciable effect will take place because now it will be possible to share resources in the same sector for different countries. The Euro will suppose a very excellent decrease of the level of the coordination costs, implying a remarkable incentive toward a wider strategy management of interrelationships. This asymmetric effect in favor of the diversified firms can generate, in turn, changes in the structure of the sectors where both types of firms are competing - diversified and concentrated-.

Once analyzed the effects on the value chain configuration -what-, it is necessary to think about the organizational structure that comprises it -how-. From this perspective, it is foregone that the regional structures assume great importance in the EU scope, comprising the entirety of support activities and a great part of the primary activities. This way, the power attributed to the regional managers will be very superior to at the present time, in front of the corporate, business, functional and national managers -figure 3-.



Apart from the own relevance of the study of the organizational changes, we must highlight the importance that these changes condition the next strategic formulation process of the industrial enterprises installed in Europe, because each one of the organizational units presents a different goal

pattern⁽¹¹⁾.

5.- Discussion.

In this paper we have tried to describe the foregone competitive effects, from a strategic perspective, of the EMU on the configuration of the industrial enterprises installed in Europe, being reached the following general conclusions:

1.- The tendency to the absence of fragmentation or partial fragmentation of the value chain, since the concentration of certain activities will be increased in a considerable way, when disappearing the strategic risk of exchange rate and increasing the European consumer's standardization.

2.- The reinforcement of strategies guided to share resources in diversified enterprises operating in the EU, due to the existent incentives: not only take advantage of inter-sector interrelationships inside the same country, but also intra-sector interrelationships in different countries of the EU. Fact that can have appreciable implications in the industrial sectors where diversified and concentrated firms are competing.

3.- The increment of the regional headquarters' power in detriment of the corporate, business and national unit managers, that will imply appreciable structural changes that can affect in the next strategic formulation processes due to the different goals of each one of these organizational units.

In this point it is necessary to make two appreciations, a relative one to the empirical observation of these competitive behaviors, proposed from a theoretical perspective, and another referred to a derived implication of this analysis that has not been object of consideration:

1.- Empirical evidence. The increase of the globalization potential, through the concentration that the introduction of the Euro in the community space allows, is not an enough condition for its globalization. As it can be appreciated in the figure 4, it is possible the sub-reactions and over-reactions to the new sector structure⁽¹²⁾ in function of the strategic positions of the installed

(11) The different interests in the organizational structuring are: the corporate managers prefer a dependent region, trying to harmonize it with other parts of the world; the business managers defend that the knowledge associated to the

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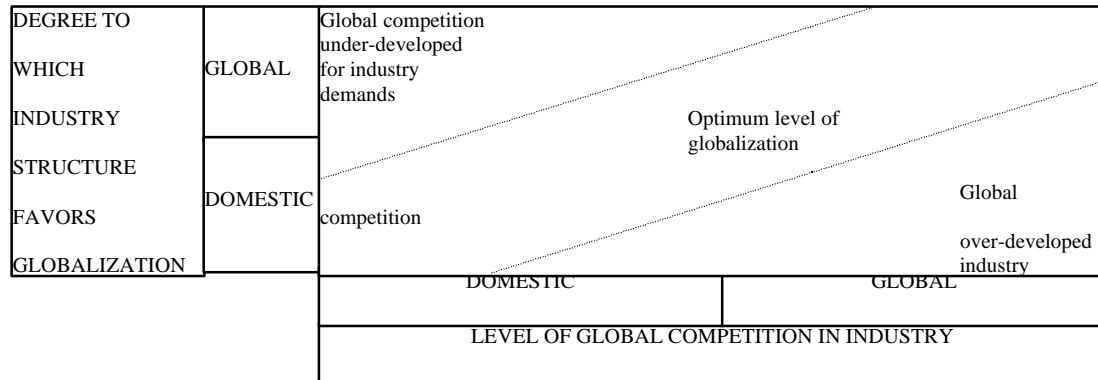
FIGURE 4.- INDUSTRY RESPONSES TO PRESSURES FOR GLOBAL INTEGRATION.

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enterprises, that they will be kept in mind when the empirically testing of these theoretical arguments are carried out.



Source: Adapted from BIRKINSHAW, MORRISON and HULLAND (1995).

2.- Localization of activities. The main object of this work has been to analyze the effect of the EMU on the value chain configuration of industrial enterprises installed in Europe, reaching the conclusion that an appreciable tendency to the concentration will take place. The restructuring of activities will also suppose the taking of decisions regarding the localization *ex-novo* or re-localization of activities, with the economic repercussions that this implies for the countries of the EU. The hypothesis more likely is that, as consequence of the biggest concentration potential, the existent intra-community locational pattern of European multinationals will be intensified (MOLLE, 1990): the destination of the investments has been the centre of Europe in front of the periphery. This locational tendency is, in a first approach, contradictory, since it supposes to move investments from countries with low rent and wages toward other where these magnitudes are superior (KRUGMAN, 1994). An explanation to this strategic behavior can be elaborated starting from the new conceptual approaches to the localization factors in international spaces. This factors can be divided in two groups (PORTER, 1986a): a) simple -low wage costs, natural resources, etc.-; b) complex -scientific skill, qualified technical personnel and infrastructures, mainly-.

The first ones are related with the dimension “low cost”, while the seconds are connected with the “quality”. Although those assumed in the past a substantial importance, at the present time, these have bigger relevance in function of the industrial mechanization degree and the technological innovations (PORTER, 1990). The changes that have taken place in the production systems -types of auxiliary capital and strategic orientations assumed in operations management- are explanatory elements of first order in the relevance assigned to complex factors (HENNART and PARK, 1994; RUGMAN and D'CRUZ, 1997):

2. - Over-development: the main reason usually resides in the pursuit of competitive movements for most of firms that are not based in actual bases (BIRKINSHAW, MORRISON and HULLAND, 1995).

1.- Changes in the production systems: the advance of the flexible auxiliary capital causes the elevation of the degree of necessary qualification of the human resources. Indeed, although it allows a considerable manpower saving, due to the biggest automation, the considerations of simple factors as the low wage costs lose importance, since require technical personnel, underlining the necessity to be located in a local environment very endowed with qualified human capital.

2.- Changes in the strategic orientations in operations management: we allude to the “just in time” and the “total quality management”. These two guidelines cause the convenience of some appropriate infrastructures and of labor framework presenting certain minimum qualification levels⁽¹³⁾.

If, as it is foregone, the EMU intensifies the necessity to take *ex-novo* localization decisions or re-localization decisions in the EU scope and the observed patterns remains, we will attend the concentration of activities in the countries of the centre of Europe in front of the periphery, as consequence of the restructuring of the value chains of industrial enterprises.

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⁽¹³⁾ The “just in time” is based on a supply of inputs temporarily coordinated to their consumption, so that it allows a considerable reduction of the stocks that the firm is forced to maintain. So, sophisticated transport infrastructures are needed for the suppliers can be adjusted to the delivery terms, guided to take advantage of temporary dimension in economic terms (DEAN and SNELL, 1996).

The “total quality management” implies a conception of the qualitative control of the generated production, being based on a active focus more than in the classic passive conception, on the one hand, and on the improvement of the control scope in material terms -all the activities- and temporarily terms -ongoing processes-, on the other hand. The active perspective implies the control *a priori* of the possible shortcomings, making responsible the worker, in front of the control *a posteriori*, which a specialized technical team exists. On the other hand, the ongoing improvement focus of the quality supposes the formation of organizational units constituted by the workers guided to propose possible initiatives for the increment of the productivity. Therefore, in both cases, it is required a minimum qualification of the human resources and formation services in the location scope (POWELL, 1995).

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