Thomas & Betts Limited: An Application of the "Theory" of Direct Foreign Investment

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In today's world where seemingly every firm is involved in international trade, the need to better understand that trade has created a growth industry. The experiences of a large number of firms have been condensed to some "common denominators," such as:

> ... to the typical company, the fundamental or strategic reason for entering foreign markets becomes apparent only some time after its first tentative ventures in that direction [14, p. 1].

A textbook on international marketing may take several chapters to discuss the *initial* entry decision [4, 5, 7, 12, 14, and 21], a decision that involves a great many details.[2]

The 1980s and 90s are not the first time that small firms have elected to enter international markets. This paper makes use of a historical case study to address some of the decisions a firm must make in selling its products and producing its goods in a foreign country. This paper will contrast the experience of one small firm in the 1930s with the stereotypical textbook example of the 1990s. The firm in question is the Thomas & Betts Company (T&B) which began as a sales agency for electrical conduit in New York City, but by the 1920s had grown to where it manufactured conduit fittings in its Elizabeth, NJ, plant [3]. T&B focused its own sales effort on the East Coast market; sales agencies represented the firm elsewhere.

The foreign country in question is Canada. The period from the late 1920s through the start of World War II was a period in the development of

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[2]Recalling the 4 P's of traditional marketing, one encounters the 7 O's of intended target markets [5], the 6 C's of marketing channel strategy [4], the 11 C's of channel design [5], and other mnemonic devices.

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the Canadian electrical industry similar to that of the U. S. industry when T&B started in business in 1898. While the company's entry into the Canadian market is in many ways a typical example of direct foreign investment, there are variations on the theme that make the case instructive.

The Pre-Export Stage

Most discussions of internationalization agree the process is sequential, and, therefore, it is described in terms of "stages." As the warning label on any stage theory suggests, "The internationalization process does not appear to be a sequence of deliberate, planned steps, beginning with a clearly defined problem and proceeding through a rational analysis of behavioral alternatives" [21, p. 157]. Indeed, theory is probably not the best word to describe these ex post, ad hoc explanatory schemes.

The first step into the international marketplace typically is a small one, the "pre-export" stage. Interest is aroused by stimuli that develop both externally and internally. This is followed by the establishment of an export market in a host country.[3] If this is successful, sales, distribution, and production facilities are added. In their path-breaking study of the industrial linkages between Canada and the United States, Marshall, Southard, and Taylor [9] drew a composite picture of the "typical" Canadian branch plant.

> ... the American plant in Canada has been established to avoid tariffs and to cater to the consumer preference for "Empire-made" goods.... [I]t has been organized mainly to serve the Canadian market. It is incorporated in Canada as a limited company, is owned by the parent company, financed by it, and closely controlled by it.... It is a factory, not an assembly plant, and ... tends to produce 85 per cent or more of the product in Canada. It pays the going rate of wages.... Its costs are higher than those of the parent and the price it charges the Canadian consumer is likely to be higher than that paid by the Americans for such goods.... [I]t finds the Canadian market little different than the one served by its parent company [9, pp. 218-19].

Given the close "psychological distance" between these two economies, firms on both sides of the border considered branch plants more an extension of the domestic market than an excursion into an international market [5, p. 166; 9, p. 231].[4]

None of the three common explanations for the pre-World War II direct investment of U.S. firms in the Canadian economy (patents, tariffs, and access

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[3]One influential report with an implicit stage process is Reddaway [13]. This report has found its way into several standard works [11; 22, pp. 45-46; 23, pp. 414-22].

[4]Differences in market areas, labor legislation, tariff treatment, and the like were ready reminders of the differences between branch plants and satellite plants within the same country.

to empire) appears relevant to T&B's experience.[5] While Canada recognized U.S. patents, electrical firms on both sides of the border competed (and still compete) by attempting to design around their rivals' patents. The Canadian Patent Act of 1872 reduced the amount of time over which an unworked patent could be held to two years, and some U.S. firms established branch plants to "work" their patents.[6]

Canada's National Policy Tariff of 1879 instituted a high tariff policy, essentially an infant industry approach, to stimulate Canadian manufacturing. During the early 1930s, in response to the Smoot-Hawley tariff in the U.S., Canada raised its rates, thereby creating an even higher tariff wall.[7] Some U.S. firms retreated back across the border, but others reacted in the prescribed manner; they invested in branch plants to avoid the tariff barrier and protect their Canadian market shares. These tariff increases may have led T&B to consider production in Canada, but the issue was discussed for many years before production facilities were sought actively. No direct foreign investment was made at this time.

The third common explanation is access to empire.[8] By establishing a branch plant in Canada, U.S. firms could take advantage of special trade agreements into which Canada had entered with other countries. In particular, the British Preferential tariff and the Franco-Canadian trade agreement (1907) have been cited as providing U.S. firms with more favorable export arrangements from a Canadian branch than from the parent company [9, pp. 225-49]. Such arrangements were of no interest to T&B. Its fittings were produced to North American electrical standards which were different from those in use in Britain and on the Continent.

The most likely explanation is that, in the late 1920s, T&B expected a growing Canadian demand for its products and was anxious to forestall the rise of competition. In the early years of this century, the Canadian market for electrical goods developed alongside that of the U.S. The company took notice as goods began to be exported to Canada with T&B's products included inside them. As Canadian electrical firms developed the capability to produce such goods, they were likely to develop the capability to produce many of the component parts. The rise of a potential competitor, however, was not a

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[5]The two motives discussed extensively in [14, ch. 4] are the tariff (including Imperial preference) and Canadian consumers' preference for goods produced in that country. See also [2, 6, 8, 17, 23, and 26].

[6]These principles were reaffirmed in the Patent Act of 1903. Wilkins [22, pp. 142-43] notes this legislation influenced U.S. electrical firms to invest in Dominion factories.

[7]Canada's "retaliation" to the Smoot-Hawley tariff is discussed in [10; 23, pp. 169-72]; this includes the Bennett tariffs of 1930-31 and the Ottawa Agreements of 1932 (which gave British goods a substantial advantage in Canadian markets).

[8]As part of a general revision of tariffs in 1897, Canada introduced a system whereby unilateral concessions were given to British goods. Several U.S. firms, such as the Ford Motor Company [24], entered Canada expecting reciprocity.

sufficient fear to cause the older members of the firm to accede to the younger members request to make a direct foreign investment.[9]

The belief that demand would increase was based on the fast rate at which Canada electrified in the late 1920s and from the concurrent construction boomlet. According to the Gordon Commission report [1], branch plants of American firms were a "primary influence" on the growth of the Canadian electrical industry.[10] Between 1927 and the bottom of the Great Depression in 1932, the average annual growth rate for electrical energy use in Canada was positive, while that in the U.S. was just negative. Over the entire period between 1927 and 1940, the Canadian growth rate was over 50% greater than that in the U.S.[11]

A second factor that may have led firms like T&B to anticipate growing Canadian demand for their product lines was the construction boomlet of the late 1920s. New construction increased at an average annual rate of 8.8% between 1926 and 1930, 7.2% in real terms.[12] New non-residential construction, the category in which T&B was most likely to make sales, increased by 15.6% (13.9% real) over this period. Non-residential construction, repair, and construction, which could have involved electrification, increased by 4.3% (2.6% real).[13] This boomlet ended with the Great Depression. As Safarian noted, however, "there did not appear to be deflation

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[9]Nestor MacDonald [audio tape #11] asserted both he and G. C. Thomas wanted to construct a manufacturing plant in Canada at an earlier date, but the founding generation, who controlled the Board of Directors, refused to make the funds available.

[10]Completely independent Canadian firms were present from the start, but they were not as significant as Canadian General Electric (under Canadian control until 1923) and Canadian Westinghouse. Northern Electric was arguably the most important Canadian firm, but it too had ties to the U.S. through Western Electric [1, pp. 1-2].

[11]AVERAGE ANNUAL GROWTH RATES OF ELECTRICAL ENERGY USE

	1927-40	1927-32	1933-40
Canada	6.0%*	3.1%	7.0%*
United States	3.7%*	-0.2%	7.6%*

Historical Statistics of Canada , 1st ed., series P-26 and *Historical Statistics of the United States*, 1975 ed., series S-120. A (*) in the table indicates a coefficient that is statistically significant at the 99% level; no mark indicates a coefficient that is not significant at the 90% level.

[12]These growth rates are based on *Historical Statistics of Canada*, 2nd ed., series S-1 and 4.

[13]These growth rates are based on data reported in [15, Tables 1 and 3]. By way of comparison, Steele's recalculations (the data reported in *Historical Statistics of Canada*, 2nd ed.) indicate growth rates for new construction of 8.5% in nominal terms and 6.9% in real terms. The real values used in the text were deflated by Steele's implicit price deflator, series S-7. The rates reported for new construction (both the Gordon Commission and Steele) are significant at the 90% level, those for new non-residential construction at the 95% level, and those for non-residential repair construction are not statistically significant.

factors in housing, as there were in the United States" [16, p. 216]. While Canadian growth did not recede as much during the Depression, it did not advance as quickly thereafter. The entire period 1927-1940 was one of overall decline in both countries with respect to all new construction expenditures in real terms and dwelling starts, but these data are dominated by the Depression.[14] Nonetheless, with respect to both real new construction expenditures and dwelling starts, average annual growth over the period 1933-40 was in excess of 10%.[15]

Thus, both external and internal stimuli -- the existence of a potential market, one that was expected to grow rapidly, one that the company's younger managers were anxious to exploit -- induced T&B to establish a sales agency relationship within Canada.

Experimental Involvement

While T&B's younger managers advocated plunging into a direct foreign investment, the founding generation moved cautiously from this pre-export stage to the "experimental involvement" stage, which is "usually marginal and intermittent" [21, p. 152] involving only one or two psychologically-close foreign markets. The export tasks are customarily transferred to middlemen.

Hobart Betts, one of T&B's founders, negotiated a sales arrangement with Northern Electric, the major electrical wholesaler in Canada.[16] The experience with Northern Electric proved unsatisfactory because it was too large to give individual attention to a small firm like T&B. International

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[14]AVERAGE ANNUAL GROWTH RATES OF CONSTRUCTION ACTIVITY

	1927-40	1927-32	1933-40
New Construction in constant dollars			
Canada	-4.8%*	-11.7%	10.3%***
United States	-2.6%	-22.9%***	15.5%***
Dwelling Starts			
Canada	-2.7%	-20.8%**	14.3%***
United States	-1.5%	-36.3%***	26.2%***

Historical Statistics of Canada, 2nd ed., series S-4 and 202, and *Historical Statistics of the United States*, 1975 ed., series N-70 and 156. The number of asterisks (*) indicate whether the rates are statistically significant at the 90%, 95%, or 99% levels, respectively.

[15]The Canadian government's attempts in the late-30s to benefit the housing industry by decreasing mortgage interest rates must have helped confirm the wisdom of T&B's decision to enter Canada [16, pp. 218-19, and, particularly, 25, ch. 2].

[16]Like Graybar Electric in the United States, Northern Electric was an arm of the telephone company and marketed the output of a large number of independent firms. T&B also had agency arrangements in South America and Cuba prior to 1920, but both were dropped by the end of the decade.

marketing texts emphasize the importance of choosing the right distributor. Most suggest that, "Finding good foreign distributors and agents is a major problem for manufacturers, and demands considerable attention and effort" [14, p. 63], presumably because "there are high costs to making an incorrect initial channel decision when entering a foreign market" [21, p. 380]. What T&B required was a true sales agent, not an electrical wholesaler attempting to act as both agent and distributor [1, 2 and 5; 9, pp. 129-30].

There is no record of how much research went into the selection of Northern Electric; T&B seemingly did not pay a "high cost" for its mistake. This is attributable, at least in part, to the fact that Nestor MacDonald, the company's assistant sales manager, convinced Northern Electric in 1927 it was not in its best interest to represent T&B. MacDonald then signed an agency agreement with the firm of MacGillivray & Beatty of Montreal who acted as agents for T&B until World War II.[17] Although the company restricted itself to indirect exporting, it is difficult to consider this relationship as being "intermittent." It is also worth noting that, although the parent company was quite small, it apparently never gave a thought to licensing which has been described as a "favorite" strategy of small firms [4, p. 340; 14, pp. 85ff].

On the 9th of February, 1928, T&B incorporated in Canada under the name T&B Electrical Co. Limited.[18] This company, which became Thomas & Betts Limited in March 1932, with no physical assets and no employees, simply acted as an intermediary between T&B and the Canadian agents. For all intents and purposes, this was an investment in accounts receivable, but it was the company's first major commitment toward becoming a multi-national firm.

A Joint Venture

From the outset, T&B's products proved successful in the Canadian market, despite the Canadian tariff on imports. The firm's managers, however, continued to worry that a Canadian firm would copy them. Both factors suggested it would be wise to add production facilities within Canada. A report was presented at the May 1931 Board of Directors' meeting on the relative costs of manufacturing in Canada versus the United States. Later that year, George C. Thomas, Jr. (the founder's nephew), T&B's general manager, visited Canada and advocated reorganizing the Canadian company so that it could commence production [18, 20 January, 26 May, and 21 October 1931].

A direct foreign investment in a branch plant was the most aggressive alternative open to T&B. Most firms preferred to make a smaller investment in sales facilities before a major one in production facilities. This represents

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[17]T&B retained Northern Electric's business on the same basis as other distributors. MacGillivray & Beatty handled Montreal and Toronto directly and arranged subagents to handle the rest of Canada.

[18]See [20]. The first mention of the Canadian company in [18] is for the meeting of 23 July 1929, when a financial statement from the company was presented to the Board. This was in the middle of what is referred to as "the branch-plant movement" [9, p. 2].

something of a departure from the stereotypical "stages" in which the experimental involvement stage is followed by an active involvement stage and finally by a committed involvement stage [21]. The establishment of overseas sales branches is included in the final stage. In the active stage firms become involved in direct exporting, often to new markets, in an attempt to expand the volume of exports. This was an unlikely step for T&B which did not sell direct in the domestic market; a marketing strategy entitled "The T&B Plan" heralded the fact the company would only sell through distributors.[19]

This is *not* to say T&B put the cart before the horse; remember the warning label on stage theories. Given their conservative nature, the company's founders could not be convinced to invest in a branch plant, particularly in 1931 when the grip of the Great Depression was being felt in the home market [3]. While senior management agreed production in Canada was desirable, they advocated a more cautious approach, a contractual arrangement with an existing Canadian firm. This step, a level of involvement beyond exporting, is clearly part of an activist strategy, but with less commitment than that described for firms in the final stage.

In April 1933, T&B's Board empowered G. C. Thomas to negotiate a contract with Cables, Conduits & Fittings, of St. John's, Quebec, which produced cable, conduit, and outlet boxes under its own name in addition to items for National Electrical Products, one of T&B's U.S. competitors. As a result of the agreement reached in July 1933, Thomas & Betts Ltd. entered into a joint venture, one in which T&B held approximately 51% of the outstanding shares, with the balance held by the owners of the Canadian firm, Vernon Longtin and William Northey [18, 25 July 1933]. As in all joint ventures, the pooling of resources was expected to benefit both sides, and it did. The motivation for this venture appears to be strictly commercial, the founders wanted to achieve the cost-savings Canadian production was expected to have while minimizing the risk of exposing long-term investment capital [5, 386]. The Canadian firm had what T&B required in a partner, familiarity with engineering and a good reputation in the market [7, p. 215].[20]

Cables, Conduits & Fittings sold manufacturing capacity to T&B on a cost-plus-10% basis, and agreed to produce as many different items as T&B desired in unlimited quantities.[21] The Canadian firm was not required to drop its production for National Electrical Products, but it did agree not to produce any additional items in that company's product line. The joint venture proved

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[19]Indeed, during World War II, when the War Department requested the company sell direct, T&B successfully defended their policy of marketing only through electrical distributors.

[20]A political motivation which is featured prominently in most textbook discussions was absent here [4, p. 343].

[21]While the sale of machinery and equipment may have been discussed, it was not part of the final agreement. The most important provisions of the contract proposed by the Board were that Cables, Conduits & Fittings would 1) sell its machinery and equipment to T&B; 2) with a few exceptions, confine its sale of fittings to those of Thomas & Betts Ltd.; and 3) not use the "T&B" trademark on any goods other than those produced for Thomas & Betts Ltd. [18, 24 April 1933].

quite profitable, thereby diminishing the need for T&B to invest in its own production facility.

Thomas & Betts Ltd. remained extremely small throughout the 1930s. Net sales in 1935 were approximately $75,000; net profits, approximately $5,000. Between 1929 and 1940, real net sales grew at an average annual rate of 6.7%, while real net profits grew at a rate of 35.2%.

Assuming the Sales Function

Continued growth required a more active posture. Although they were still reluctant to make the direct investment in production facilities, the growth experience of the late 1930s convinced T&B's managers to internalize the marketing channel, to move all sales operations in Canada under the company's direct control. This is a perfectly logical extension of the company's success in the Canadian market, one that is consistent with the experience of many other U.S. firms operating in Canada. What was unusual about it was the timing.

Shortly after Pearl Harbor, Nestor MacDonald travelled to Canada to establish a sales office. Canadians faced the same wartime shortages that existed in the United States, and the Canadian government had established strict controls over the procurement of items such as offices, telephones, and employees. Given U.S. conditions, there was little reason to believe Thomas & Betts Ltd. would receive permission to expand its operations during the war. MacDonald expressed his trepidations to a manager of the Bank of Commerce and was amazed to discover the bank was more than happy to expedite the outfitting of an office, even arranging interviews with potential employees. The proven profitability of the firm was sufficient to secure the bank's cooperation.

The sales office, T&B's first outside the United States, housed Thomas & Betts Ltd.'s initial employees. There were but three, all of whom were to spend many years in the company's employ. Robert E. Bailey, a Brooklyn-born Californian, was the lone salesmen and nominally in charge. Formerly a salesman in New York, Bailey reported directly to MacDonald, by then the corporate vice-president in charge of sales, not to the parent company's sales manager. Bailey was responsible for the agents and distributors who served the company in those areas of the country he could not cover, thus T&B's products were available across Canada for the postwar surge in electrical demand. Five years after this initial office was established, Bailey opened a second office in Toronto, at which time the firm completely severed its relationship with McGillivray & Beatty.[22]

Pierre Girouard, a Canadian who would serve as President of T&B/France, was hired as a second salesman in 1944. Girouard's contribution was more subtle and emphasizes the importance to a firm of having employees familiar with the particular market in which it is operating. Girouard

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[22]Both MacGillivray and Beatty were nearing retirement age; T&B's managers estimated the company's sales potential in the Canadian market was larger than what an agent could generate.

recognized the important role product specification played in Canada at the level of the consulting engineer. Under the Canadian system, the consulting engineer specified, and therefore was liable for, the electrical system installed as part of a construction project.[23] If these engineers specified T&B's products, contractors would install them. By targeting consulting engineers for sales missionary work, Girouard built a firm foundation for Thomas & Betts Ltd. in the industrial construction market, a foundation upon which it continues to build [20]. It was not a foundation sales agents were likely to develop.

Direct Foreign Investment

The continued success of Thomas & Betts Ltd. in the postwar years increased the probability the investment in a branch plant would be made. By 1954 concern was expressed that the firm should consider owning its manufacturing facilities. The intention was that Thomas & Betts Ltd. would gradually begin to manufacture the items it sold. There was no hurry; the existing partnership arrangement was working well. The preferred alternative was for Thomas & Betts Ltd. to purchase the manufacturing component of Cable, Conduit & Fittings, which, in 1947, changed its name to Iberville Fittings.[24] The parent company was willing to wait until Longtin and Northey were amenable to the purchase of their shares. Such negotiations began in 1960.[25]

The precipitating factor was a change in the parent company's product mix. The sales of Thomas & Betts Ltd. were largely concentrated in electrical fittings. The parent company's success in the U.S. had moved toward the small wire terminal market, but T&B did not feel it was getting its share of that market in Canada. Further, it felt the Canadian company was slow in producing the company's newer products. This put a burden on the Elizabeth plant which was having trouble keeping up with demand in the U.S. market. Thus, the lack of Canadian production was delaying the introduction of the

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[23]Given this liability, consulting engineers were much more likely to specify a high-quality system that reduced their risk. In addition, their fees were based on the value of the contract actually placed. Both the liability and the fee arrangement biased the arrangement toward overspecification. I am grateful to Tony Ward for this point.

[24]Cables, Conduits & Fittings Company broke into constituent parts. Longtin and Northey created the L&N Company, later renamed Iberville Fittings. This firm sold outlet boxes in addition to producing the T&B line [18, 24 June 1947 and 20 June 1950].

[25]When MacDonald raised this possibility at the 30 June 1961 meeting of the Board's Executive Committee, he was instructed to prepare a written report inasmuch as the expenditure, a projected $900,000, was termed "very large." Further negotiations were approved at the 26 July 1961 meeting.

company's profitable newer products in that market.[26] The crucial factor in the decision to assume the sales function in the early 1940s was continued growth within the Canadian market. The crucial factor in the decision to assume the manufacturing function in the early 1960s was growth in the U.S. market, growth that T&B felt it should be experiencing in Canada, but wasn't.

Iberville Fittings, on the other hand, was anxious to increase the output of its own product line, a task that required additional space and funds. If the manufacturing for Thomas & Betts Ltd. was removed from its plant, the space would be available. Further, by selling their minority interest in Thomas & Betts Ltd., Longtin and Northey would generate the needed funds. In any event, the Canadians were unwilling to make the investment T&B considered necessary.

In the fall of 1961, an agreement was reached through which Thomas & Betts Ltd. purchased virtually all the partnership's outstanding shares for cash.[27] Many of the employees of Iberville Fittings who had produced the T&B line elected to continue, so Thomas & Betts Ltd. acquired an experienced manufacturing labor force. Thus, what for more than a quarter century had been a close, mutually-profitable, working relationship was severed to the mutual benefit of all parties.

It was estimated that something in the neighborhood of $200,000 would be required to erect a new plant. Early the following year, the parent company's Board approved the expenditure of up to $100,000 to purchase the land on which an addition to the Canadian factory could be located. In 1964 they authorized the expenditure of almost $500,000 to obtain fixed assets and inventories from Iberville Fittings. Yet even this did not prove to be sufficient as the Canadian small terminal market experienced explosive growth. Shortly after this purchase had been consummated, the Board approved $350,000 for a new building and equipment. When the new office and warehouse addition was completed in 1966, Thomas & Betts Ltd. had gone from being a profitable partner in a joint venture to the investor of more than $1 million in plant and equipment.

Throughout the decade of the 1960s, real net profits increased at an annual rate of 20.3%, the highest in Thomas & Betts Ltd.'s history. Real net sales, on the other hand, grew at 8.4%. The continuation of real growth quickly absorbed the company's manufacturing capacity in Canada. When a 1971 report indicated it would be better to construct a new building than to

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[26]During the early 1960s there were discussions of adding an engineering capability in Iberville, but budget requests for the necessary funds were customarily rejected. The absence of an engineering function is not unusual, although the two largest Canadian electrical firms (Canadian General Electric and Canadian Westinghouse) both had product and design engineering departments [1, p. 11].

[27]The price for the stock was to be approximately $87.50 per share, a 17.3% average annual return on the original investment [19]. One year later, when T&B was preparing to be listed on the New York Stock Exchange, the parent company purchased the shares in the Canadian company owned by individual officers. Smith, Barney reported that a fair market appraisal would be $328 per share [18, 20 June 1962].

enlarge the existing ones, the Directors approved the construction of an 86,000 square foot building at a cost of almost $2 million.[28] This new building, which opened in 1972, now produces the majority of the products Thomas & Betts Ltd. sells in Canada.

What Can We Learn?

During the 1960s, T&B became involved in overseas markets. As is more representative of the "pre-export" stage, the impetus was a request from a company in England. Thomas & Betts Ltd. was made part of the parent's fledgling International division in 1974. This proved to be a mistake that was corrected a few years later. The Canadian operation was more like that in the U.S. than those in Europe and the Pacific Rim. This should not have been a surprise, given the differences in electrical standards between countries. Most of the Canadian subsidiary's business was in the construction and industrial maintenance markets (80%), while original equipment manufacturers (including electronics firms) were but a small share (20%). The experience of the balance of T&B's International division was quite different. The vast majority of sales were to the original equipment and electronics markets (90%), with a small amount going to the maintenance market (10%). With the reorganization of the International division in the late 1970s, Thomas & Betts Ltd. returned to its earlier status. Another valuable lesson was learned: it is unwise to treat all international business in the same manner.

From a company that originally had neither employees nor assets, Thomas & Betts Ltd. has grown to where its over 200 employees manufacturer or add value to 80% of the products sold in Canada. At each step in the sequence, the conservative course was taken. The steps were similar, but not identical, to those in most textbooks. Perhaps a more aggressive strategy would have proved even more profitable, but that was not obvious before the fact, nor is it after. With the exception of the initial experience with Northern Electric, the decision to take each step was logical and consistent with the parent firm's philosophy. Through "The T&B Plan" the company emphasized the role of the electrical distributor in the marketing of its products. These domestic distributor relationships contributed to the continuity the company had with its Canadian agents [4, p. 578]. The legacy of the partings with MacGillivray and Beatty, and with Longtin and Northey, was one of loyalty, and that legacy paid dividends when the Canadian experience was duplicated in other countries. The nature of international cooperative agreements is tenuous at best for the agent. If the situation takes a turn for the worse, the parent company will exit. If it takes a turn for the better, the parent company will elect to internalize the function. In Canada, T&B demonstrated its willingness to share the profits, which contributed to the effort agents made on T&B's behalf in Canada and elsewhere. Indeed, the company's first step in

[28]The town of Iberville purchased the old building acquired from Iberville Fittings, reducing the net cost by approximately one-third [18, 27 October and 2 December 1971 and 7 September 1972].

entering most new markets in the 1970s and 80s was to arrange an agency relationship.

Given the North American Free Trade Agreement, it remains to be seen whether the next stage of internationalization involves branch plants. It seems unlikely free trade will alter the business relationships that have evolved over most of this century. It seems unlikely free trade will alter specific characteristics of national markets, such as the role of the consulting engineer in Canada. The continued success of a firm's foreign operations obviously will depend on that firm's ability to understand and to meet the needs of each market. One of the lessons to be learned from contrasting the history of Thomas & Betts Ltd. with the stereotypical textbook example is that, in the long run, there is no substitute for common sense -- a variable textbooks seldom discuss.

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