REWRITING THE FUTURE

Profit Strategies, Forms of Internationalisation and New Spaces in the Automobile Industry

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A number of commentators and experts have affirmed that the future success of the automobile industry depends on its wholesale adoption of the methods of lean production, and on its acceptance of the inevitability of globalization. But are these the only two paths that are worth retaining - or do a whole range of potential trajectories lend themselves to companies' perusal? We may be able to find the answer to this question by studying the history of the world's automobile firms since the early 1970s. The authors of a book entitled *The Machine that Changed the World* (Womack et al. 1990) have stated that the only industrial model to have been truly successful during this period was lean production - but this contention flies in the face of fact. First of all, lean production is a theoretical construct resulting from the amalgamation of two separate industrial models - it has no identity in and of itself. Secondly, even though both of these models co-existed in Japan, they were in fact completely different from one another, both conceptually, and in practice. Furthermore, there has never been a period when just one single model was in operation (even when the craft production that marked the early century was succeeded by mass production) - nor have recent times been marked by the monopoly of a 'one best way'. The plurality of industrial models has been a constant, and it is a consequence of automakers' ongoing need to develop original solutions. They have had to do this for two reasons: because of the different types of market and labour instability that they have faced in domestic and in foreign spaces; and above all, to avoid having to compete directly with one another, in a given space and at a given moment in time, whilst they were pursuing diverging strategies (and with a different industrial means at their disposal). As such, the aforementioned plurality is not just the result of disparities between the various social and economic environments - it is also the unavoidable economic and social side effect of these firms' having altered their strategies even as the framework within which they were operating remained unchanged. Such are the global conclusions of an international research programme entitled ‚The Emergence of New Industrial Models in the Automobile

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Industry", a study carried out from 1993 to 1996 by the GERPISA network, an international group of researchers in social sciences that the authors of the present paper have had the honour of leading and co-ordinating.

The GERPISA programme has enabled us to identify three industrial models for the period running from 1974 to1992 (c.f. the forthcoming publication by Boyer and Freyssenet). This is not to say that these models will necessarily be adopted by firms in the future. Indeed, given the severe obstacles encountered by the three models during the first half of the 1990s, the firms which had been their personification have been forced to modify them somewhat, and indeed, to enact wholesale changes. However, this does not mean that the future will unfold in a vacuum. On the contrary, by analysing firms' history and geography, we can begin to understand the internal and external conditions that have affected the ways in which the various industrial models have lent themselves to possible profit strategies (Freyssenet et al. 1998; Boyer et al. 1998; Lung et al. forthcoming; Durand et al. 1998). As such, by focusing on the trends that are currently reshaping economic and political spaces across the world, and by integrating into our analysis the transformation of the different spaces' modes of income growth and redistribution, we can assess how important each of these profit strategies may become in the future. In actual fact, a number of scenarios already co-exist. The generalization of deregulated trade is foreseeable, as is the homogenisation of working conditions; the formation of regional poles, each with its own mode of income growth and redistribution; and even the emergence of countries that are s vast and populous as the regional poles which are in the process of being formed. The auto markets and the workforces that will be born from these three scenarios differ greatly (Freyssenet, Lung 1996). The configuration that is most likely to prevail, at least over the next decade, is actually a combination of all three models. The only uncertainty concerns the relative weighting of its constituents.

The aforementioned concepts are expanded in the present article. The first section characterises the three industrial models of the 1970s and 1980s, and explains their performances. The second delves into the watershed decade that is the 1990s. The final section evaluates the trajectories that have been rendered feasible as a result of the ways in which the world's economic spaces are currently being reshaped.

1. There has never been a 'one best way'. Three successful industrial models existed during the 1970s and 1980s

Historical and statistical analyses both point to the fact that from 1974 to 1992, three industrial models experienced a period of success and profitability in the automobile sector -and not just the one, as the authors of *The Machine that Changed the World* have claimed. Moreover, the common adage that a given problem can only lend itself to a single solution has been disproved. Indeed, the three models reached their limits by the early 1990s, and inevitably they were modified. In addition, it should be noted that they had embodied three specific profit strategies comprised of the differential weighting of eight possible sources of profit: economies of scale, the diversity of sourcing, product quality, capital infrastructure, the appropriateness of commercial innovations, productive flexibility, technical change, and the permanent search, irrespective of output levels, for lower costs (Belis-Bergouignan, Lung, 1994; Boyer et al. forthcoming).

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Between 1974 and 1992, the generalist firms with the highest and most regular earnings in the automobile business were Volkswagen, Toyota and Honda. Each had its own specific profit strategy, product policy, productive organisation, employment relationship and company governance compromise. Volkswagen established a profit strategy that emphasised 'volume and diversity', and it was very effective in adapting the Sloanian model to the constraint of slow growth that characterised the era. Toyota preferred at all times to prioritise a strategy involving a 'permanent search, irrespective of output levels, for lower costs', and it invented an original model in order to achieve this goal: the Toyota model. Honda focused on 'innovation and flexibility', designing a production system that allowed it both to limit the risks that are inherent to this type of strategy, and also to derive the greatest possible benefit from it: the Honda model.

The only characteristic that these three firms had in common was the profit strategy that they had chosen. Their policies took the surrounding macro-economic, social and competitive environments into account, and this enabled them to develop a company governance compromise between the main actors. As a result, their product policy, productive organisation and employment relationships were coherent with their profit strategy. Their levels of performance thus emanated from a combination of external relevance and internal coherence, and not from their excellence in any one area - a condition that has often been mistakenly considered as the direct and universal expression of competitiveness.

During this period, all the other generalist firms experienced at least one major financial crisis. For some, the incompatibility between profit strategy and the surrounding environment caused their breakeven point to rise repeatedly, even above the value-added that they were deriving from the sale of their products (Ford, GM, Chrysler, Fiat, Renault, PSA, Mazda, Mitsubishi). For others, the crisis was due to the fact that product policy, productive organisation and employment relationship did not coincide, and/or were not coherent with their strategy (Nissan, Mazda, Mitsubishi). In fact, many people considered that the Sloanian model, in its avatar as a strategy of 'volume and diversity', was discredited by the recession that raged from the early 1970s onwards, and by the concomitant changes that occurred in the product and labour markets. Nonetheless, starting in 1974, Volkswagen began to adopt this industrial model - and was quite successful with it. As we know, the Sloanian model combined economies of scale (realised thanks to the commonalisation of platforms) with a product range that augmented the company's margins insofar as it was commercially effective - for only a slightly higher price, it gave customers access to goods of above-average quality.

Now, the price of success in a context of slow growth is twofold: the firm must attain economies of scale (through a steady increase in the commonalisation of its platforms and/or in market share, and/or of external growth); and there needs to be a company governance compromise in which wage costs are tied to export competitiveness. Volkswagen fulfilled both of these conditions admirably. First of all, the company soon began to use the same platform for both of its makes (Volkswagen and Audi) - and it subsequently increased market share by taking over Seat and Skoda. Secondly, VW signed a labour agreement which protected jobs by emphasising internal mobility, versatility and work sharing, as opposed to pay rises. This profit strategy, and the. wherewithal for its implementation, were compatible with a German mode of growth that had already been export-oriented for quite some time, and which was characterised by the fact that, unlike France, Italy and the United States (at least until the 1980s), income redistribution was linked to export competitiveness rather than to internal productivity gains. The Volkswagen model was aimed at a consumer market that was essentially comprised of the middle classes. It was based on low interest rates, and on little product diversity. It was also based on the company's maintaining strict control over its wage costs, and on its keeping abreast of any changes in the automobile product. It is true that as a result of rampant speculation, and because of German reunification, Volkswagen lost control over these latter two parameters. The model's shortcomings began to appear, and were accentuated by the 1993 recession. In the end, however, VW has been able to restabilise the situation by its regeneration of a company governance compromise with its unions, and by its vigorous reassertion of control over its sourcing relations (Jürgens 1998). Once again, Volkswagen has been able to successfully personify a model based on 'volume and diversity'.

The fundamental philosophy of the Toyota model, which emphasises a profit strategy involving a 'permanent search, irrespective of output, for lower costs' was essentially based on the notion of ephemerality. The company's top priority has always been to reduce its total costs - even during those periods of rapid growth when increased sales lead to higher direct costs. The attitude was that situations could always change unexpectedly: a product model could fail, management could make an error, exchange rates could vary, or political and social upheavals could always occur. Other sources of profit other have been construed as little more than supplements to the company's principal strategic focus. These supplemental sources could include an increase in output (if allowed for by the product market and by the company's cash flow); or even diversity and quality (as required by customers, but only with products that could be marketed effectively). On the other hand, because of its intrinsic riskiness, product innovation has never been a priority. The company has usually reasoned that innovation could be quickly duplicated, or even purchased in patent form, once validated by the market.

Toyota's profit strategy has been particularly appropriate in a country in which in the export price competitiveness of certain industrial branches (especially the car industry) is seen as the cornerstone of the national mode of growth. The company has continually been able to lower its costs (i.e. working time, wages, capital, materials, energy), regardless of the state of the market, thanks the way in which its workers and suppliers have continually worked towards this goal. The strategy has given birth to a certain number of constraints for workers - but they have been co-opted into its strictures by greater employment security, and by a pay system that has linked monthly wages to each team's efforts to reduce standardised flow times. Suppliers' participation in the strategy has been made possible by a system of guaranteed orders, by negotiated profit-sharing, and by financial ties to the automaker. All in all, this industrial model has contributed greatly to Toyota's exceptional growth.

Nevertheless, as with any such configuration, some of the conditions that are essential to the model's wellbeing can sometimes disappear. The limitations of the Toyota model were revealed at the height of the 'bubble economy' (during early 1990s). Recruitment became difficult - the labour market was generally tight, and many people began to feel that working conditions were too hard; it became impossible to satisfy rising demand through further increases in overtime; sourcing relations were tense;

competition was exacerbated; and several host countries expressed political hostility to the company's overseas operations. Toyota thus had to make significant changes to its productive organisation, and to its employment relationships. These included more traditional pay systems and work organisations; an increased specialisation of assembly line stations; and the relaxation of the previously intimate sourcing relationships (Shimizu 1998). Only the future can tell whether Toyota has discovered a new method of worker participation.

Honda's industrial model has encompassed a profit strategy that is based on 'innovation and flexibility'. The company would respond to customers' latent expectations and emerging preferences by launching models that are distinctive, and which contain striking features. Designers would follow their own intuition in creating new prototypes - and once the demand for these new products was corroborated, they would be produced immediately, and in great volumes, so that they could be launched before competitors could copy them. The historical significance of such a strategy is that it has allowed new manufacturers to make room for themselves amongst existing market leaders - and to turn a profit whilst doing so. This is what has occurred with Honda, the last firm to have entered the automobile manufacturing business in Japan - and today, Honda is the country's second largest carmaker. However, the history of the automobile industry is also full of firms that went bankrupt because of this sort of strategy. The inherent risks are obvious. An innovation can fail to meet public approval; demand can be over- or underestimated; the company can lose its ability to innovate in a timely manner, causing investors to eventually lose patience with it; and initial success can dangerously mislead the firm into thinking that it can act like a major producer. The Honda model was specifically designed to avoid these risks, or at the very least, so as to mitigate their effects. For example, to support the company's ability to innovate and to show creativity, a group of 'experts' was created alongside the more traditional functions (Mair 1998). Contests were held for new ideas; thematic research programmes were organised; engineers submitted projects to a commission; and if their project was selected, they were given a budget, and the opportunity to create their own project teams. In addition, salespersons have been asked to identify customers' general expectations, as well as any new trends. Unlike the Toyota model, which stresses the value of the group, this model emphasises individuality, both amongst employees and customers. In order to carry out these projects, some of which could be considered very risky by external shareholders and bankers, Honda has had to maintain its financial independence, and avoid financial links with its suppliers. Its levels of integration, and its breakeven points, have had to remain low so that it could cope with eventual failures. Moreover, given the difficulty of predicting volumes in its new markets, Honda has had to maintain a modicum of productive flexibility. Finally, it has had to base its company governance compromises on the recognition and rewarding of talent, as well as on good employment and working conditions.

Unlike Chrysler (during the 1970s and 1980s), or Citroen (before 1974), companies that had adopted the same profit strategy, Honda has been able to implement the aforementioned methodology - and has been well served by it. Nevertheless, the bubble economy of the 1990s also created problems for the company. Honda had predicted that over the long term, the quickest growth would be experienced in the demand for increasingly luxurious and sporty cars. The company completely neglected the budding demand for minivans and recreational vehicles, and in fact has only recently been able to successfully modify its product policy through the launch of a few well received RV's. Still, Honda has not been an innovator in this area - and its coherency with the company's initial strategy needs to be substantiated.

We can see that these three models are all quite different from one another both conceptually, and also in practice. 'Lean production' is a mixture of attributes drawn from the Toyota and Honda models - even though there is much evidence that these models are structurally incompatible. This conclusion can be verified through historical analysis. With the exception of a few marginal efforts, no firm or group has ever been able to implement two different profit strategies simultaneously. It is apparently impossible to be all things to all people -one cannot be Einstein and Carl Lewis at the same time.

2. The 1990s - a watershed decade. The world space has been reshaped, and new modes of income growth and redistribution have been developed

The early 1990s were a turning point. Relationships between firms in the automobile industry changed, as did national contexts and the international environment (Boyer, Freyssenet 1996; Freyssenet, Lung, 1996). The disparities between the various manufacturers' level of competitiveness lessened. Automakers were again in competition with one another - but under very different conditions than during the 1970s. In addition, there have also been changes in the ways in which the various countries can be categorised. During the 1970s, income redistribution had been justified in some countries by the gains that were being realised in internal productivity - whereas others had tied this policy to external competitiveness. During the 1990s, the opposition has been between countries in which modes of income redistribution have been institutionalised and centralised, and others where they are competitive and decentralised. These changes in the various national modes of growth and income redistribution have contributed, along with the emergence of newly industrialised nations and the implosion of the communist regimes, to the birth of a process that has been reshaping the global economic and political space. Automobile demand has been transformed, quantitatively, qualitatively and geographically, and this has caused firms to reconsider their profit strategy, or at least the means by which it will be implemented. In a word, the future can be rewritten.

Generalist automobile firms other than Volkswagen, Toyota and Honda have experienced financial difficulties which have involuntarily, but fortuitously, caused them to change their employment relationships, reorganise their production, and even adopt new product policies. Wages used to be index-linked to rises in national productivity, but this policy has been abandoned, and employment has become more flexible. Companies have taken economic measures with the immediate effect of lowering their breakeven points. Debt has been reduced through the sale of non-core activities. Moreover, the positive effects of these measures on financial results have been augmented by the strong growth in automobile demand since the second half of the 1980s. Firms that had been in trouble have been able to return to profitability, and their competitiveness has been improved. However, it remains to be seen whether these current performances are based on durable conditions - that is, whether these profit strategies are appropriate to the new economic and social environments, and whether these strategies will be implemented coherently.

Companies such as GM and Fiat have reactivated a strategy based on 'volume and diversity' by increasing the commonalisation of platforms; by re-engineering their equipment-making subsidiaries in such a way as to regain control over the value chain; and by developing employee polyvalence. Nissan, on the other hand, has been unable to restore a suitable level of diversity. PSA tried to implement a strategy based on the 'permanent reduction, irrespective of output, of costs', but the French group had to abandon this orientation when its employees took industrial action, and it has reverted to its previous emphasis on 'volume and diversity'. Ford, which had pursued the same line, shifted towards a 'volume' based strategy, and tried to design and sell world cars, each of which with its own platform. Chrysler was at first unclear about the direction to take, but then made the decision to modify its profit strategy so as to emphasise 'innovation and flexibility'. To achieve this goal, it adapted its product policy, productive organisation, and to a certain extent, its employment relationships. Mitsubishi tried to do the same - but the firm's chronic indebtedness has constrained its ability to act independently, as well as its ability to implement the measures that this strategy necessitates. For Renault and Rover, quality became the top priority - and each firm has tried to upgrade its market presence, repositioning itself in its segments' top half. Renault subsequently focused on innovation, but has progressively discovered that such an approach would require the complete re-organisation of its corporate structures.

To ensure the coherency and durability of the means that they used to reach these ends, the aforementioned manufacturers should have developed company governance compromises. It would appear that they did not do so. Employees and unions had been under attack - they were much weakened, and made numerous concessions in terms of forms of employment, working time and wages. They accepted a new work organisation - and a new productive organisation. However, in the early 1990s, employees and unions started to counterattack: considering that they had not been properly rewarded for their efforts, they began to broadcast their discontent, and decried the fact that further job cuts were not being accompanied by a proportional increase in wages. Sporadic conflicts broke out - a reminder to all that, in fact, no company governance compromises had been agreed. History demonstrates that the durability of performance depends on the existence of a de jure or de facto compromise - fear of unemployment cannot constitute a sufficient guarantee for people's willing participation in their work, and in social harmony.

Some of the firms who had suffered the most during the previous recession were able to regain a modicum of financial health during the 1990s. Inversely, other companies had always been profitable - but now, in the early 1990s, they began to experience some major problems. This state of affairs inspired them to change their industrial model, and/or to re-establish the strategic coherency that they were in the process of losing. Because of the 'bubble economy' in Japan, and the reunification in Germany, demand rose sharply in these two nations in the late 1980s and early 1990s, and this had several effects. Toyota's company governance compromise was destabilised, and workers refused added overtime and increased workloads (Shimizu 1998); there were criticisms levied at Honda's methods for anticipating new customer preferences, and for developing commercially effective innovations; and Volkswagen was temporarily no longer able to control its total wage costs, nor the prices it paid its suppliers.

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Ultimately, the disparities between the various firms' level of competitiveness began to diminish. One of the main factors in this trend was the overvaluation of the mark and the yen, as this was detrimental to all of the Japanese and German firms. This situation sparked off a new round of inter-firm competition - but on a very different basis, and in a much modified context, than had been the case during the 1970s. However, in light of the changes that were occurring at the same time in the quantitative, qualitative, and geographic composition of the automobile market, this renewed rivalry is being played for greater stakes than ever before.

Until 1974, the main automobile markets could be found in those countries, with the exception of the UK, where the national income was being redistributed via a mode that was institutionalised, and slightly hierarchical. As we have seen, this redistribution was either carried out as a function of internal productivity gains (i.e. the U.S., France and Italy), or to reflect external competitiveness (be it based on prices, as in Japan, or on product specialisation, as in Germany). Although each country expressed its demand for automobiles in its own, idiosyncratic manner, some of these traits, including many of the more significant ones, were shared. Markets were organised hierarchically, from the lower to the upper segments, according to a continuum that allowed households to upgrade from one niche to the next as their disposable incomes rose in line with their occupational seniority. A profit strategy based on 'volume and diversity' was particularly appropriate in such a context.

Following the 1974 energy crisis, every country had to offset the sudden rise in its energy bill by increasing exports. This situation worked to the benefit of Japan and Germany, as these two countries already featured a national labour compromise that allowed them to set wages in terms of their external competitiveness. On the other hand, to become competitive, the United States, France, Italy and the U.K. were obliged to change their rules for the redistribution of national income. However, this could not occur without labour disputes or political tension. These latter four countries started to become more competitive towards the latter half of the 1980s, but they accomplished this in a variety of ways. Each may have embarked on a course of liberalisation, involving privatised and decentralised wage bargaining; weakened unions; and modified state intervention - but each did this differently, and to varying degrees. American and British employees had to submit to corporate dictates. This caused unemployment to drop, but at the same time, wage differentials rose sharply. France and Italy ran large public service sectors, and enacted regulations that provided social protection for those who had lost their jobs and their resources. At the same time, Japan and Germany's advantage was somewhat dissipated. Japan was affected by the advent of its 'bubble economy', and Germany by its reunification. The rising value of the two countries' respective currencies furthered reduced their comparative competitive positions.

Since this period, a nev conflict has broken out between the various national modes of growth and income redistribution. However, this time around, the opposition is between those countries in which the distribution of income is deregulated, and ruled only by the laws of supply and demand that organise the local 'labour markets' (United States, U.K.) - and those in which institutionalised and co-ordinated forms of national income redistribution have been maintained (Japan, Germany, and to a lesser extent, France and Italy).

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A cursory glance at this analysis could lead us to conclude that there has been a convergence towards a single mode of growth and income redistribution, and thus towards a single type of market and conditions of production. However, owethis would be an erroneous conclusion. In reality, the hierarchically organised markets that had been the essence of the demand for automobiles (a mirror image of the slightly hierarchical organisation by which national income was being redistributed) began to be replaced by a variety of markets. Some of these were characterised by the emergence of new types of demand - but others were stratified, polarised, balkanised or even destabilised.

We have seen that the relationships between the industrialised countries have been modified -and that their automobile markets have diversified. In addition, the emergence of newly industrialised countries in Latin America and Southeast Asia, as well as the rapid growth in their demand for cars, should be noted. Economic growth did not originate in the same way in each of these countries. For a long time, the countries in Southeast Asia benefited from an American policy that was aimed at containing Soviet or Chinese expansionism. As such, these 'preferred countries' were exempt from U.S. customs barriers - and they were simultaneously provided with an outlet for their products on the American market. The implosion of the Eastern European communist regimes, and the changes in China, have radically modified the situation. In addition to its interest in these new markets as an outlet for American goods, and as a target for investment, the U.S. has also reacted to these recent transformations by questioning its previous system of granting certain nations a favourable customs status. The American government has been exerting a lot of pressure on Europe and on Japan, trying to get these two blocs to open up their own markets to imports from America's LDP allies. However, this trend has run into two other phenomena: the formation of regional poles; and the establishment of major emerging countries, such as China, India or Russia, each of which, in and of itself, is tantamount to an entire region.

3. Which profit strategies will dominate the next decade? How will they be implemented, i.e. which types of company governance compromises will characterise them?

The world is being reshaped in a number of ways - and if history holds true to form, all of these scenarios will be interrelated. If generalised free trade is to avoid economic and political instability, it will have to be governed, and policed, in a global framework. However, it could take years before the rules that govern these processes are hammered out to everyone's satisfaction especially given the dearth, at least in the foreseeable future, of countries powerful enough to unilaterally impose their own methodologies on the rest of the world.

For this reason, many major international trading partners have been seeking (either purposefully, or else by default) to constitute free trade zones. It is easier to devise the rules by which such zones can be run - and because of their limited territorial scope, participants are under the impression that the benefits will be felt sooner. The result is either a 'satellitisation' of emerging countries by their powerful industrialised neighbours, as is already the case with 'Nafta', or else an alliance between relatively autonomous emerging countries, as the members of 'Mercosur' are trying to do. These free trade zones will either lead to the advent of global free trade - or else, if this orientation turns out to be utopian or impossible, to the formation of regional economic and political poles. Moreover, if indeed there is to be a multi-polar configuration (comprised of regionally-grouped countries which have reverted to an inwardly focused and regulated type of economic growth), its implementation would be no more than partial. As has been demonstrated by the history of European unification, the formation of such political and economic poles is a long and winding road, replete with many pot-holes. On the other hand, over the medium term, one or two of these poles may become feasible.

Ultimately, these trends cannot detract from the fact that independent nations survive, and even expand, either because they themselves are the equivalent of an entire region or continent (due to the size of their population and the abundance of their natural resources); or else because of their very independence (as other countries may wish them to continue to fulfil the role that they are currently playing in the international economic system).

Why can't the various world spaces of the future feature the same modes of growth and income distribution, and thus be confronted with the same uncertainties concerning the product and labour markets? Is it because of the divergences between each space's mode of insertion into the international economic system? Some hypothesise that the expectations of car owners, and thus the rules of competition, will become increasingly homogeneous - but this is highly improbable, if only because of cultural differences that, far from waning, are concretising, albeit in other manifestations. In these circumstances, what is the likelihood of the various automobile firms following one and the same profit strategy?

The 'volume and diversity' strategy, as is known, has two pre-conditions: output needs rise constantly; customers have to accept that the only differences between closely related models reside in their accessories and in their outward appearance. Nowadays, output can be increased by the localisation of commercial and, if necessary, industrial units in emerging countries. In addition, other manufacturers can be absorbed - and platforms can be commonalised. A strategy based on 'volume and diversity' could therefore be entirely suitable in a scenario in which car owners across the world share certain basic preferences, and where nations and regions are only differentiated according to a product's secondary features.

This is the wager that General Motors, more than any other automaker, has been making. The company hopes to achieve the necessary economies of scale through a global commonalisation of the platforms that it uses to build its regional models. The platforms are to be organised by market segment. Regional diversity will be limited to the cars' visible features - and it is at this level that local tastes and regulations will be taken into account. However, this strategy presupposes that the automobile serves the same function everywhere, and that a slightly hierarchical mode of income redistribution is in place in each of the spaces concerned. The idea is that buyers will thereby be persuaded to accept models that are scarcely differentiated from one another - and that the disparities between the countries' levels of real income will thus be attenuated. Now, a strategy of this sort is predicated on regional poles being formed according to a mode of growth that is based on regulated redistribution -and on these poles experiencing economical and social evolutions in parallel. Yet, amongst the various regional poles, and within each of them, income inequality is rising, and cultural differences are deepening. Is it possible to invent a new form of commonalisation, one that would allow the regional groupings to overcome these handicaps? As we have seen with GM, the worldwide reorganisation that is implied by such a strategy can provoke internal tensions: regional subsidiaries, who had heretofore designed and manufactured their own product ranges, have refused to relinquish their control over product policy.

A strategy based on a 'permanent search, irrespective of output, for cost reduction' theoretically implies a model of lean production - and at first glance, this would appear to be the configuration that is best suited to an uncertain and unstable world. Given the infinite number of recompositions and forms of growth to which the global spaces lend themselves, this is an apt description of tomorrow's world. However, as aforementioned, the conditions for this strategy's fulfilment are really quite exceptional. In fact, for more or less forty years, only one firm has ever successfully implemented this approach - and in the early 1990s, it was forced to abandon it, and to develop a new one. Toyota's employees, suppliers, competitors and even the countries in which it has operated have rejected its permanent search for cost reduction. It remains to be seen whether the company can ultimately succeed in creating a new industrial model through the reconstruction of a company governance compromise that applies other means than those which it has been using up until now. It would appear that Toyota's new orientation includes the design of innovative car models and that this would comprise an alteration of its traditional profit strategy.

A profit strategy based on 'innovation and flexibility' is particularly appropriate in an environment marked by the emergence of new social strata - each with its own preferences, and new expectations, concerning the automobile product. These strata appear in societies that are in a state of economic and social flux, and they are often comprised of persons who display a certain initiative, or who convey a certain know-how (often financial). They can also result from a qualitative modification of the way in which national income is distributed amongst existing social categories.

Nowadays, in many countries, income is redistributed competitively. This often leads to the emergence of new strata, or else to the modification of the demand emanating from existing categories. However, excessive competition can engender social instability, and this can prevent the formation of fundamentally new expectations. The 'innovation and flexibility' strategy thus implies a closer examination of the nature of the qualitative changes in the various markets, especially in the larger ones, where new demand can represent significant volumes. As such, this profit strategy is compatible with a scenario in which the emerging regional poles have adopted a competitive mode of income redistribution, as they are then able to offer both innovative demand and the necessary volumes. In this hypothesis, a manufacturer who is pursuing a strategy based on 'innovation and flexibility' would not necessarily have to expand globally - sufficient profitability could be ensured at the regional level. Indeed, this could become the future for Honda, Chrysler and Renault, each being the firm that best embodies, within its own particular region, a strategy based on 'innovation and flexibility'. It is not out of the question for global firms to pursue this strategy - but they would need to be capable of designing and producing innovative vehicles, and not try to simply get away with selling overseas the same innovative models that they had originally designed with their own domestic market in mind. Moreover, these cars would need to be adapted to the new social strata that are appearing in the various spaces across the world. Nowadays, other manufacturers are trying to use innovation to meet new demand - the idea being that this can be used as a simple complement to their habitual strategy. It remains to be seen whether this is possible. For the moment, all evidence points to the contrary.

The recomposition of the global economic and political spaces, and the transformation of the various modes of growth and income redistribution, could thus resuscitate profit strategies that had practically disappeared: strategies based on 'volume', and on 'diversity and flexibility'.

In a world where everyone is converging towards one and the same form of competition and mode of income redistribution, could a policy of world cars (one per major market sector, each having its own platform) again become relevant? As we have seen, such a scenario is highly improbable. Does this mean that it is totally unthinkable? Its viability depends on two conditions.

First of all, there would have to be a sufficient volume of free trade between the major trading partners. This would keep customs duties and exchange rate variations from impeding the concentration and specialisation of production sites across the world - a strategic element that is indispensable for the realisation of economies of scale.

Secondly, in the main markets, there would need to be a certain proportion of customers whose number one priority is to pay as little as possible when purchasing a car - and who are therefore willing to accept less than top quality. Ford seems to be positing this hypothesis, as it has specialised each of its three world design and manufacturing poles by market segment. However, in all likelihood, future conditions will not be conducive to this strategy. European and Japanese subsidiaries would need to be able to specialise in a single market segment, or even in a single car - yet up until now, they have been designing and building complete ranges. All in all, there have been many contradictory analyses of the ways in which demand has changed in the various parts of the world - and the tension that these divergences have caused would be accentuated by this strategy.

Finally, there could be renewed interest for a strategy based on 'diversity and flexibility'. A competitive mode of income redistribution coincides with significant cuts in economic, cultural and work-related benefits; it forces each social and professional category to bitterly defend its own prerogatives and distinctive characteristics. The result could be the balkanisation of markets, an example having been the way in which the British market evolved before the 1960s. This strategy consists, on one hand, of the firm's designing and producing as many families of models as there are social groups (each of which has its own very distinct preferences) - and on the other hand, of the firm being flexible enough to accommodate the inevitable variations in the demand that emanates from each of these groups.

4. Conclusion

There hasn't been any 'one best way' - neither in the past, nor in the present. It is also highly unlikely that there will be 'one best way' in the future (at least, not during the early 21st century). 'Lean production' does not exist. It is an unacceptable mixture of incompatible characteristics drawn from the Toyota and the Honda models. The Toyota model went as far as it could - and the firm was then obliged to change its company governance compromise, as well as the means by which it had been seeking to implement its profit strategy. Globalisation isn't the only way to effect internationalisation. Moreover, the ultimate profitability of this trend will depend on the appropriateness of the profit strategy to a given situation, on the transformation of the modes of growth and income redistribution, and on the way in which the world space is reshaped.

Our main conclusion is that there are two fundamental pre-conditions for profitability. The first involves the relevance of a given profit strategy to the mode of growth and income redistribution that is at work in a particular political and economic space. The second is the establishment of a company governance compromise that will ensure the coherency of the various means by which a company tries to implement the profit strategy that it has chosen - particularly its product policy, productive organisation and employment relationships.

The naive vision of an early 21St century characterised by globalised firms, nusing lean production, in a world of generalised free trade can now be abandoned.

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