

ESF Exploratory Workshop on

**The Emergence of Southern
Multinationals and their Impact
on Europe**

Dublin (Ireland), 2-4 October 2008

Convened by Louis Brennan,
Institute for International Integration Studies (IIIS), Dublin, IE

Scientific Report

1. Executive Summary

This workshop was held on Friday October 3rd in the Institute of International Integration Studies at Trinity College, Dublin, Ireland. A total of twenty seven participants attended including a representative from ESF and the workshop convenor Professor Louis Brennan. Participants arrived on the preceding evening (Thursday October 2nd) and departed on the morning following the workshop (Saturday October 4th). The workshop itself commenced at 8.30 am and proceeded continuously throughout the day (with interruptions for two coffee breaks and a buffet lunch) until it concluded at 19.45 pm. The workshop consisted of six consecutive scientific sessions and involved a total of seventeen presentations followed in each case by an extensive question and answer and intense discussion period. In addition to the seventeen scientific presentations, the workshop also had presentations from the ESF representative and from the workshop convenor. The workshop was followed on the night of October 3rd with a dinner for all participants.

The workshop was deemed to be highly productive by all the participants. The quality of the scientific presentations and the very useful question and answer and discussion periods that followed each presentation were commented on by all of the participants. All participants agreed that having a workshop that brought together experts in the theme that each of them was interested in and working in, had succeeded in creating a very exciting intellectual environment and one that generated much constructive critique and ideas for future development around the progression of scientific endeavours.

The final part of the workshop addressed future steps and all participants supported the idea of a publication strategy arising from the workshop contributions and the pursuit of funding to support the ongoing activities of a collaborative research network around the theme of the workshop.

2. Scientific Content

The workshop brought together established and younger scholars from 12 EU and 5 non-EU countries who engaged around an intellectual agenda related to the theme “The Emergence of Southern Multinationals and their Impact on Europe”.

Given that in today’s globalised world there is a need to investigate new trends in the global economy which impact on Europe and given the belief that the emergence of Southern Multinationals constitutes an entirely new dynamic in the world economy that raises new issues for all stakeholders in Europe, the workshop addressed the emergence of Southern Multinationals and their impact on Europe,. Given the global scope of the theme, the workshop not only involved researchers from Europe but also researchers from some of the countries of origin of Southern Multinationals. The workshop considered the nature and extent of this new phenomenon, its initial and likely future impacts on Europe and the challenges that it poses for researchers.

The workshop followed five strands of enquiry.

- First, the existing trends and trajectories for Southern Multinationals were considered
- Second, Southern Multinationals originating in Europe were considered and evidence around the initial impacts of Southern Multinationals on Europe assessed.
- Third, the workshop analysed the firms themselves in terms of their strategy and processes.
- Fourth the workshop explored issues and responses from the European host environments to the emergence of these firms.
- Fifth the workshop explored the challenges that this phenomenon poses for researchers in terms of theory and empirics.

The workshop concluded with a consideration of future directions and the determination of the next steps required to progress the research project.

This section of the scientific report will now briefly review the individual contributions to the workshop. Four scientific presentations were delivered on the emergence of Southern Multinationals. Professor Hafiz Mirza of UNCTAD reported on the trends and trajectories for Southern Multinationals. His presentation focused in particular on the involvement of Southern multinationals in the area of infrastructure and the extent to which sovereign wealth funds are contributing to FDI. Professors Afonso and Maria Tereza Fluery from the University of Sao Paulo in Brazil analysed the emergence of Brazilian Multinationals onto the global landscape with a particular focus on their emergence into Europe. They highlighted the preference of multilatinas for investment in Europe and their presence across a host of industrial and services sectors. They utilised the competence positioning framework to locate the multilatinas within the context of global production networks. Alexander Mansilya-Krua from the Moscow School of Management addressed the westward expansion of Russian Multinationals highlighting the fact that the majority of Russian OFDI was to Western Europe. He identified the key strategies of Russian multinationals as downstream vertical integration and product-line shopping. He argues that the westward expansion of Russian multinationals will continue to be driven mostly by commercial interests, such as getting closer to clients, accelerating product renewal and bypassing trade barriers. Henrik Schaumburg-Muller and Michael W. Hansen from the Copenhagen Business School focused on Indian Multinational Corporations and their entry into Scandinavia. They highlighted that Indian OFDI differed in several respects from that of other developing countries particularly its motivating focus on asset acquisition as opposed to the more common motivation of market and resource seeking.

Four presentations were delivered around the topic of Southern Multinationals and Europe. Professor Changqi Wu of Beijing University considered the internationalisation of China's enterprises and its implications for Europe. He cited insufficient understanding of operational environments and cultural conflicts as some of the reasons for post acquisition difficulties for Chinese companies in Europe. Chinese outward direct investment to Europe is motivated by technology seeking and concentrated in the sectors the appropriated technologies lie. Professor Marjan Svetlicic from the University of Ljubljana used the case of Slovenia as an example of multinationals from the Central and Eastern European Transition countries in his presentation. He stressed that leapfrogging was a must for Slovenian firms and that they fitted into the born global category. Professor Erzsébet Czakao from the University of Budapest considered the patterns of inward and emerging outward FDI

in the case of Hungary. Much of Hungarian OFDI has been concentrated in neighbouring countries with OFDI dominated by big enterprises although SMEs are starting to emerge as outward investors. Market and strategic asset seeking have been the dominant motives behind OFDI by Hungarian firms. Dr. Francoise Hay from the University of Rennes analysed the specificities and impacts of Chinese and Indian firms in Europe. She presented a database covering some 1,200 such firms invested in Europe. She offered an analysis of complementary and competitive impacts on Europe resulting from Chinese and Indian FDI in terms of FDI, Trade, Employment and Competition. She argued that Chinese and Indian firms take advantage of the assets as well as the weaknesses of European countries and firms.

The third session of the workshop focused on the Southern Multinationals themselves and their strategies and practices. Dr. Jag Srai of the University of Cambridge reported on the internationalisation process of manufacturing firms from emerging economies. He offered an analysis of the various key drivers contributing to the 'Break-out' in each of the BRIC countries. While their initial growth strategy and tactics were centered around exploiting the low cost advantage they enjoyed, they learnt from others at the start via joint ventures and collaboration with clients and partners. They were led by visionary leaders who had long term plans for the group. They made pragmatic use of green-field, JV and M&A though with a current emphasis on M&A. Their overseas expansion involved up-stream investment to secure raw materials, down-stream investment to improve value capture and secure routes to market and/or escape from bureaucratic restrictions in the home market. MNCs and traditional western corporations now need re-evaluate their business models. Professor Andreas Nolke from Goethe-Universitat evaluated the implications of Indian Acquisitions in Germany on patterns of industrial relations in Germany. They considered how business, labour and policy makers in the triad mediate the challenges and opportunities posed by the increase in Indian MNCs. In particular, they considered by means of two case studies how the post-acquisition strategies in newly acquired Indian MNC subsidiaries have affected labor relation systems in host-countries. Emre Yildiz of the Stockholm School of Economics analysed the acquisition strategies and practices of firms from emerging economies in Europe. Using the lenses of institutional embeddedness and strategic intent, he attempted to characterise the internationalization of Southern Multinationals. He analysed the motives and pre-acquisition and post-acquisition challenges faced by Chinese firms. The implications for the entry bargaining process arising from the emergence of Southern Multinationals were addressed by Professor Caner Bakir of Koc University. He focused on the role of transition economy state capacity in attracting FDI Southern Multinationals during the entry bargaining process using the state capacity framework as the theoretical approach and applying a case study methodology. He concluded that building state capacity FDI related policy areas is a challenging task for Transition Economies in the EU. James Perry from Vrije Universiteit Amsterdam considered accounting for the production of non-triad multinationals. In the context of their growth, he posed the question as to whether researchers should make more efforts to distinguish production from sales and efficiency from scarcity.

The fourth session of the workshop considered issues and responses in relation to the emergence of Southern Multinationals for host countries in Europe. Dr. Judith Clifton of the Universidad de Cantabria used cases from the networked industries to consider if the new FDI restrictions in the EU were a reaction to FDI from the South. She

concluded that whereas there are some negative policy responses to TNCs from emerging markets at Member State level, most of these are neutralised by the EU Commission. Professor Daniel Van Den Bulcke of the University of Antwerp considered the response of Belgium to Chinese firms. Belgium has not been successful in attracting Chinese OFDI when compared to its high performance in attracting global FDI (measured by FDI per capita) and compared to other European small open economies (e.g. Denmark, The Netherlands and Sweden). He offered some recommendations for Belgium and other European countries to make investment by Southern Multinationals more likely. He argued that OFDI from Southern countries should be placed in a larger framework and take into account immigration policy (visa and work permits), preferably in an EU context. European countries might want to renegotiate the Bilateral Investment Treaties (BITs) with China and other Southern countries that were concluded in the past to make sure that the agreements are really bilateral and give sufficient attention to the OFDI coming from those countries. European countries should take into account the cultural and other characteristics of Chinese and other Southern MNEs and adapt their policies. European IPAs should rely more actively on websites to provide information about investment locations to potential investors from Southern countries. Mr. Dermot Clohessy of Ireland's Industrial Development Authority reported on how Ireland's FDI strategy was responding to the emergence of Southern Multinationals. He argued that innovation and creativity are vital pre-requisites for keeping on top and ahead and that Ireland seeks to attract those elements of international business where these attributes flourish regardless of their country of origin.

The fifth and final formal scientific session of the workshop considered the research challenges posed to scholars from the emergence of Southern Multinationals. Professor Peter Buckley of the University of Leeds described the theoretical and empirical challenges for researchers arising from the emergence of Southern Multinationals. In considering whether the emergence of Southern Multinationals require a special theory nested within the general theory, he emphasised the importance of the institutional framework both as important explanatory variables and in pinpointing market imperfections. Focusing on China, he presented an econometric analysis of Chinese ODI data, using privileged access to a unique government agency dataset for the time frame 1984-2001. His analysis found that whereas the theory performs well it does need special applications to account for government policy, institutions and home country conditions as determinants of Chinese OFDI.

The final session of the workshop addressed the next steps to be engaged in by participants.

3. Assessment of the results, contribution to the future direction of the field

The workshop was a highly productive event that facilitated the exchange of ideas and informed the participants of the various research issues and challenges prompted by the new phenomenon of Southern Multinationals. It also provided an excellent forum for participants to receive feedback on their evolving research agenda around this phenomenon.

The outcomes of the discussions highlighted a number of topics that need to be further addressed. This included gaining a better understanding of the sources of advantage of Southern Multinationals that could be considered around firm specific advantage, home country advantage and development process or stage advantage. Furthermore a need was identified for the development of larger and more reliable data bases around flows involving Southern Multinationals. The need for studies aimed at providing an improved understanding of the complementary competences and capacities of Southern Multinationals versus those of established multinationals was also suggested. Such studies could involve comparative studies of enterprises from different regions. A further area for exploration was suggested around that of dynamic capabilities of Southern Multinationals. It was argued that the literature on dynamic capabilities of the firm has mainly focussed on developed countries and has not been applied in less developed countries with their different institutional contexts. Much of the above pointed to the need for more systematic research projects at the enterprise level including in-depth case studies and survey work. A need for interaction between econometric work and qualitative work – case studies, questionnaire research and interviews was recognised. Likewise the importance of a good choice and accurate measurement of proxies for key explanatory variables was recognised. The need to formulate and test new hypotheses around institutional variables in seeking to understand the emergence of OFDI from non-triad sources was also recognised. It was felt that it was important to understand the extent to which the home country continues to provide strategic advantage and that more emphasis is needed on the effect of home/host country governments on firms' internationalization. The importance of the domestic market as a force behind internationalization also needs further assessment. The extent to which it is the foreignness (Liability-of-Foreignness) or country-of-origin (Liability-of-Origin) that creates problems for EMNEs while entering a host country also needs examination. A more in-depth examination of the way post-acquisition is handled by Southern Multinationals was also considered to be an important research issue for the future. The extent to which it is important for Southern Multinationals to have a clear vision and strategy for their internationalization process was also considered worthy of closer examination. Finally the question of how states in Europe respond to challenges posed by Southern Multinationals in the entry bargaining process should also be studied.

Overall, a need for contextual, multi-perspective and multi-level research around the theme of the emergence of Southern Multinationals and their impact on Europe was recognised.

In terms of contributions to the future direction of the field, the commitments made by participants as far as engaging in future activities will make a seminal contribution to the field. All participants agreed to develop their presentations into full papers with a view to having them included in a specially edited volume on the theme of the workshop. The convenor agreed to edit this special volume and to also engage with publishers with a view to selecting a suitable publisher for the volume. The participants committed to submitting their papers to the convenor no later than July 1, 2009.

In addition it was felt that an ongoing collaborative research network around the theme of the workshop would be a practical approach to sustaining the benefits

derived from the workshop. Accordingly it was agreed that a proposal incorporating all the various country participants would be developed in the coming months and submitted for consideration for COST funding of the collaborative research network this coming March.

4. Final Programme

PROGRAMME	
<i>Presentation will not exceed 20 minutes to allow ample time for discussion after each talk</i>	
Thursday 2nd October 2008	
Afternoon	<i>Arrival</i>
Friday 3rd October 2008	
08.15 – 08.30	Registration
08.30 – 08.35	Welcome Louis Brennan (IIS, Trinity College, Dublin)
08.35-08.45	Official Opening Gerard McHugh (School of Business, Trinity College Dublin)
08.45 -09.00	Presentation of the European Science Foundation (ESF) Volkmar Lauber (ESF Standing Committee for Social Sciences)
Session 1:	The Emergence of Southern Multinationals <i>Chair:</i> Louis Brennan ((IIS, Trinity College, Dublin)
09.00 – 09.25	Southern Multinationals – Trends and Trajectories Hafiz Mirza (IABDITE/UNCTAD)
09.25 – 09.50	The Emergence of Brazilian Multinationals in the Global Context Afonso Fleury and Maria Tereza Fleury (University of Sao Paulo)
09.50 – 10.15	Westward expansion of Russian Multinationals Alexander Mansilya-Kruz (Moscow School of Management SKOLKOVO)
10.15 – 10.40	Indian Multinational Corporations and their Investments in Scandinavia Henrik Schaumburg-Muller and Micheal W. Hansen (Copenhagen Business School)
10.40 – 11.00	<i>Tea and Coffee</i>
Session 2:	Southern Multinationals and Europe <i>Chair:</i> Frank Barry (Trinity College Dublin)
11.00 – 11.25	Internationalisation of China’s Enterprises: Its Implications for European Industries Changqi Wu (Beijing University)
11.25 – 11.50	Multinationals from the Central and Eastern European Transition Countries: The Case of Slovenia Marjan Svetlicic (University of Ljubljana)
11.50 – 12.15	Characterising the Patterns of Inward and Emerging Outward FDI in Hungary Erzsebet Czako (Corvinus University of Budapest)
12.15 – 12.40	Chinese and Indian Firms in Europe: Specificities and Impacts Françoise Hay and C. Milelli (University of Rennes 1)
12.40 – 13.40	<i>Lunch</i>

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Session 3:	Southern Multinationals: Strategies and Practices <i>Chair:</i> Joern-Carsten Gottwald (University College Cork)
13.45 – 14.10	Internationalisation Process of Manufacturing MNCs from Emerging Economies Jag Srai (University of Cambridge)
14.10 – 14.35	Isomorphism versus Transplantation: The Implications of Indian Acquisitions on Patterns of Industrial Relations in Germany Andreas Nölke and Heather Taylor (Goethe-Universität)
14.35 – 15.00	Acquisition Strategies and Practices of Firms from Emerging Economies H. Emre Yildiz (Stockholm School of Economics)
15.00 – 15.25	The Emergence of Southern Multinationals and its Implications for the Entry Bargaining Process Caner Bakir (Koç University)
15.25-15.50	Accounting for the Production of Non-triad Multinationals James Perry (Vrije Universiteit Amsterdam)
15.50 – 16.00	<i>Tea and Coffee</i>
Session 4:	Host Issues and Responses <i>Chair:</i> Ruth Rios-Morales (Laureate International Universities)
16.00 – 16.25	Are the New FDI Restrictions in the European Union a Reaction to FDI from the South? Cases from the Networked Industries Judith Clifton (Universidad de Cantabria)
16.25 – 16.50	The Case of Chinese Firms in Belgium Daniël Van Den Bulcke (University of Antwerp)
16.50 – 17.15	Ireland's FDI Strategy and the Southern Multinationals Dermot Clohessy (Industrial Development Authority)
Session 5:	Research Challenges <i>Chair:</i> Ruth Rios-Morales (Laureate International Universities)
17.15 – 17.40	The Emergence of Southern Multinationals and their Impact on Europe: Theoretical and Empirical Challenges Peter Buckley (University of Leeds)
Session 6:	Future Directions <i>Chair:</i> Louis Brennan (Trinity College)
17.40 – 19.00	Next Steps
21.00	<i>Dinner</i>
Saturday 4th October 2008	
Morning	Departure

5. Statistical Information on the participants

Convenor: Ireland

ESF Representative: Austria

List of countries of work of participants:

Belgium – 1

Brazil – 2

China – 1

Denmark – 2

France – 1

Germany – 3

Holland – 1

Hungary – 1

Ireland – 3

Russia – 1

Slovenia – 1

Spain - 1

Sweden -1

Switzerland - 2

Turkey - 1

United Kingdom – 3

Gender breakdown: Of the 25 participants, seven were female and eighteen were male.

Age structure: twenty of the participants were experienced researchers while the remaining seven were junior researchers. Of the latter, four were still engaged in their doctoral research studies.

6. The final list of participants

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