



**ΕΠΙΣΚΕΠΤΡΙΑ ΚΑΘΗΓΗΤΡΙΑ  
ΜΑΡΙΝΑ ΠΑΠΑΝΑΣΤΑΣΙΟΥ  
University of Leeds, UK**

26 Οκτωβρίου 2020

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επιστήμιον Αδγ  
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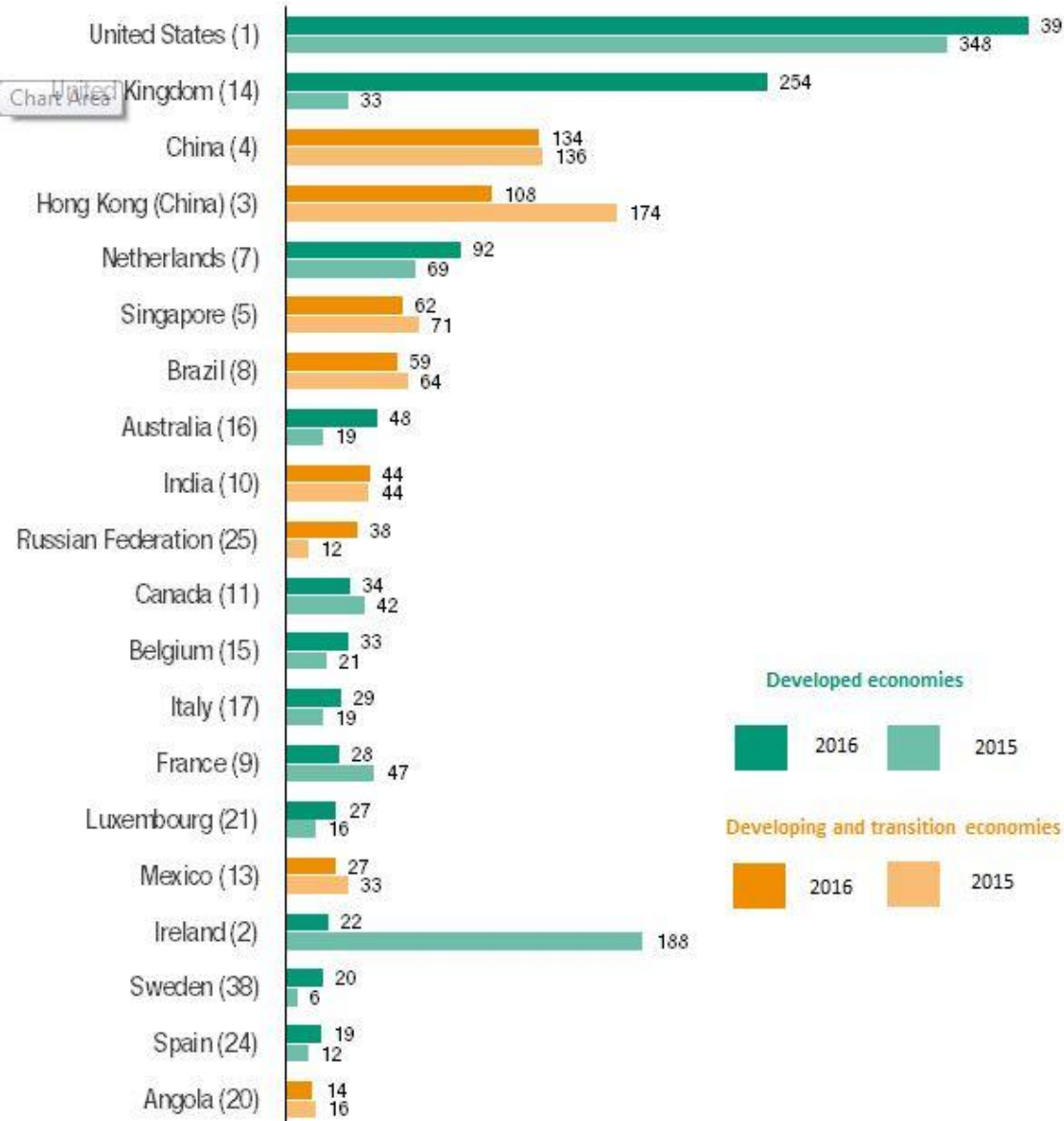
# Περιεχόμενο διάλεξης

- Ορισμός Πολυεθνικής
- Παγκόσμιες τάσεις σε ΞΑΕ
- Κίνητρα ΞΑΕ- σύντομη ιστορική αναδρομή
- Ρόλοι θυγατρικών- ανάλυση
- Παγκόσμια κατανομή θυγατρικών
- Συμπεράσματα
- Εισαγωγή για την επόμενη διάλεξη

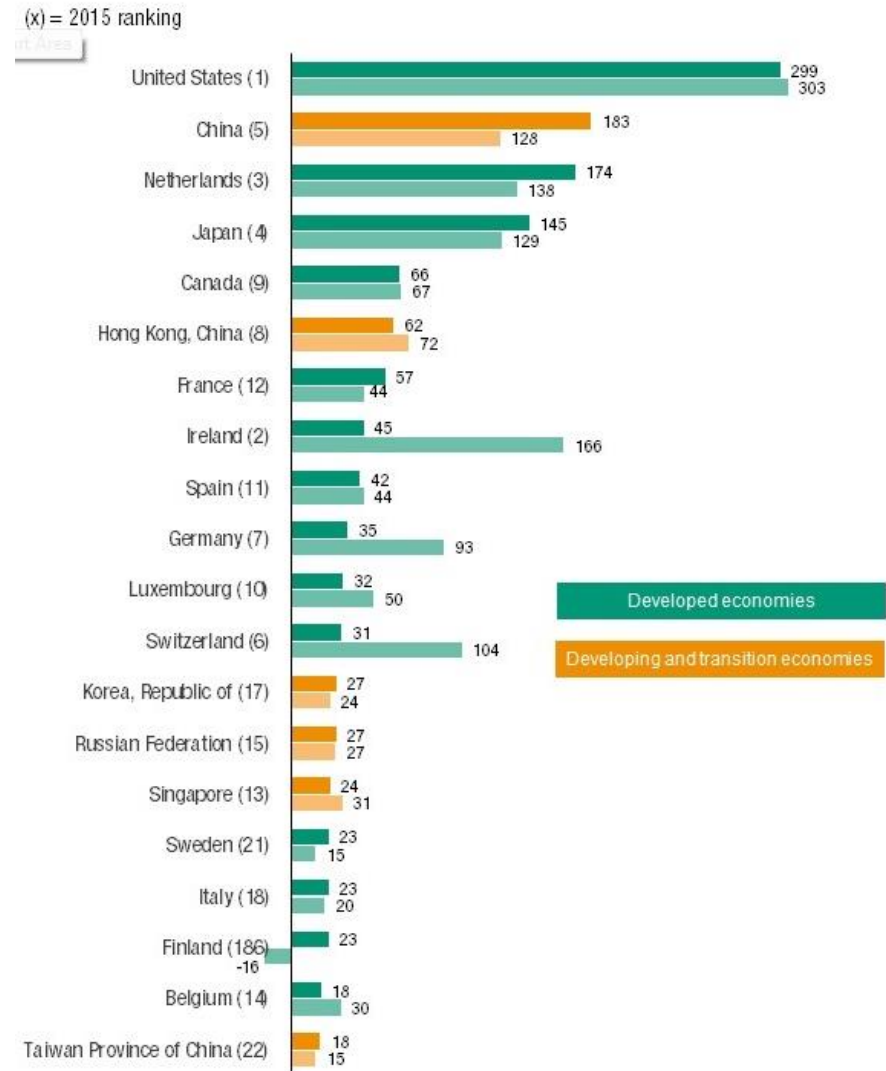
# Ορισμός: Τι είναι πολυεθνική επιχείρηση

- The Multinational Enterprise (MNE) as “ a firm which owns or controls value-adding activities in two or more countries”.
- Value-added activities
- Two or more countries
- “own or control”
- MNE theory encompasses many factors of production
- Foreign Direct Investment (FDI) versus portfolio investment: Control central in the distinction: FDI includes lasting interest in an overseas operation+ effective voice in management (from the part of the investor)//portfolio -----share in profits

Inflows and outflows of FDI: Top countries UNCTAD. Source: UNCTAD, World Investment Report 2017.

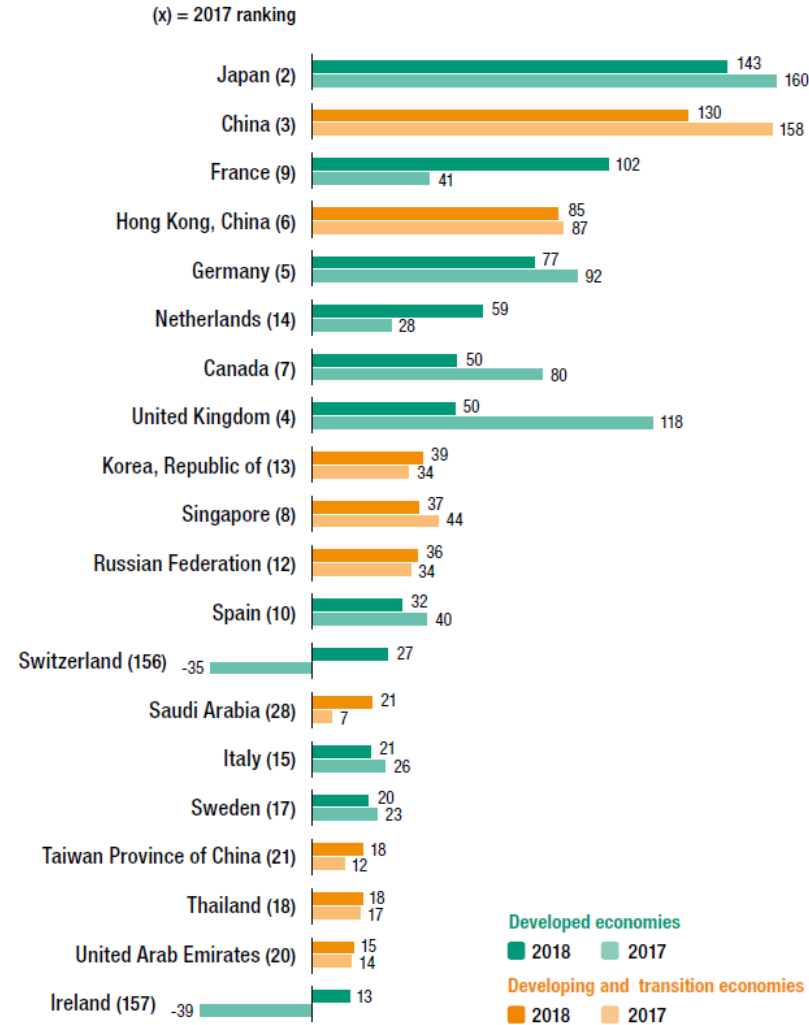


Inflows



Outflows

**Figure 3.** FDI outflows, top 20 home economies, 2017 and 2018  
(Billions of dollars)



Επαναπροσδιορισμός  
της Πολυεθνικής  
επιχείρησης

- Liability of foreignness
- Embeddedness
- MNE are viewed as “a coordinated system or network of cross-border value-creating activities, some of which are carried out within the hierarchy of the firm, and some of which are carried out through informal social ties or contractual relationships”

Cantwell, J., Dunning, J.H., and Lundan., S.M. (2010). An evolutionary approach to understanding international business activity: The co-evolution of MNEs and the institutional environment. *Journal of International Business Studies* 41: 567-586.

# Strategic motivations



Market seeking



Resource seeking



Efficiency seeking



Knowledge seeking

# Strategic Development of the MNE Pre 1870

## **Chartered Companies**

Had trading rights- used financial and human capital to develop resource-based (agricultural and mineral potential of foreign countries (mostly colonies) and trade that was fully allied to this production

(**resource-seeking**)-----not MNEs though (lacked organization links to VA activity in the home country)

Examples: The [East India Company](#) was established in 1602 as a [joint-stock company](#) with a monopoly of the trade to and from the [East Indies](#).

## **Migrations**

Examples; Peter Ballantine (from Dundee Scotland) to set up brewery in the US (around 1830).

## **Finance capitalists**

Example: Rio Tinto Zinc, small office in London but not engage in similar activities in the UK.



# 1870-1914 FDI and MNEs

- **MNEs from Europe:**

1. Securing raw materials to support home country industry- not any more responsibility of trade companies- element of value- added- **vertical integration**
2. Evolution of stand-alone companies into integrated multi-country companies with home-country HQs.
3. Need to supply effectively their overseas markets- **horizontal integration-market seeking** (Nestle, Unilevel, Cadbury)

**MNEs from US:**

1. More oriented towards technology- based industries. Pioneered formal R&D
2. Evolved around managerial skills i.e. organize integrated operations in a range of different locations

**Examples:** US companies produced from sewing machines to drugs to oil to insurance (new products)

Study by Franko (1976) identified 85 large European MNEs with operations in mining, petroleum and plantations (**resource seeking**)

1914-1939

- Economic depression
- High levels of restraints on trade
- Firms built individual facilities in host countries resulting in **horizontal MNEs** and **market-seeking** investments

# 1945-1965

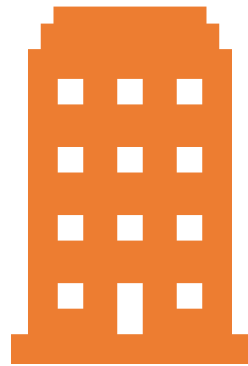
- Trade restraints are high
- **Market seeking** is still a predominant motivation
- Significant growth of MNEs
- 1965-
- Major developments:
  1. Lowering of trade barriers led to rationalisation of international production by MNEs through **efficiency-seeking** subsidiaries
  2. Adoption of international and networked approaches to R&D leading to **knowledge-seeking** strategic motivation



# What are companies saying?

“ At NEC and Philips, at Ericsson and Matsushita,...., executives have questioned traditional head office-subsidary relationships”.

# What is the trend?

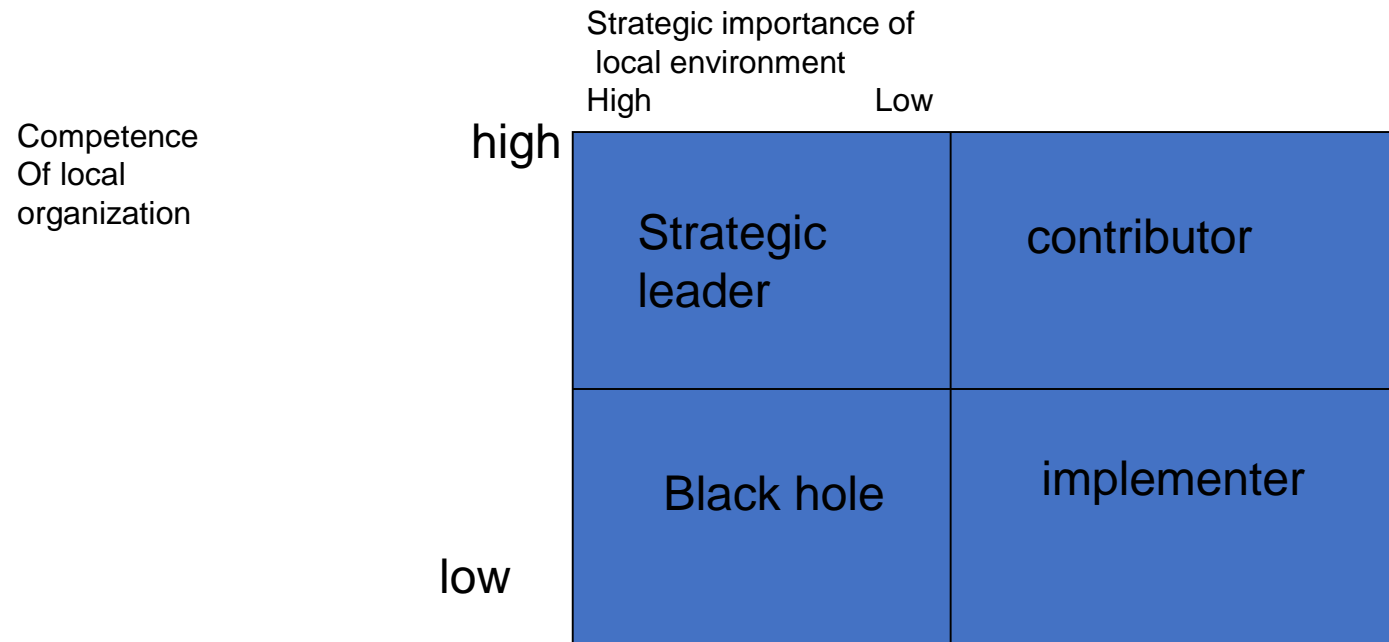


“Headquarters can only do so much. Often that’s too much”



“International subsidiaries shouldn’t just be pipelines to move products. Their own special strengths can help build competitive advantage”

# Roles of subsidiaries: Bartlett and Ghoshal



# Roles of subsidiaries

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TRUNCATED MINIATURE  
REPLICAS



RATIONALIZED PRODUCT  
SUBSIDIARIES



WORLD PRODUCT  
MANDATES

# Typology analysis

- There is a wide literature concerning the different roles a subsidiary can assume ([Bartlett and Ghoshal, 1986](#), [Jarillo and Martinez, 1990](#), [Taggart, 1997](#), [White and Poynter, 1984](#)).
- We adopt a typology emerging from [White and Poynter \(1984\)](#) and we distinguish among four major subsidiary roles, i.e. Truncated Miniature Replicas (TMRs), Rationalized Product Subsidiaries (RPSes) and World Product Mandates (WPMs). This represent a revised version of the role categorization, originally initiated by Canadian scholars and their research into centers of excellence.
- According to this classification, a TMR produces mainly well-established products. An additional form of TMR—being a more specialized-narrow product mandate, i.e. a SMR—is also investigated. An RPS is specialized in the production of component parts of the final product. WPM is ascribed with the task of producing differentiated products.
- The specific typology was selected, because ‘...it emphasizes potentials for various evolutionary paths and restructuring processes, which are seen as interdependent with key changes in the global competitive environment’ ([Tavares & Pearce, 1999, p. 7](#)).
- Source: Manolopoulos, D., Papanastassiou, M., & Pearce, R. (2005). Technology sourcing in multinational enterprises and the roles of subsidiaries: An empirical investigation. *International Business Review*, 14(3), 249-267.



APPENDIX

Table A.1

Business activity	N. investments projects		% projects
<i>Coordination activities</i>	<b>6,026</b>	<b>6,026</b>	<b>5.4%</b>
Headquarters	6,026	6,026	5.4%
<i>Support Services</i>		<b>10,980</b>	<b>9.9%</b>
Customer Contact Center	1,589		
Logistics, Distribution & Transportation	6,580		
Maintenance & Servicing	1,321		
Shared Services Center	765		
Technical Support Center	725		
<i>R&amp;D-related activities</i>		<b>7,788</b>	<b>7.0%</b>
Design, Development & Testing	5,610		
Research & Development	2,178		
<i>Production</i>		<b>33,346</b>	<b>30.0%</b>
Manufacturing	26,507		
Construction	5,205		
Electricity	841		
Extraction	448		
Recycling	345		
<i>Advanced Services</i>		<b>53,170</b>	<b>47.8%</b>
Business Services	20,877		
Education & Training	1,261		
ICT & Internet Infrastructure	1,563		
Sales, Marketing & Support	29,469		

Source: Castellani, D., & Santangelo, G. (2016). Quo vadis? Cities and the location of cross-border activities. In *Conference Paper Presentation, iBEGIN Conference*.

Figure A.4 – Geographical distribution of cross-border investment projects in Production activity

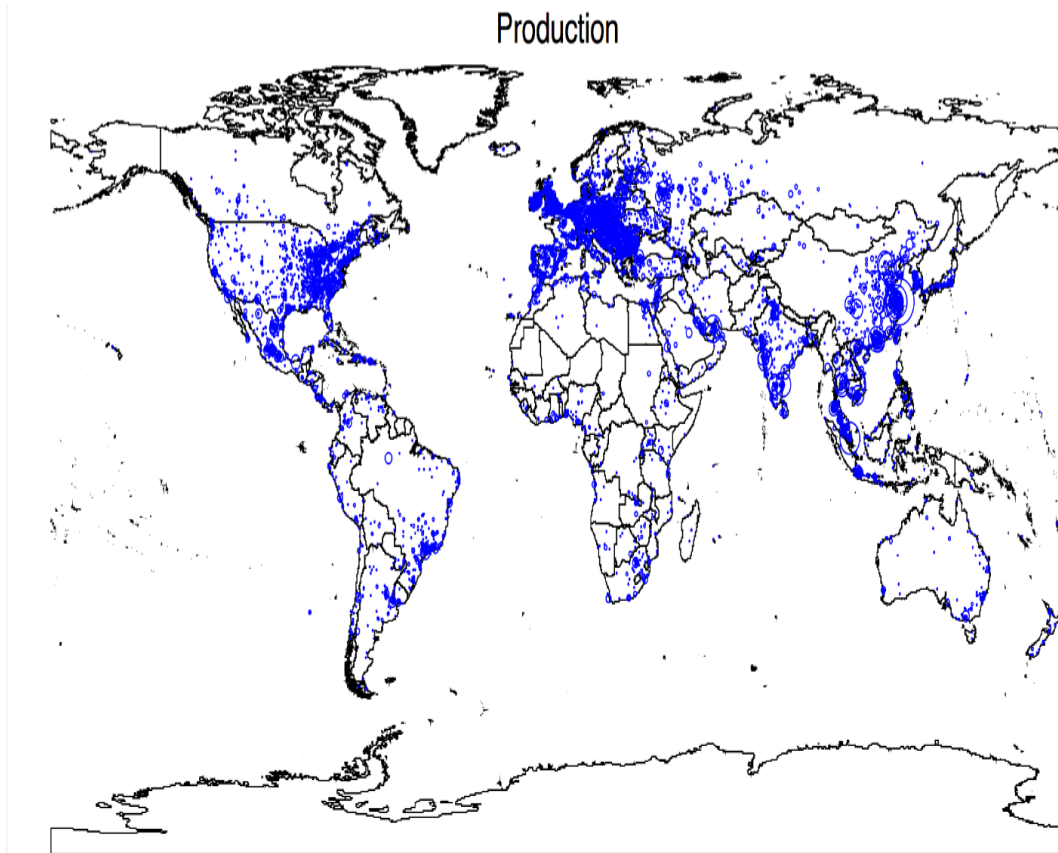


Figure A.1 – Geographical distribution of cross-border investment projects in Headquarter activity

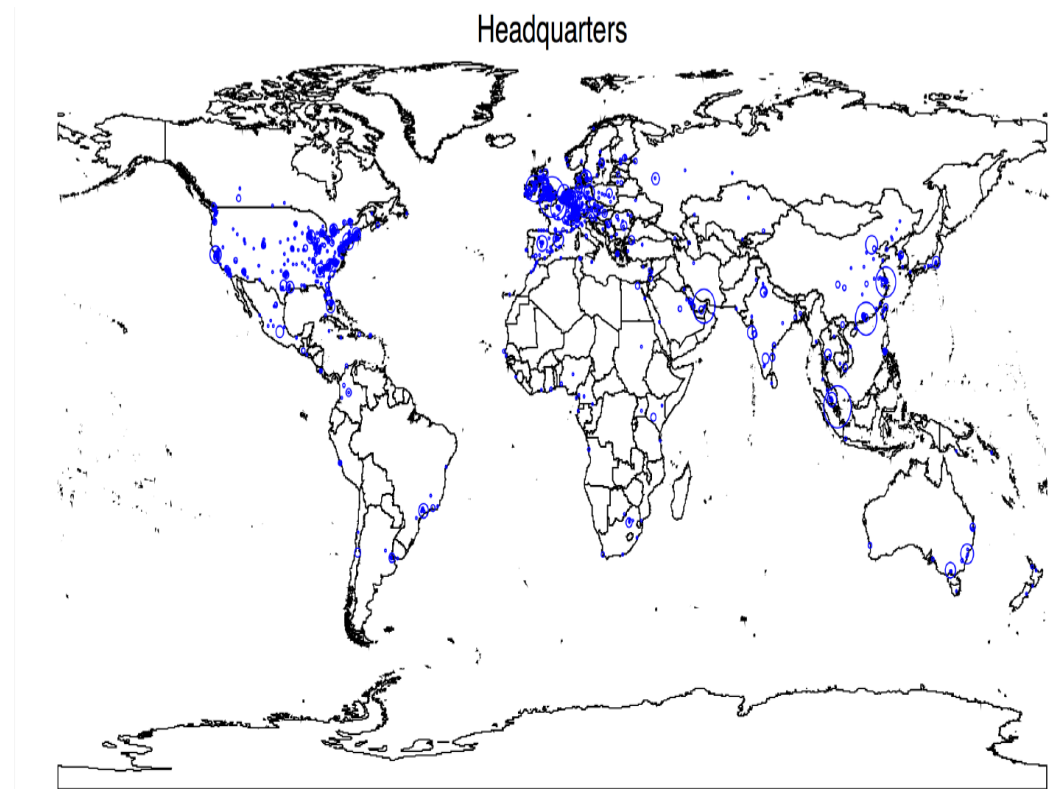


Figure A.5 – Geographical distribution of cross-border investment projects in Advanced services activity

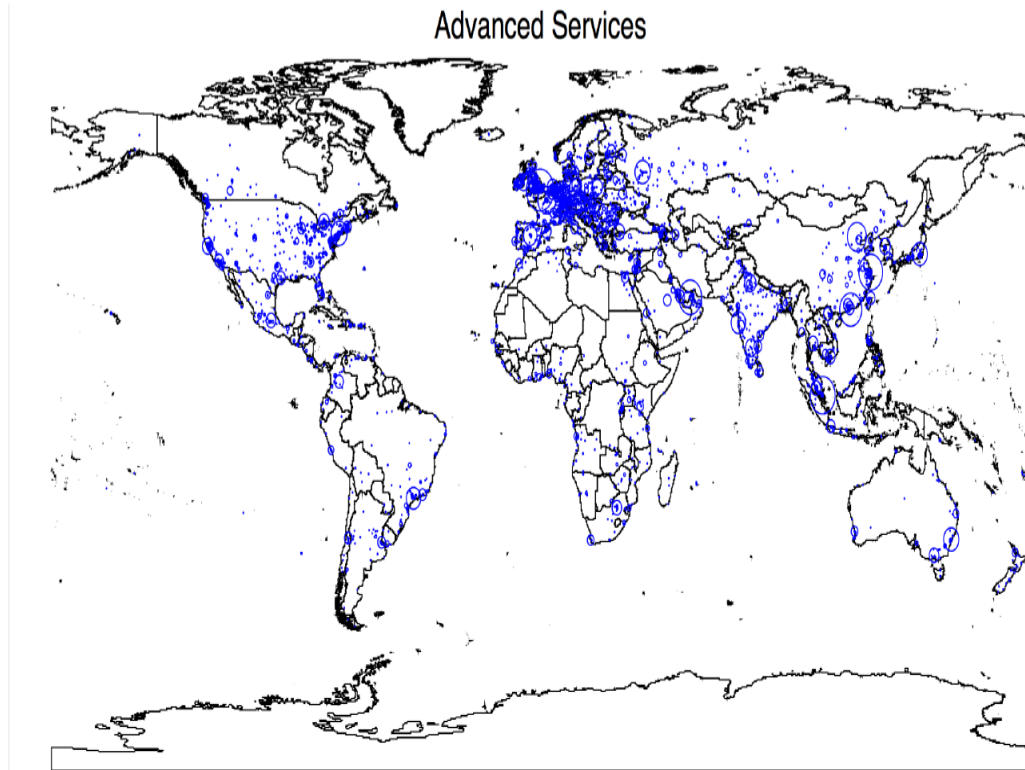


Figure A.2 – Geographical distribution of cross-border investment projects in Support services activity

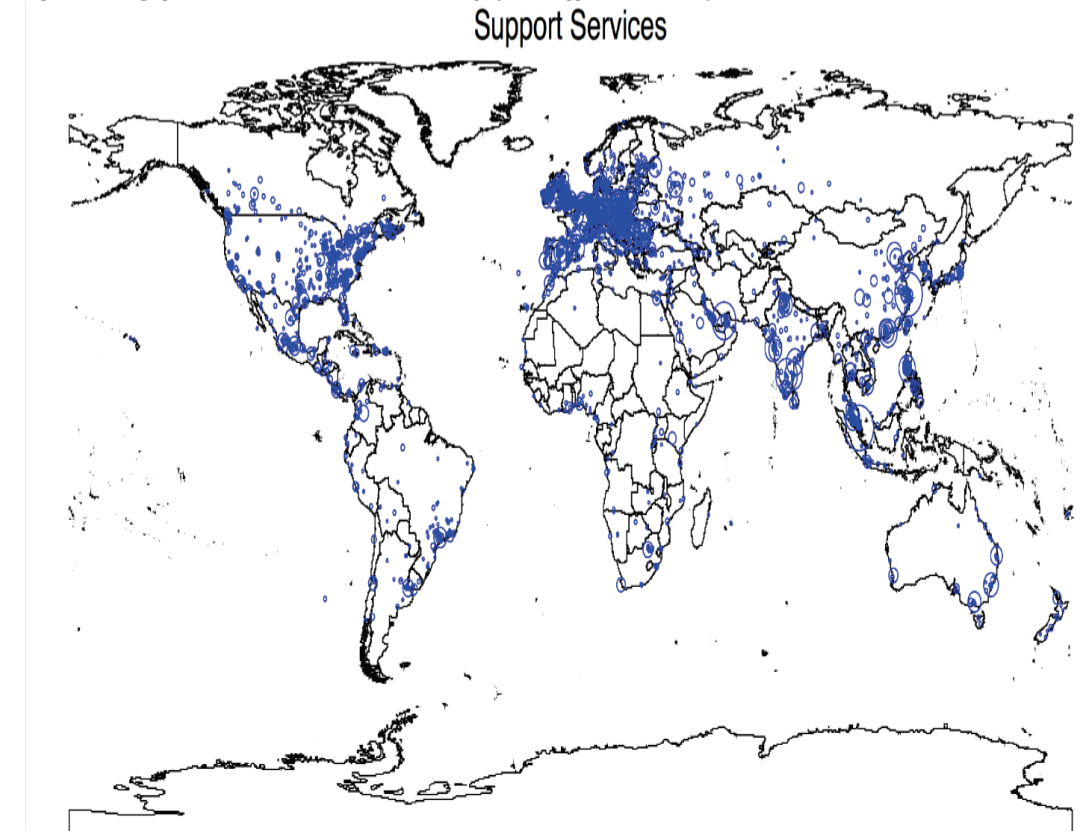


Figure A.3 – Geographical distribution of cross-border investment projects in R&D-related activity

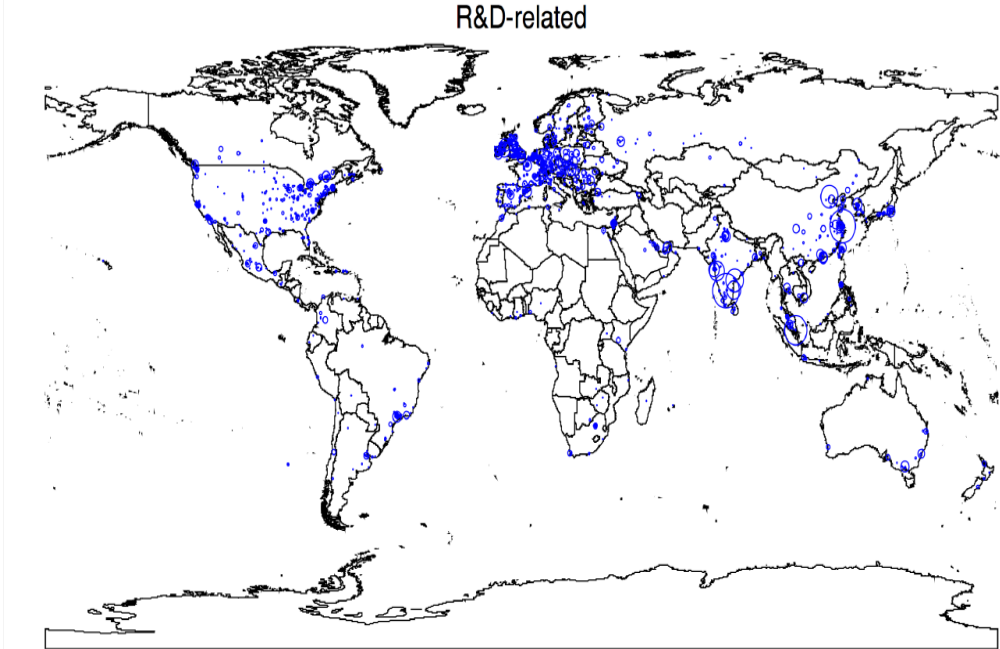


Figure A.4 – Geographical distribution of cross-border investment projects in Production activity

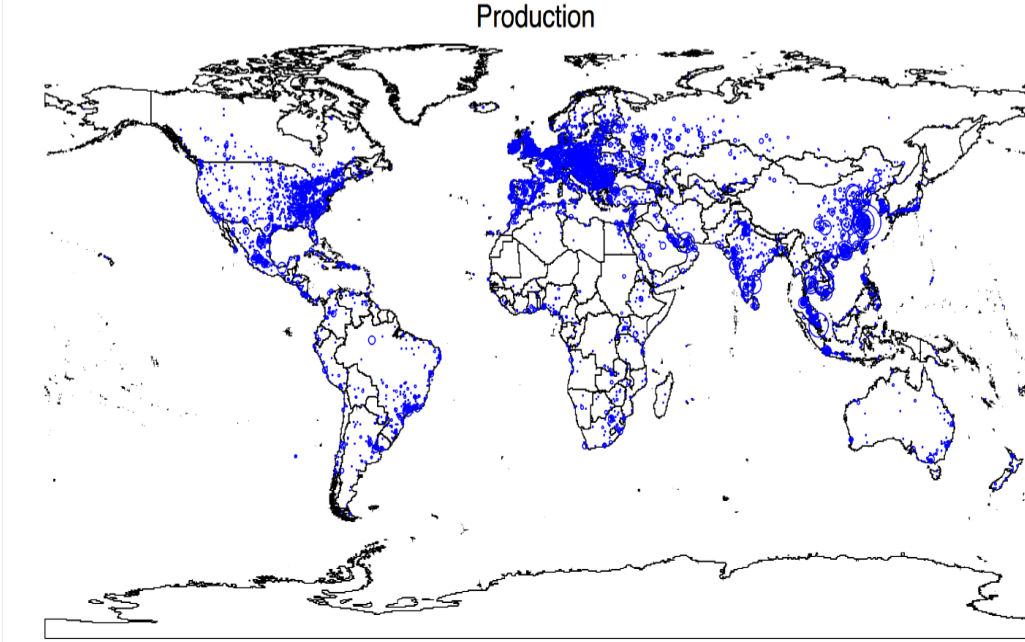
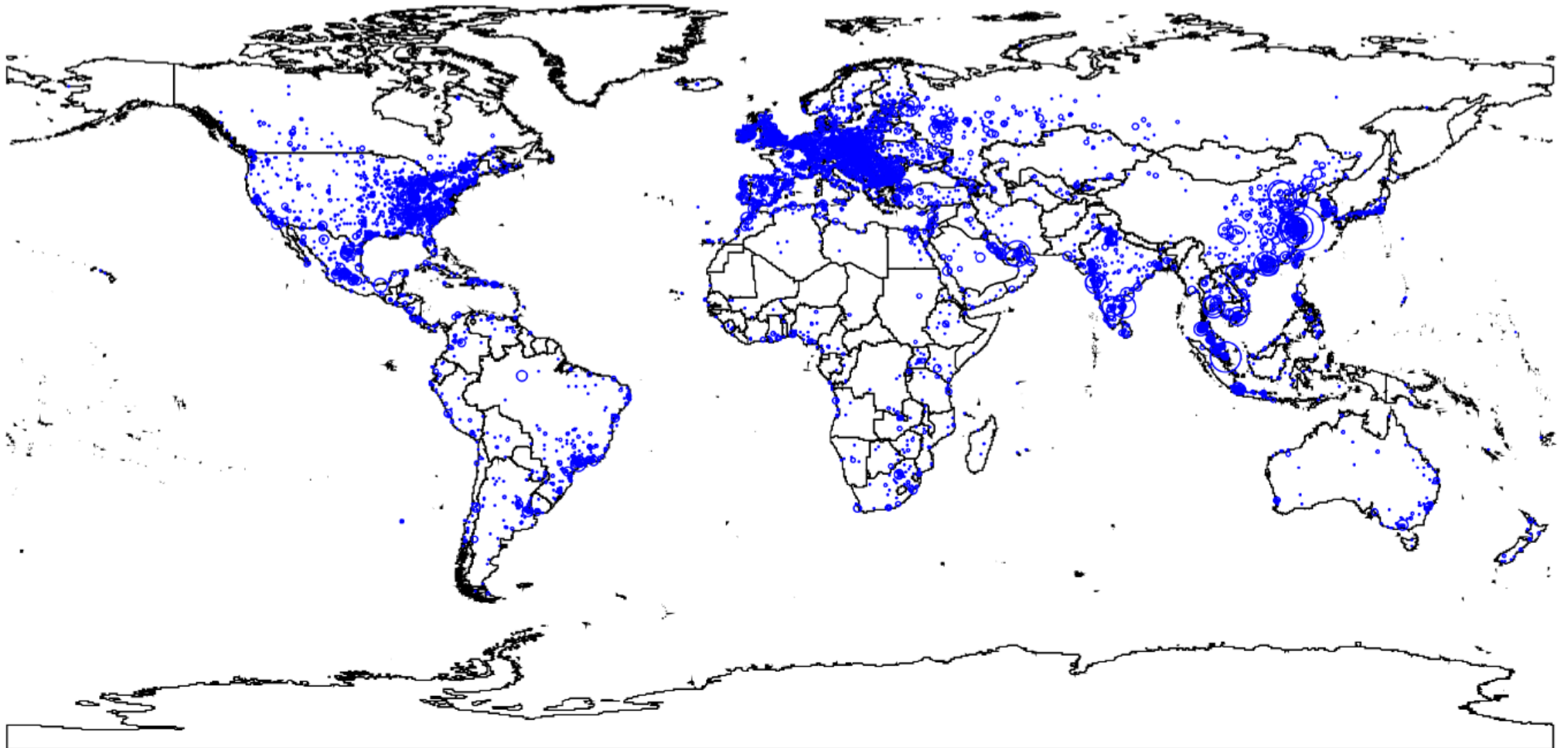


Figure A.4 – Geographical distribution of cross-border investment projects in Production activity

## Production



# Συμπεράσματα

- Παγκόσμια εξάπλωση Πολυεθνικών μέσω του δικτύου των θυγατρικών τους
- Ύπαρξη διαφορετικών τύπων θυγατρικών καθορίζεται τόσο από τις χώρες υποδοχής όσο και από τα χαρακτηριστικά των ιδίων των θυγατρικών
- Επιπτώσεις στην ανάπτυξη

# Global Innovation Strategies (GIS)

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From PCM (Product Cycle Model)

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New product concept

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NSI---

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basic-applied research

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product development-

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adaptation and marketing

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Roles of dispersed R&D laboratories