Session I
presentation by
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THE NEW SPATIAL HYBRIDIZATION OF TNCS?
The Blending of Corporate Locational Dynamics Across Mature and Emerging Markets.

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Point of Departure

- Globalization has created new possibilities for firms in both mature and emerging markets and for new corporate geographies to emerge.
- MNEs are thus often characterized as being mature or emerging market firms
- Firms utilize differences that exist in their geography to enable arbitrage and gain a strong market position due to differences across geographies
- The paper seeks to use both manufacturing and service firms to also show that the global production networks are becoming increasingly complex.
- The contribution of this paper is to contend that a growing number of MNEs are becoming increasingly ‘hybrid’ in character in a way that makes national origin-based theories of corporate internationalization increasingly partial and problematic.
Much higher GDP growth in the developing world (5.6 % vs. 1.4 % average in the last decade)

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Source: IMF, (constant year-on-year prices)
Breaking the ‘glass ceiling’ in manufacturing


FDI absorption

STAGE ONE
Simple manufacturing under foreign guidance
Vietnam

STAGE TWO
Have supporting industries, but still under foreign guidance
Thailand, Malaysia

P.R. China

Glass ceiling for ASEAN countries (middle income trap)

STAGE THREE
Technology & management mastered, can produce high-quality goods
Korea, Taiwan, Singapore

STAGE FOUR
Full capability in innovation and product design as global leader
Japan, EU, USA

Creativity

Internalizing technology
Theoretical foundation

- Challenge to conventional concepts of MNE or TNC
- Characterization of mature and emerging market TNCs is breaking down
  - Blurring of home and host market perspective
- Implications for thinking about ‘liability of foreignness’ as developed in IB
- TNCs are overcoming liability of foreignness through new alliance / corporate organizational form
Propositions

• that the home / host country conceptual division is being challenged

• that similarly the mature and emerging market binary is also becoming less applicable to a growing number of firms that represent a hybrid form

• that in a growing number of important cases the parent – subsidiary relationship is producing internal corporate transformations that not well understood as being ‘contained’ within either; and

• that the concept of hybridity provides a means to theorise the way these novel corporate forms have developed across multiple dimensions.
Modelling the dimensions to the development of spatial hybridization
Case study: Volvo Cars and Geely

• Takeover in 2010
• Zhejian Geely Automotive Group (listed in Hongkong)
• Local public investment
  – Daqing and Jiading
• Group aim to be top-ten in the world
  – Aim to sell 3 million cars
• Replicates what Ford tried to achieve in 1999 with Aston Martin, Jaguar & Ford brands
• CEVT, Lynk & Co.
• AB Volvo, Daimler
Geographical set-up

- Leaving the plant in Chongching
- New plant in Chengdu
- 120000 capacity, 2500 employees. Ready late 2013.
- Bodyshop, paint and final assembly
- New SPA platform to be introduced, also Europe
- Daqing plant 2014 (assembly), Zhangjiakou 2014 (power train)
- China Euro Vehicle Technology (knowledge absorption and development)
Implications

- Location is influenced by government plans
- Foreign or domestic firm?
- Management replacement – translation of practice
- Hybrid emerging market MNC (Alvstam and Ivarsson, 2014)
- Relative importance of different markets
- New industrial set-up and combination of management
  - Multi-location; impact on firm centre of gravity and management capabilities.
- Restructuring the supply of services to handle new spatial footprint; local and international providers
Case study: UK legal firms in China

• Recent research project investigating nature of foreign (western firm) interaction between western and domestic Chinese law firms in foreign investment practices

• Strategies of UK legal service firms since 2012 through joint ventures and partnership networks with Chinese legal service firms

• Specific Chinese context; regulation prevents conventional internationalization M&A as you have in other industries.
Case study: UK legal firms in China

• China’s domestic legal service market is both growing and modernizing rapidly in a manner that is not easily able to meet all of the needs of inward investment by foreign firm into the Chinese economy.

• The core strategy by UK and other foreign law firms has been and continues to be to develop ‘referral’ or ‘partnership’ networks with larger leading domestic Chinese law firms.

• UK firms working closely with leading Chinese law firms: new hybrid project based working practices developing.

• Emerging hybrid capacities nurtured within this cross-firm space, and partly owned by both the western MNE and the emerging Chinese MNE.

• Overall, new corporate forms that neither neatly fit into conceptions of foreign acquisitions by mature economy MNEs nor the emergence of Chinese EMNEs in legal services.
Conclusions

- New hybrid spatial form beyond concepts of global TNCs or regionalised TNCs
- General theory not Asia specific
- New complexity that are developing in TNC forms that combine emerging and advanced locations, different institutional setting, complex handling of brand name and internal frictions for knowledge development.
- Competitive advantage by utilizing locational dynamics in innovation capacity, brand names and interconnectedness to global locations within advanced manufacturing and services.
- Corporate spatial hybridity is shaped by firm host country emergence and specific pathway of internationalization,
  - BUT multiple dimensions to these hybrid forms that are not captured by home / host or MNE / EMNE binaries.
THANK YOU!