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## 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)

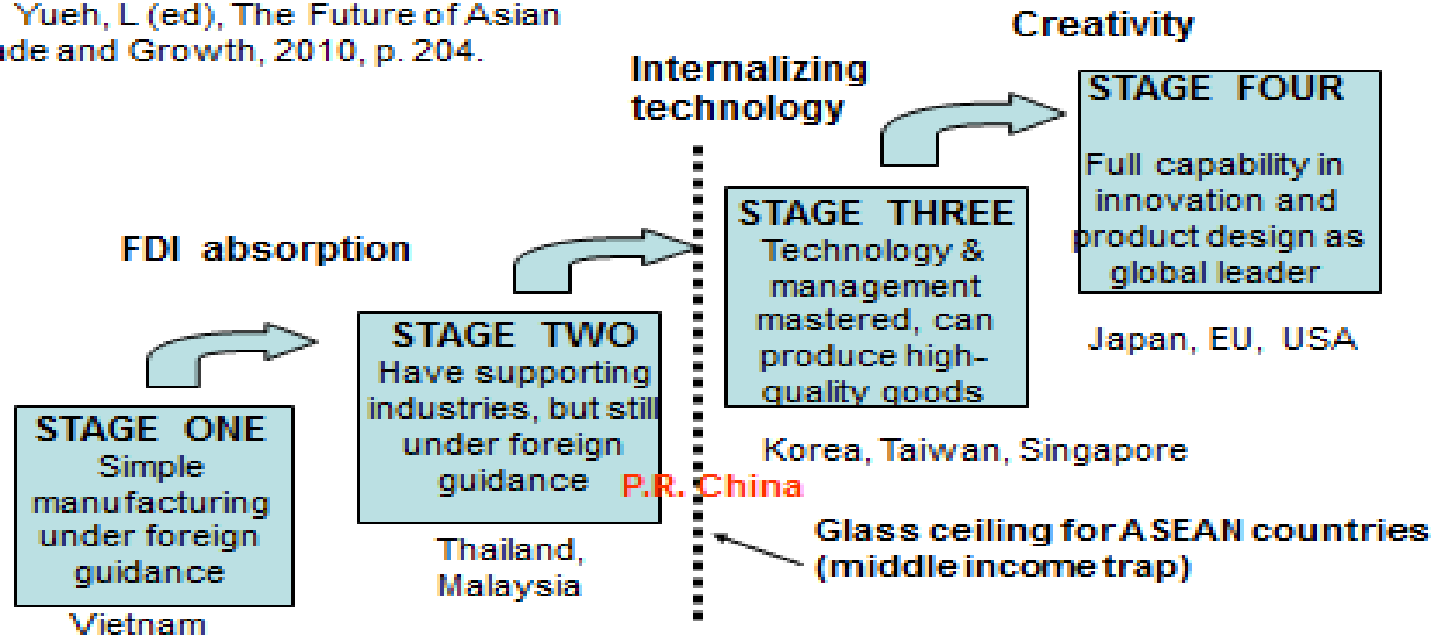
	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018 est
W.	5.5	5.7	3.1	0	5.4	4.2	3.4	3.4	3.4	3.4	3.1	3.9	na
Adv	3.1	2.8	0.2	-3.4	3.1	1.7	1.2	1.4	1.8	2.3	1.6	1.7	2.3
Dev	8.2	8.7	5.8	3.1	7.4	6.2	5.2	5	4.6	4.2	4.2	5.1	4.7

Source: IMF, (constant year-on-year prices)



# Breaking the 'glass ceiling' in manufacturing

Own adaptation from Ohno, Kenichi, Overcoming the middle income trap. In: Yueh, L (ed), The Future of Asian Trade and Growth, 2010, p. 204.





# 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.



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# Modelling the dimensions to the development of spatial hybridization







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## 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





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## 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?
- Long term financing, China Development Bank. More Chinese? Ultimate control?
- 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 foot print; local and international providers



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## 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.





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## 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 thes/e hybrid forms that are not captured by home / host or MNE / EMNE binaries.



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THANK YOU!

