

Multinational enterprises (MNEs) from emerging economies:  
*What is really different about them to justify special  
consideration in business research?*

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## ***When in investing in Advanced Economies, **how are Emerging Economy (EE) MNEs different** from Advanced Economy (AE) MNEs?***

*Saul Estrin, Klaus Meyer & Adeline Pelletier, 2018, Emerging Economy MNEs: How does home country munificence matter? Journal of World Business, 53(4): 514-528*

**Argument:** Compared to AE MNEs, EE MNEs can draw upon less munificent resources in their home environment.

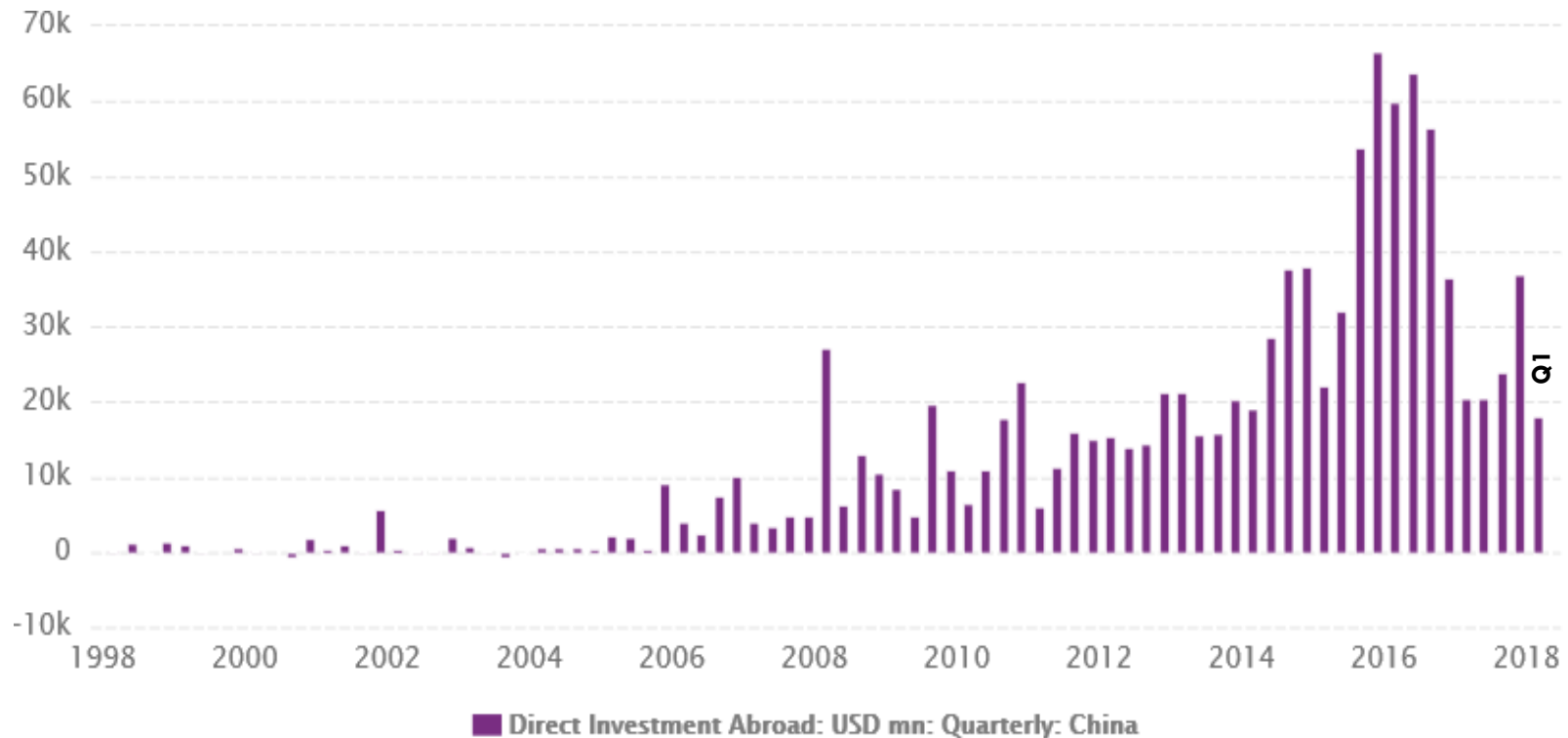
Thus, their location choices are more deterred by barriers to entry, and more attracted to large markets.

This systemic difference complements country-, industry- and firm-specific effects.

Host country characteristics	EE MNEs		AE MNEs
IPR Protection	0.004	≈	0.008
Distance (home to host)	-0.523	>	-0.303
Common Language	1.469	>	0.170
Foreign-born population	0.680	>	0.139
Population	0.884	>	0.633
GDP Growth	0.162	>	0.002
GDP per capita	0.003	>	-0.001

*Data: FDI in AEs by MNEs from 7 EEs and 7 AEs, identified from Amadeus database*

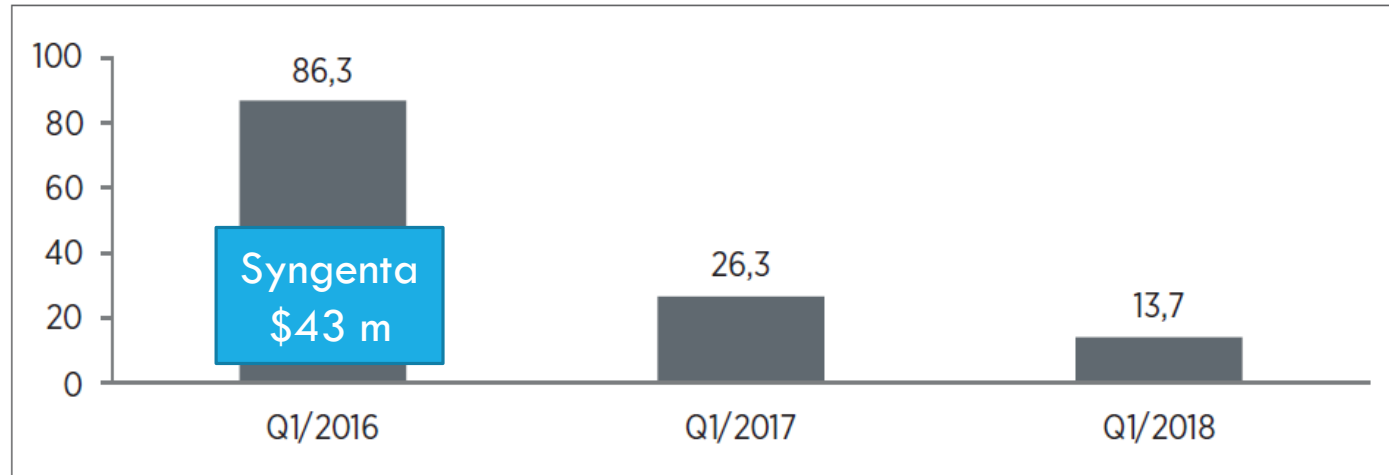
**Foreign Direct Investment from China surged in 2015/16, but is slowed down sharply in 2017/18.**



SOURCE: [WWW.CEICDATA.COM](http://WWW.CEICDATA.COM) | CEIC Data

[Source: <https://www.ceicdata.com/en/indicator/china/foreign-direct-investment> (Euromoney)]

Chinas Outbound-M&A-Volumen (in Mrd. USD)



Quelle: dealogic

## Why?

1. Tighter regulations in China on capital export by private firms

Anbang, Wanda, HNA, Fosun

2. Protectionism in the USA (and elsewhere) against inward investment by state-controlled enterprises

USA: MoneyGram ← Ant Financial (Alibaba) - \$2.1 bn

Lattice Semiconductor ← Canyon Bridge (PE) – \$1.3 bn

DE: 50Hertz ← State Grid - 20% for ca €1 bn

Although Germany has been very welcoming Chinese investors, recent (attempted) acquisitions triggered a lot of negative comments. Why?

- **Saturation: Many deals in a short time**  
(where does all that money come from?)
- **Level playing field**  
(would Germans be able to buy minority stake and then make a bid in China? [Kuka])  
(would Germans be able to acquire a utilities company in China? [50Hertz])
- **"National Security" and US regulatory approval [AIXTRON, 50Hertz]**  
(does the company control technology that US military considers strategic? [AIXTRON])  
(does the company control critical infrastructure? [50Hertz])  
(does the company control critical technology & data from other firms? [Kuka])



**NB: Competition authorities often block M&A deals, but so far rarely Chinese ones.**

## EMERGENT RESEARCH AGENDA: 1

***Operating in foreign countries, companies need to be considered legitimate by local stakeholders, including groups of stakeholder they are not familiar with.***

What are the sources of challenges to the legitimacy of Chinese investors?

- *political environment home / host*
- *state-ownership !?*

How can Chinese investors enhance their legitimacy (or reputation) abroad?

- *non-market strategies*

# CNOOC IN CANADA

**2005: bid for Unocal for \$18.5 bn**  
eventually withdrawn

**2010: acquisition for \$1.1 bn of**  
a 33% stake in a Texas oil field

**2012 Aug: bid for Nexen in Canada**

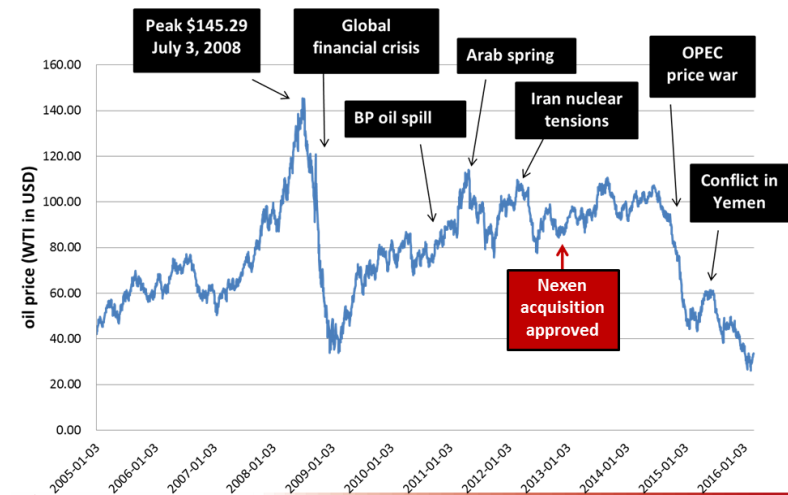
**2012 Dec: Canadian government approval**

**2013 Feb: CFIUS approval**

**2014-16: oil price nosedives**

**2015 Jun: oil pipeline spill**

**2016 Jan: plant explosion**





# El Edificio España in Madrid



**1957 – Opened, the tallest building in Spain**

**2007 – Acquired by Santander Bank for €389 m**

**2014 – Acquired by Wanda for €265 m**

**2016 – Sold by Wanda for ca €265 m**



**Ivey Case #9B17M005 (2017)**



How do **diplomatic relationships** affect FDI location? Are they more relevant to some firms, and some host contexts?

Klaus Meyer, Ding Yuan, Jing Li & Zhang Hua, 2017, “Diplomatic and Corporate Networks”, *Journal of International Business Studies*, *Journal of International Business Studies*, 49(6): 659-683.

**Argument:** Diplomatic relationships represent government-to-government ties that firms can tap into. Companies with strong ties to government at home are better positioned to take advantage of these ties. They are more important where rule of law is weak.

Findings	Full sample	SOEs under central govt	SOEs under local govt	POEs with personal ties to central govt	POEs with only local govt ties
Diplomatic ties	1.24	4.63 >	3.81 >	2.60 >	n.s.
Host: rule of law	.46	.96	.89 >	.60 >	n.s.
Diplomatic * rule of law	-.20	-.69	-.64	-.60 >	n.s.

All reported coefficient significant at 5% level; data: subsidiaries of Listed Chinese MNEs

*Are **Chinese state** MNEs choosing different foreign entry strategies than Chinese Private firms?*

*Klaus Meyer, Ding Yuan, Jing Li & Zhang Hua, 2014, Journal of International Business Studies, 45(8): 1005-1028*

**Argument:** SOEs are facing more opposition in some countries, especially rule of law & shareholder oriented ones, and in high tech countries. Hence, in these places, they need to demonstrate their **legitimacy** by avoiding acquisitions, especially full acquisitions.

Findings: host country characteristics	Acquisition (viz Greenfield)	Level of Equity in Acquisitions
Rule of Law	0	+
Rule of Law * State Ownership	0	--
Shareholder Protection	0	++
Shareholder Protection * State Ownership	-	--
Technology Intensity	+	++
Technology Intensity * State Ownership	--	--

*Data: Subsidiaries of Listed Chinese MNEs*

*Under which conditions do returnees (“sea turtles”) help a Chinese firm to internationalize?*

*L. Cui, Y. Li, K.E. Meyer & Z. Li, 2015, Leadership Experience meets Ownership Structure, Management International Review, 55(3): 366-387.*

- Arguments 1:** Returnees add value towards internationalization if (and only if) they bring leadership experience.
- Argument 2:** Returnees’ impact depends on the recipient organizations ability to use their assets, specifically their ownership structure.

Findings (Event History Method)	Impact on probability of investing overseas in year t
Overseas Leadership Experience (OLE)	+
Overseas Work Experience	0
Overseas Education Experience	-
OLE * private-owned / * central- state-owned	+ / +
OLE * local-state-owned / * foreign owned	- / -

*Data: Survey Data, listed electronics firms in China*

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