

“Multinationals, Nation States and Global Value Chains: Comparative Perspectives”

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Structure

- FDI in Spain (inward and outward)
- Spain as arena of MNC operations
- HR issues in Spanish MNCs (preview results)
- The map of MNCs in Spain
- The position in the value chain: Key preliminary findings



FDI in Spain (I)

- **Now (21st century):** strong economy
 - **Since 1950s:** entry of foreign investment
 - **Since 1960s:** ‘economic miracle’
 - tourism,
 - the export of surplus labour to other countries
 - Increase of foreign direct investment promoted by:
 - the complete removal of barriers on trade
 - government incentives to attract multinational companies in capital intensive industries (Campa and Guillén, 1999).
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FDI in Spain (II)

- **1970-1990:** Many MNCs set up in Spain
- **Why?**
 - The democratic reforms of the late 70s
 - Since 1980: process of liberalization and privatizations
 - Attractive, expanding domestic market
 - Gateway to EU countries

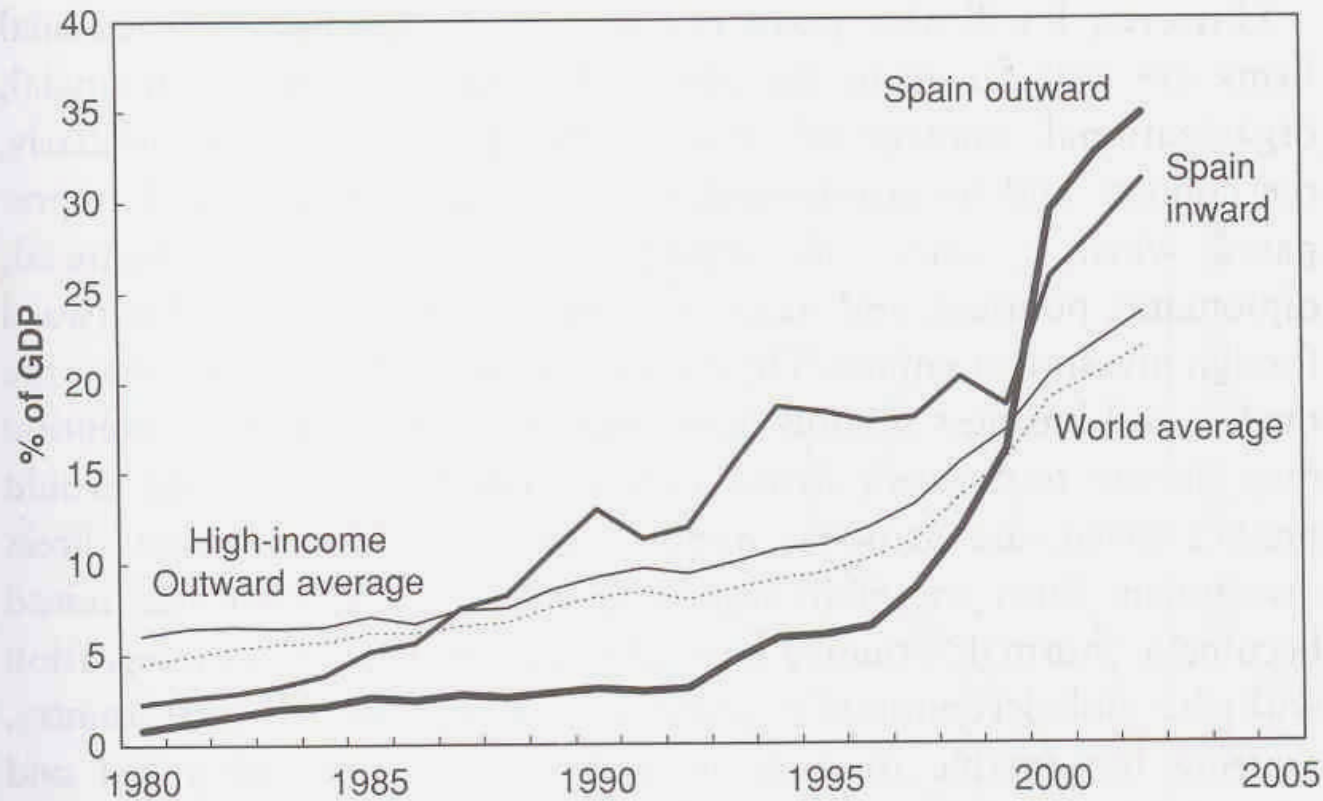


Spanish FDI (I)

- **In 1992:**
Spanish firms begin to react
- **By 2000:**
FDI by Spanish firms > FDI foreign firms.



Spain's Foreign Direct Investment Stock Position

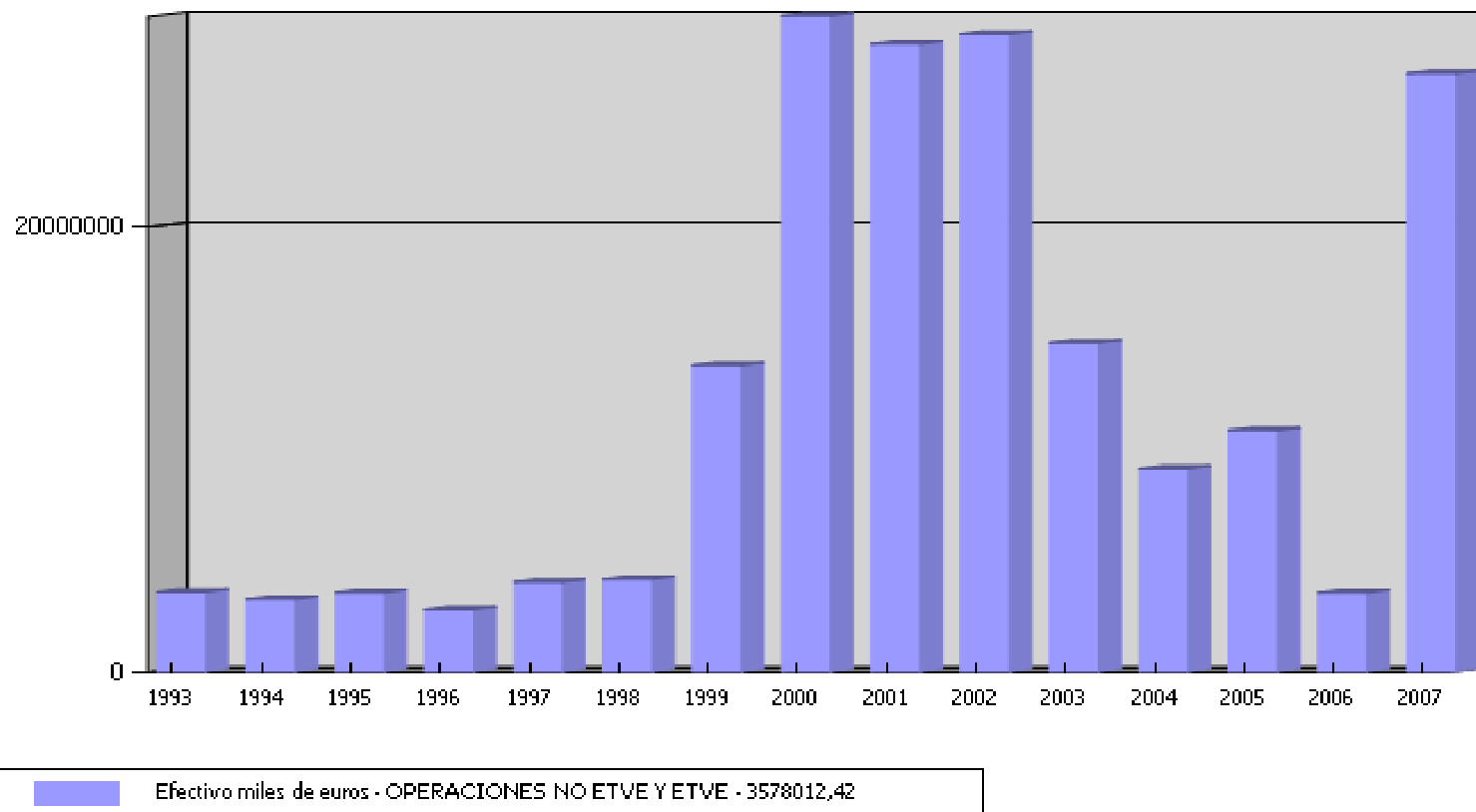


Source: UNCTD, World Investment Report (several years).

Figure 1.1. Spain's foreign direct investment stock position, 1980–2002.

Spain's Foreign Direct Investment Stock Position

FDI in Spain



Spain's Foreign Direct Investment Stock Position

Spanish foreign direct investment

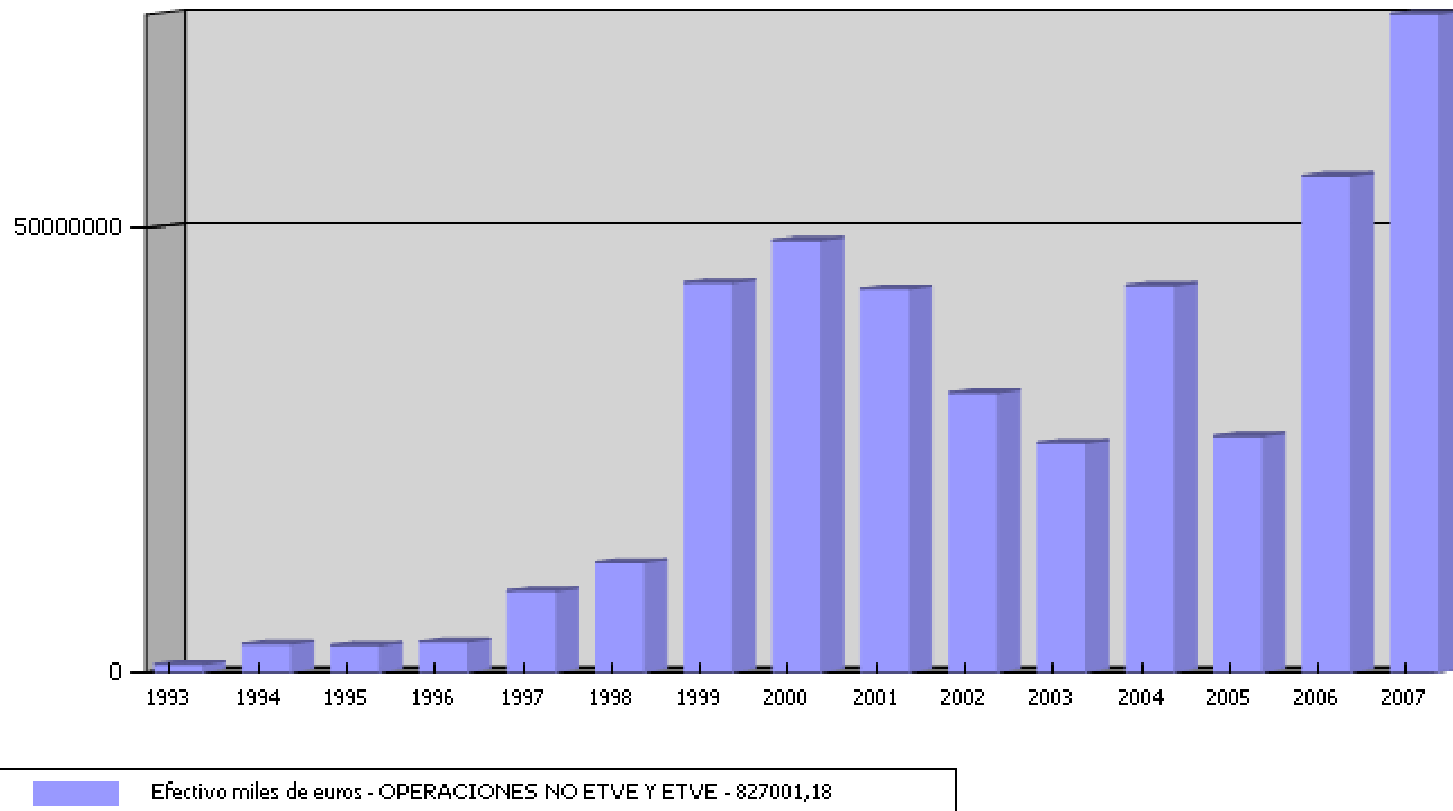
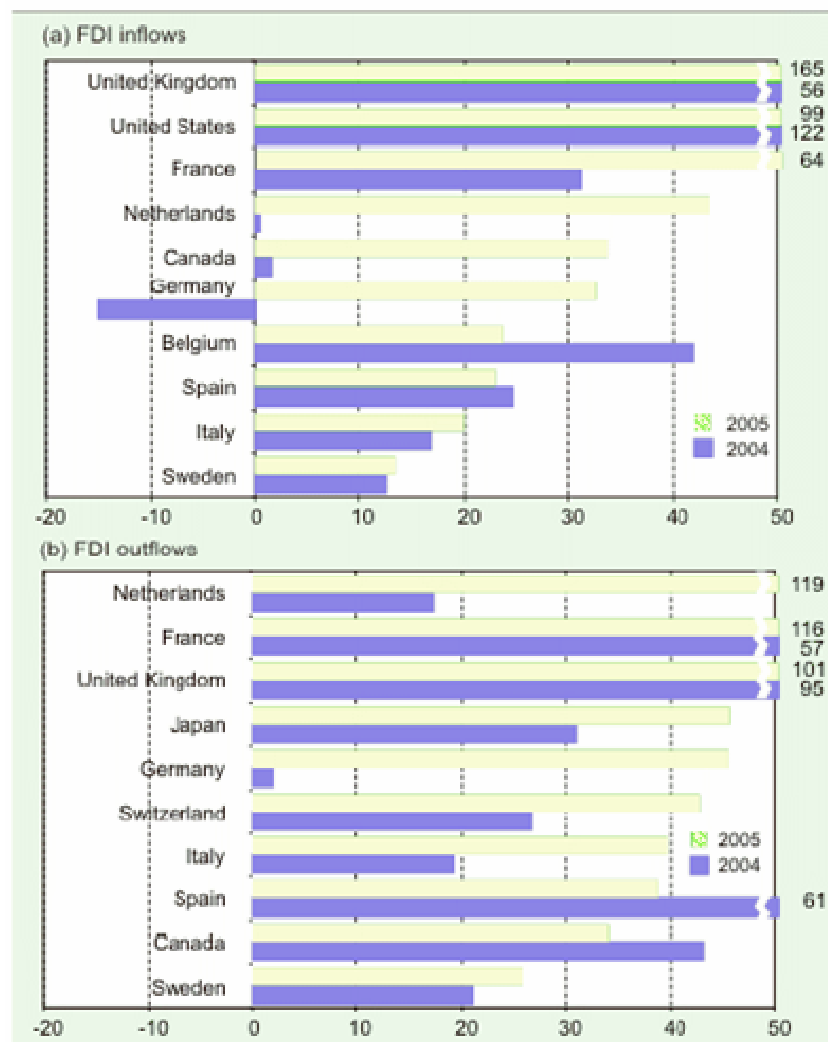


Figure II.23. Developed countries: FDI flows, top 10 economies,^a 2004-2005
(Billions of dollars)



Source: UNCTAD, FDI/TNC database (www.unctad.org/fdistatistics) and annex table B.1.

^a Ranked on the basis of the magnitude of the 2005 FDI flows.

Worldwide Relevance of Spanish MNCs (I)

- Nine Spanish companies in the *ranking* Fortune Global 500

Spanish companies in Fortune Global 500 (in million of \$)	
ranking	Income
75. Santander	68,0
77. Telefónica	66,3
90. Repsol YPF	60,9
163. BBVA	38,3
258. Endesa (1)	25,8
297. Cepsa	23,1
413. ACS	17,6
441. Ferrovial	16,6
482. Altadis	15,6

(1) After October 2007 The Italian Enel control the 67% of Endesa.
Source: Fortune Global 500.

Worldwide Relevance of Spanish MNCs (II)

Figure 4. Fortune Global 500 by country

País	País
1. EEUU (162)	10. Switzerland (13)
2. Japan (67)	11. Italy (10)
3. France (38)	12. Spain (9)
4. Germany (37)	13. Australia (8)
5. United Kingdom (33)	14. India (6)
6. China (24)	15. Sweden (6)
7. Canada (16)	16. Belgium (5)
8. The Netherlands (14)	17. Mexico (5)
9. South Korea (14)	18. Russia (4)

Source: Fortune Global 500.



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Spain as arena of MNC operations

- ***Dual labour market***
- ***High relevance of unions***
- ***Absence of vocational training***
- ***Malleability of business system***
 - **Not rooted in dominant historical NBS**
 - **Absence of traditional HR practices**
 - **High level of MBA Management training**

(See: Dickman, 1999; Ferner et al., 2001; Quintanilla, 1998; Muller-Camen et al., 2001).



HR in Spanish MNCs: preview results (I)

- Only the large Spanish MNCs have implemented sophisticated HR policies and practices
- These practices mainly come from the foreign MNCs (basically US MNCs)
- These HR practices are principally developed with the group of managers and key groups, but they are underdeveloped with the largest occupational group
- The practices most frequently used are:
 - Variable pay and stock options (for managers)
 - Training and development
 - Performance evaluation (360° / 180° ...)
 - Formal system of succession planning for senior managers
 - Developing its 'high potentials'
 - Expatriate assignments as a mechanism of organisational learning
 - Transfer of Staff Across Sites
 - Communication systems: intranet, cascade information



HR in Spanish MNCs: preview results (II)

- The Spanish MNCs tend to centralize the management of HR policies in their foreign subsidiaries, mainly with the use of expatriates
- There are some HR systems used in the foreign MNCs which operate in Spain that have not yet been implemented in the Spanish MNCs:
 - committee of senior managers that develops HR policies that apply across countries
 - Coordination between HR Managers across countries
 - Shared Services in HR
 - Performance evaluation for largest occupational group
 - ...



The map of MNCs in Spain

1st result of the research project in Spain



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A large scale survey: The map of MNCs operating in Spain

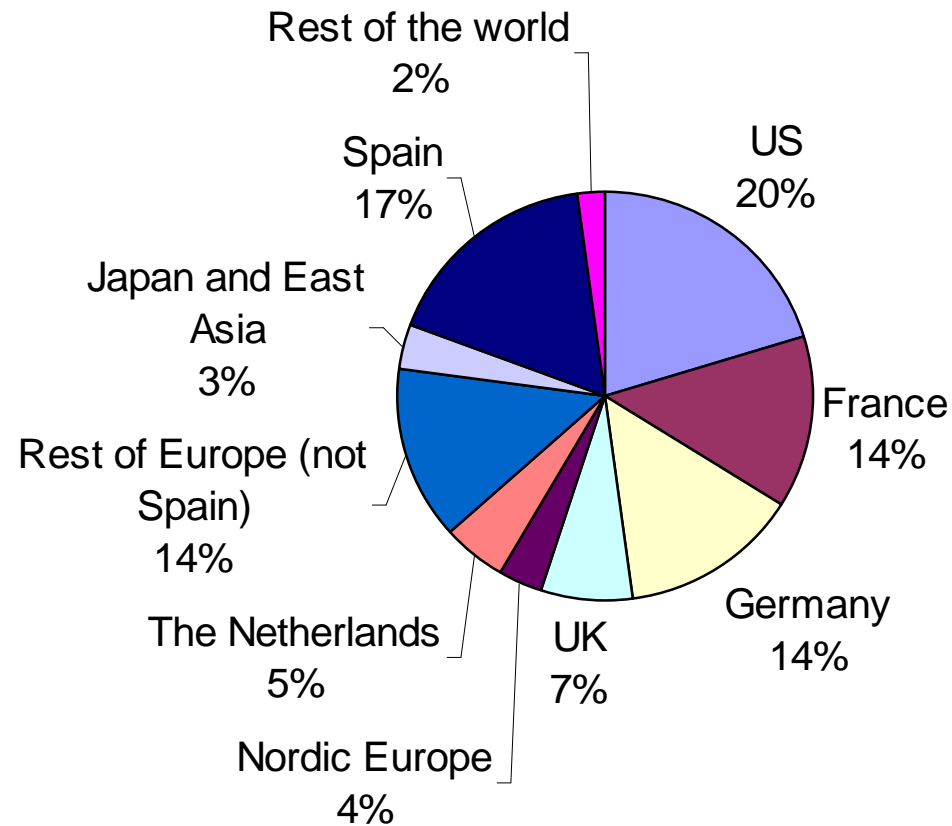
- **Population:** 1082 MNCs
 - 895 are foreign-owned
 - 187 are Spanish

We have studied the contours and dimensions of MNC activities in Spain in terms of:

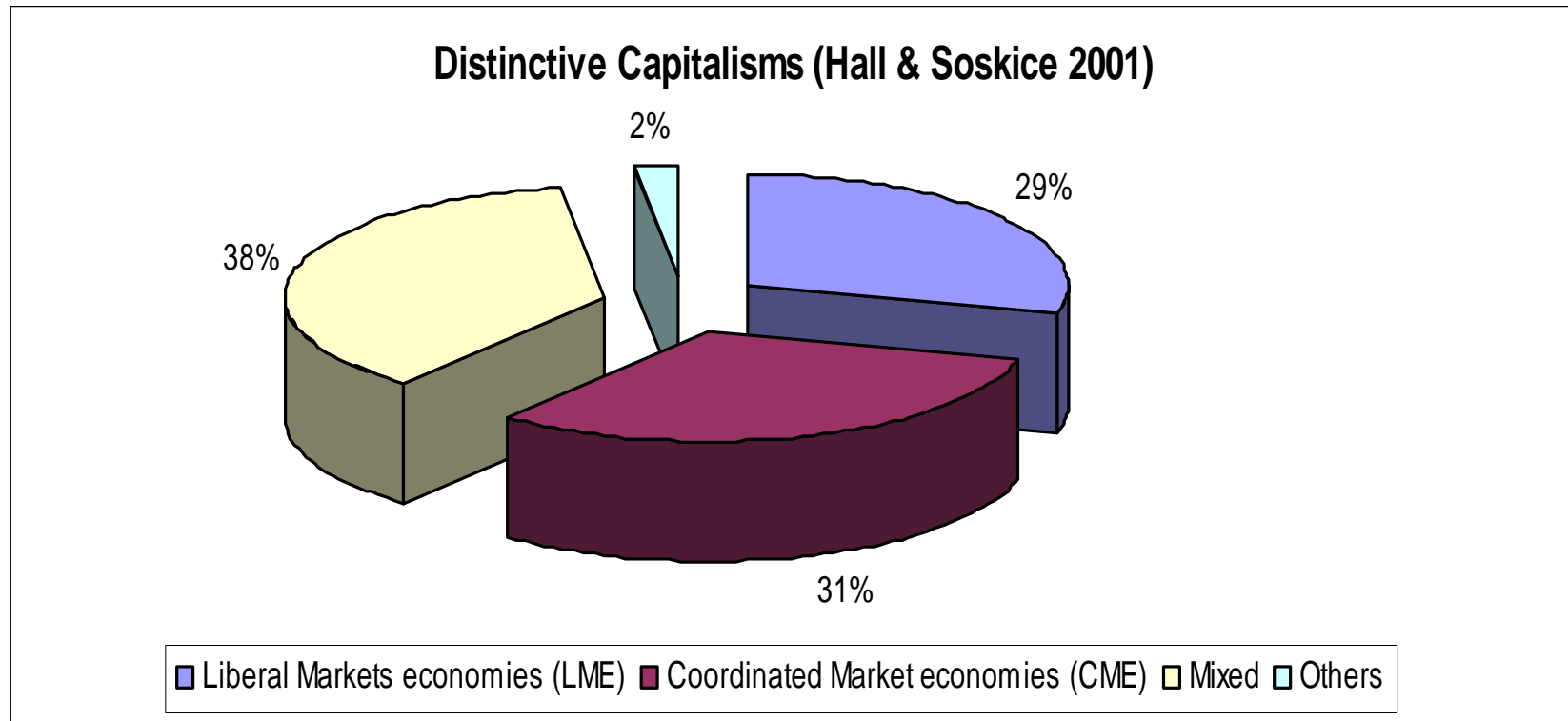
- **The country of origin** (Harzing and Sorge, 2003; Ferner, 1997)
- Regional markets: **CCAA**
- The **diversity of capitalisms** of the parent country (Morgan and Kristensen 2006; Hall and Soskice, 2001)
- The **sector of operations** (Katz y Darsbshire, 2000; Colling y Clark, 2002)
- The **company size**: The number of employees (Chang y Taylor 1999; Garnier 1982)



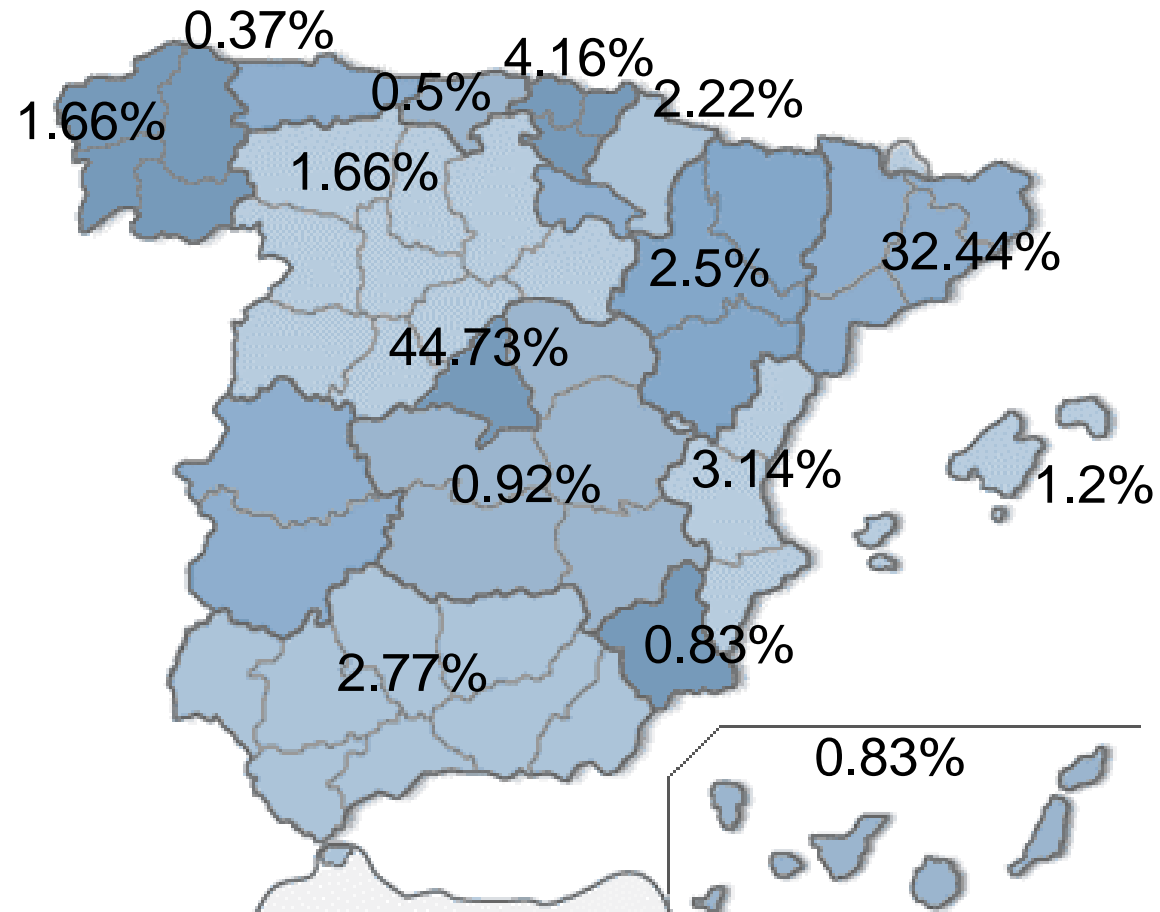
Country of Origin



Capitalism of the parent country



Regional Markets

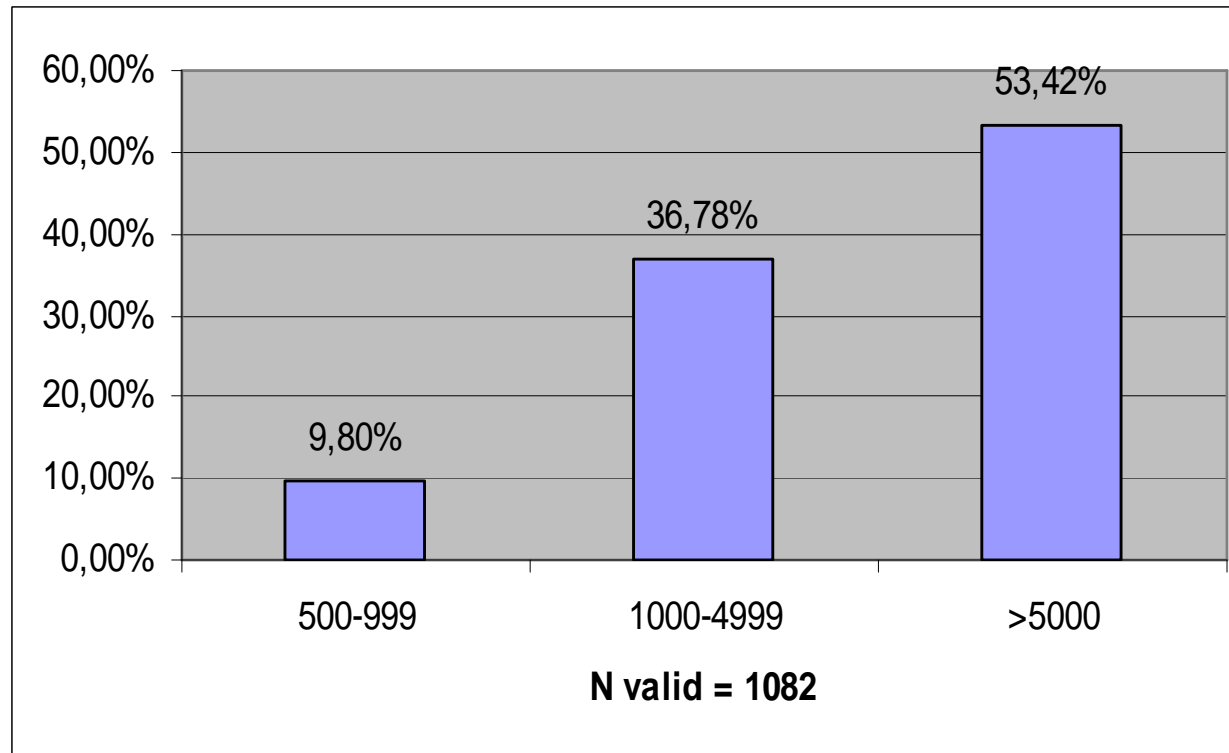


Sector of Operations

Sectors	Nº Firms	%
Oil, Electricity, Gas and Water Supply	25	2,31%
Financial Services including Insurance	75	6,93%
Aerospace, Travel and Tourism-related Services	46	4,25%
Retail Trade	143	13,22%
Mining and Quarrying	104	9,61%
Electronic, Information Technology and Telecommunications Equipment	115	10,63%
Media and Entertainment	16	1,48%
Health Services	13	1,20%
Business Services	147	13,59%
Construction and Engineering	35	3,23%
Automobiles, Other Motor Vehicles and Transport Equipment	80	7,39%
Food Products and Beverages	59	5,45%
Pharmaceuticals, Biotechnology and Medical Devices	110	10,17%
Others	114	10,54%
	1082	100,00%

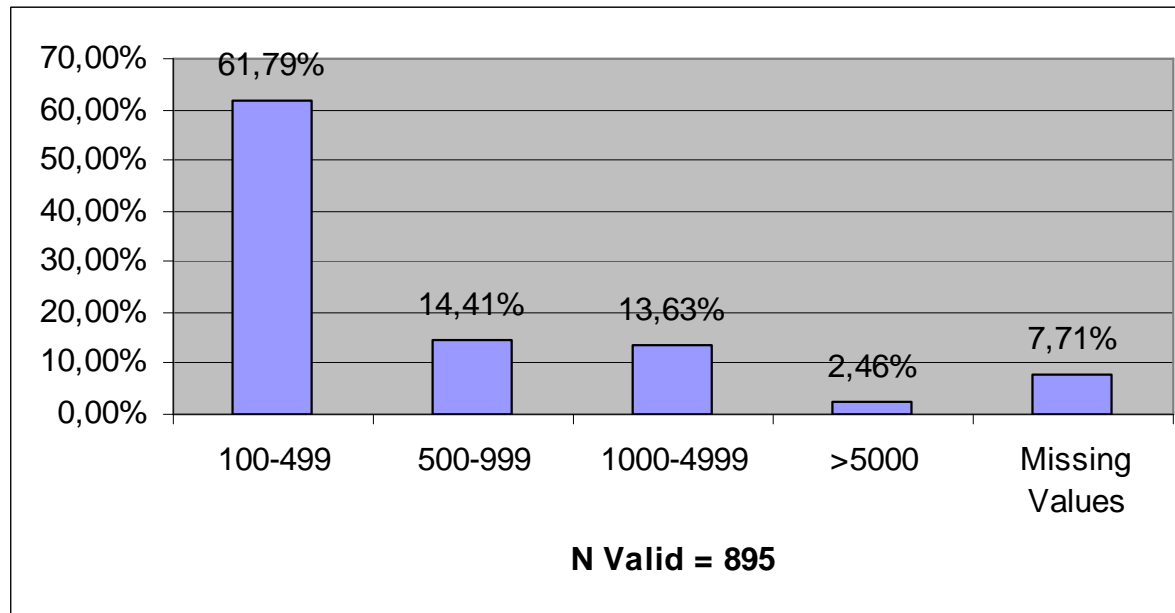
Number of Employees

- Number of Employees Worldwide



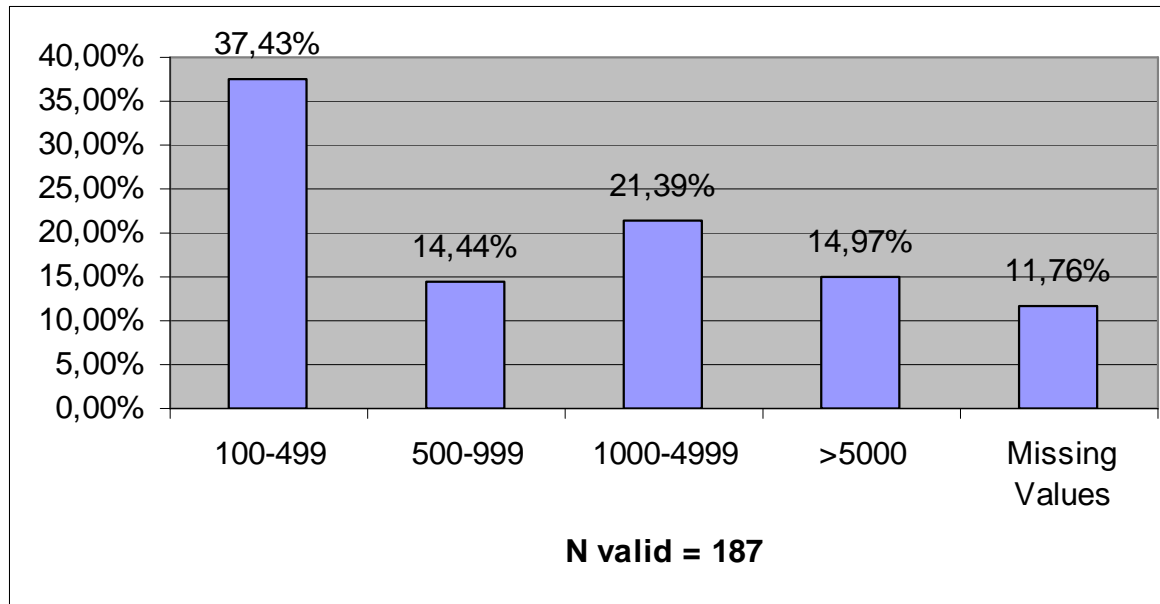
Number of Employees

- Number of Employees in Spain (Foreign-owned)

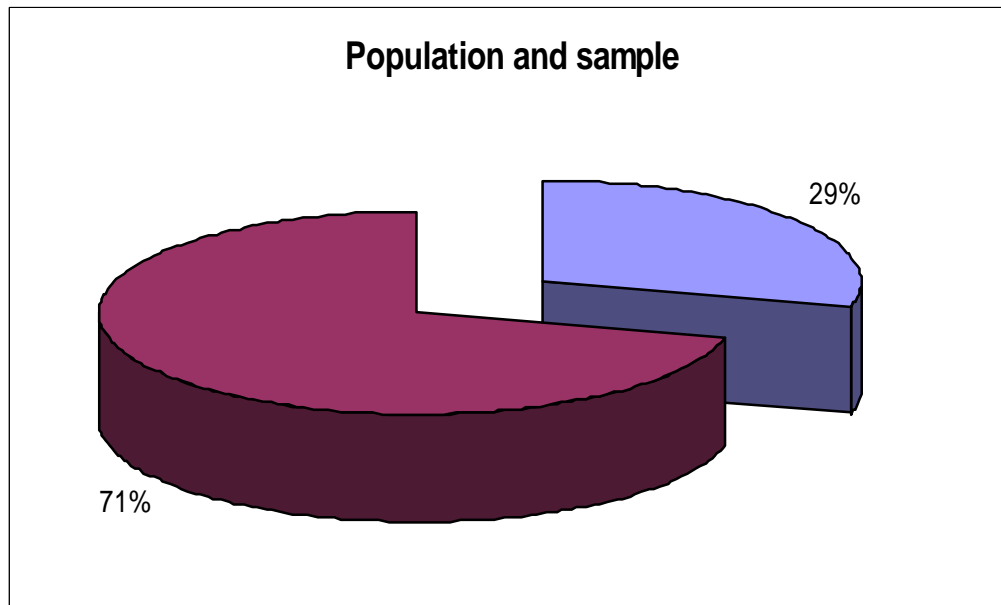


Number of Employees

- Number of Employees Abroad (Spanish-owned)



Population and Sample



Population: 1082
companies

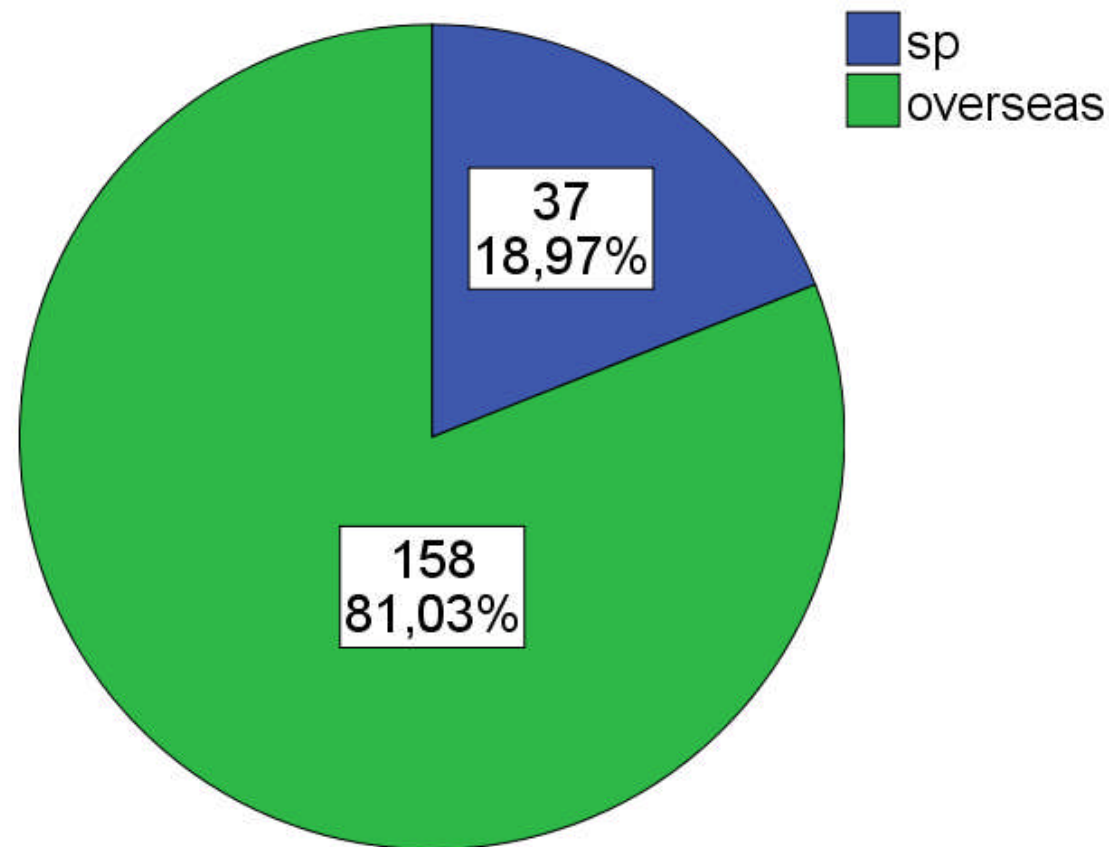
Sample: 312



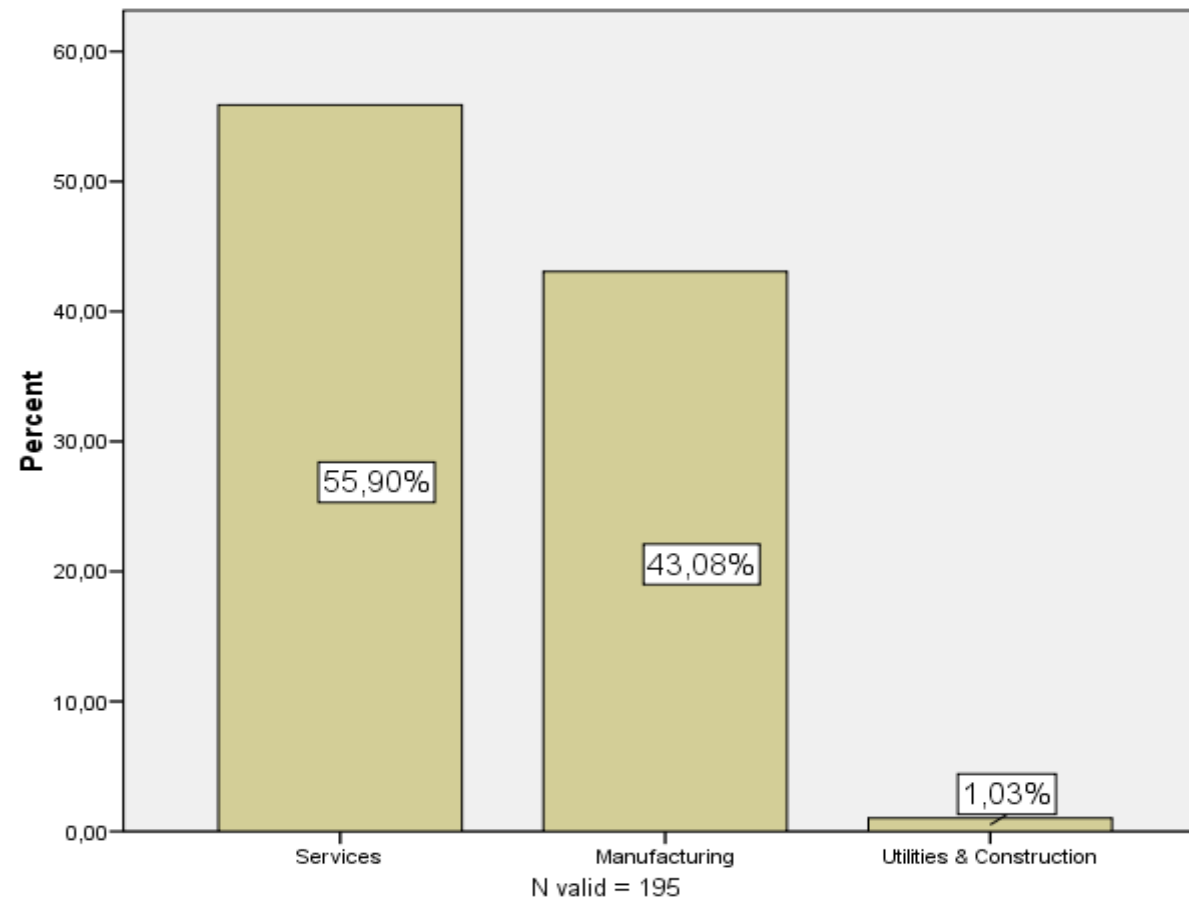
Spain in The Global Value Chain: Key Preliminary Findings

195 companies

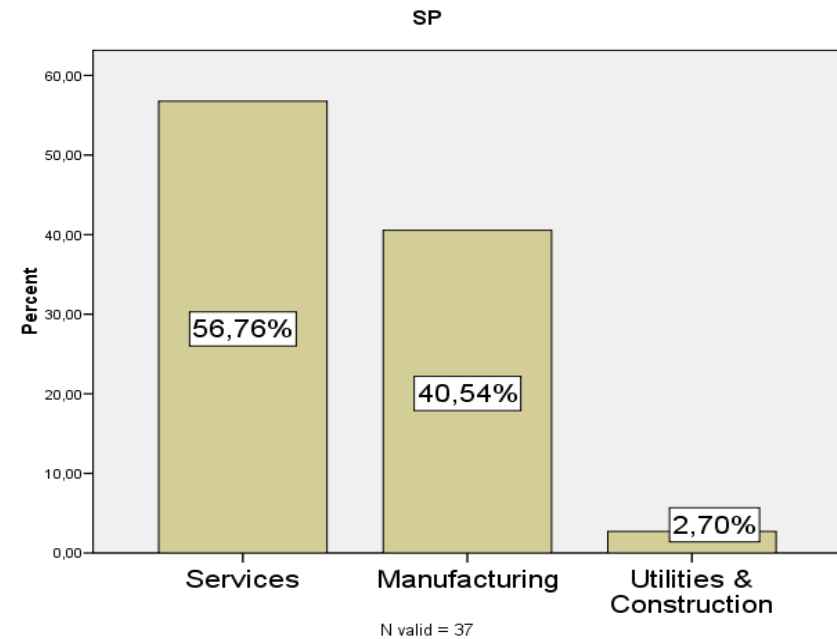
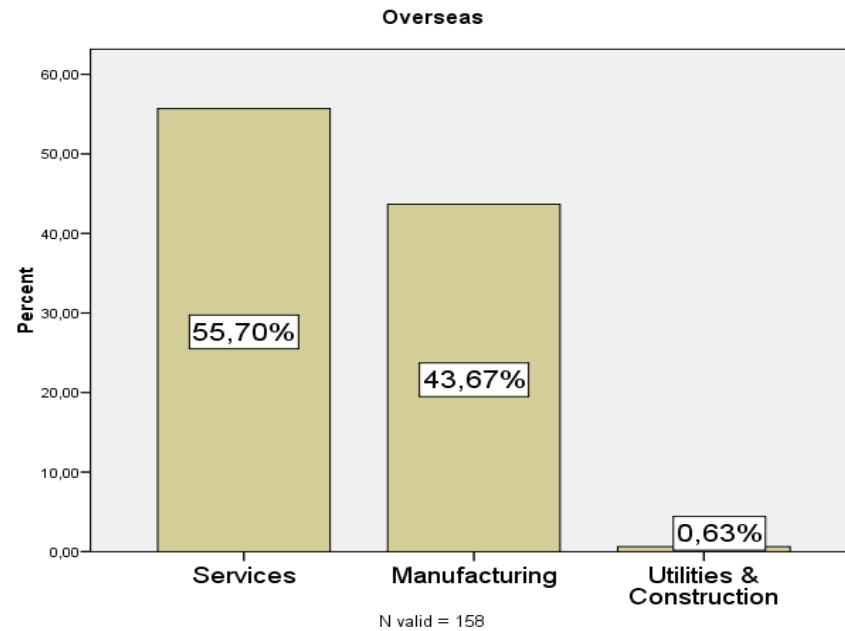
Spain in The Global Value Chain: Key Preliminary Findings (195 firms)



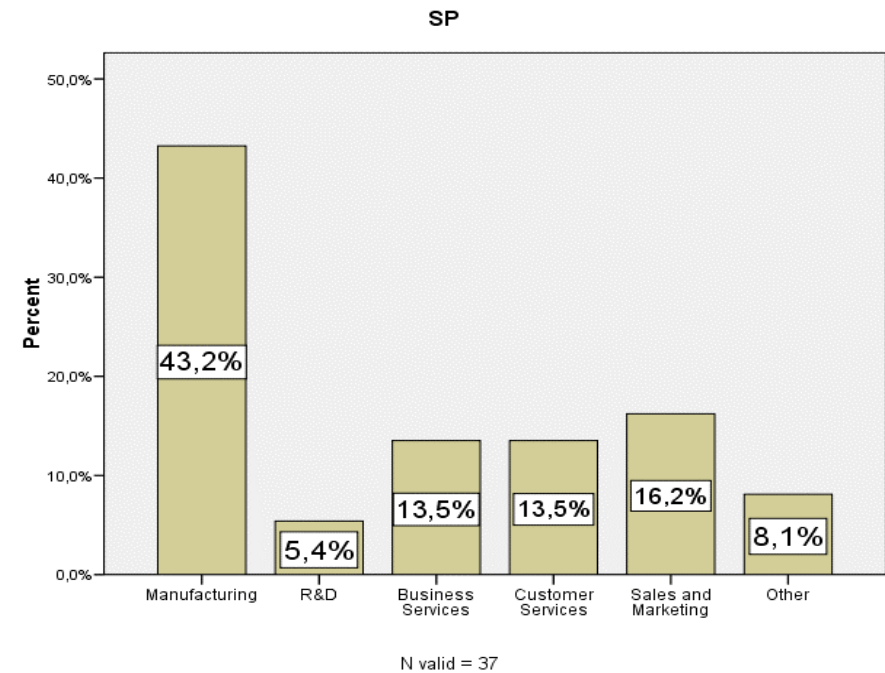
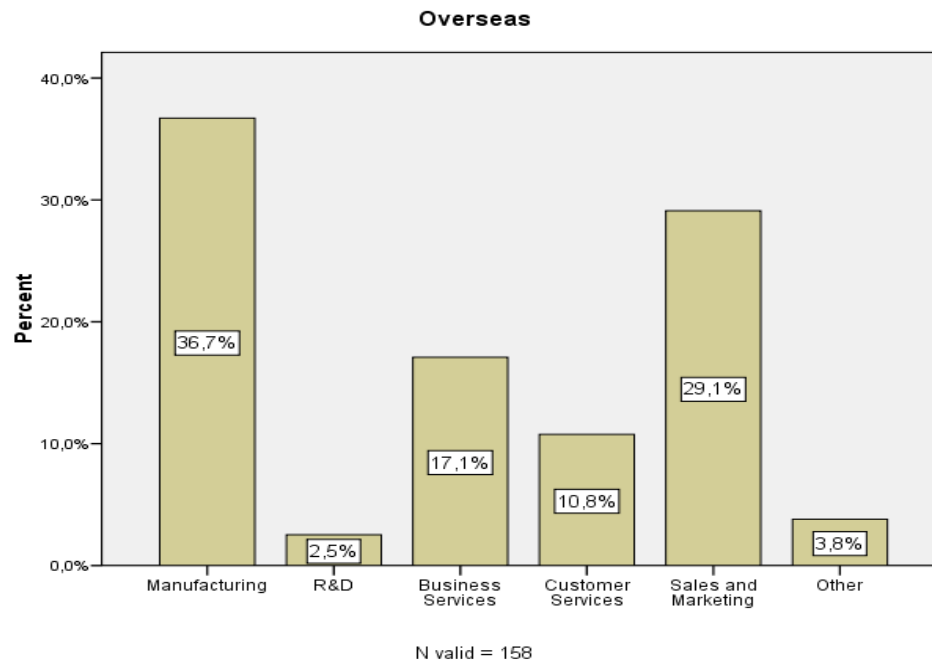
Main Sector Of Operations



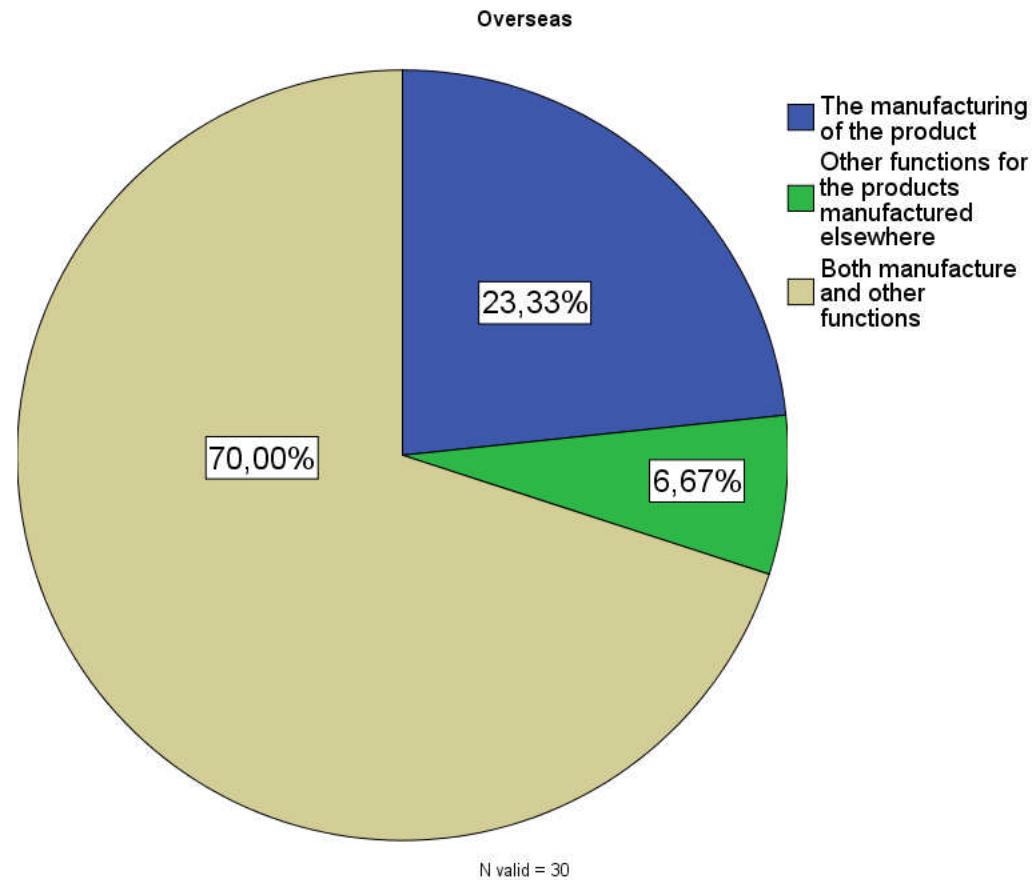
Sector of Operations



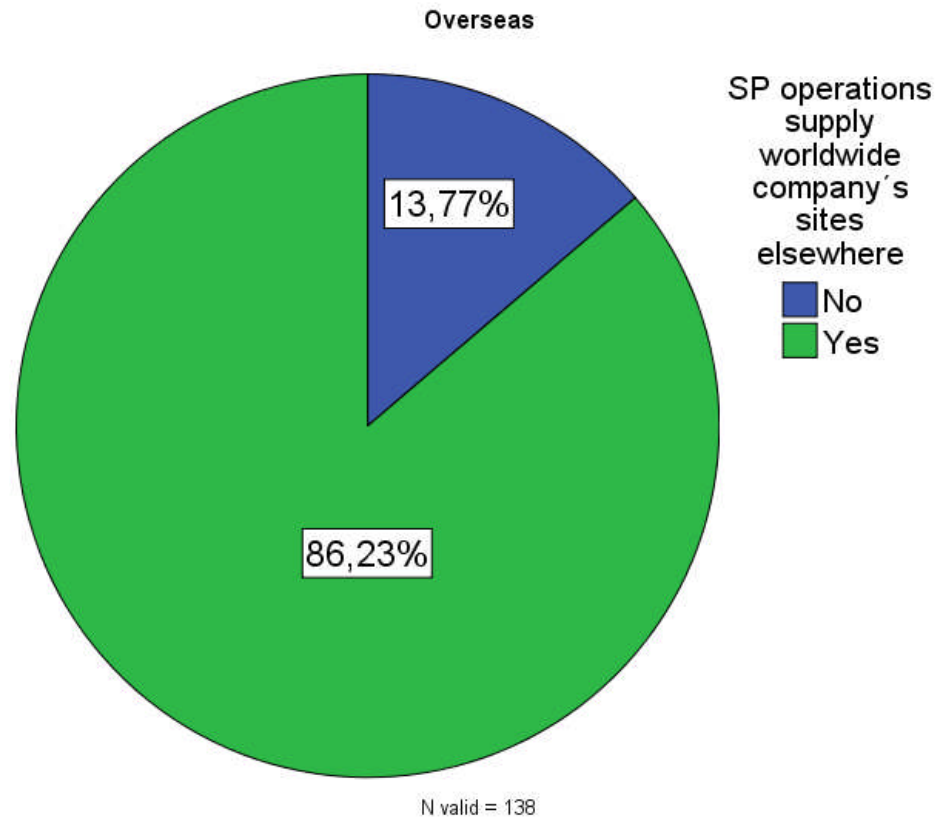
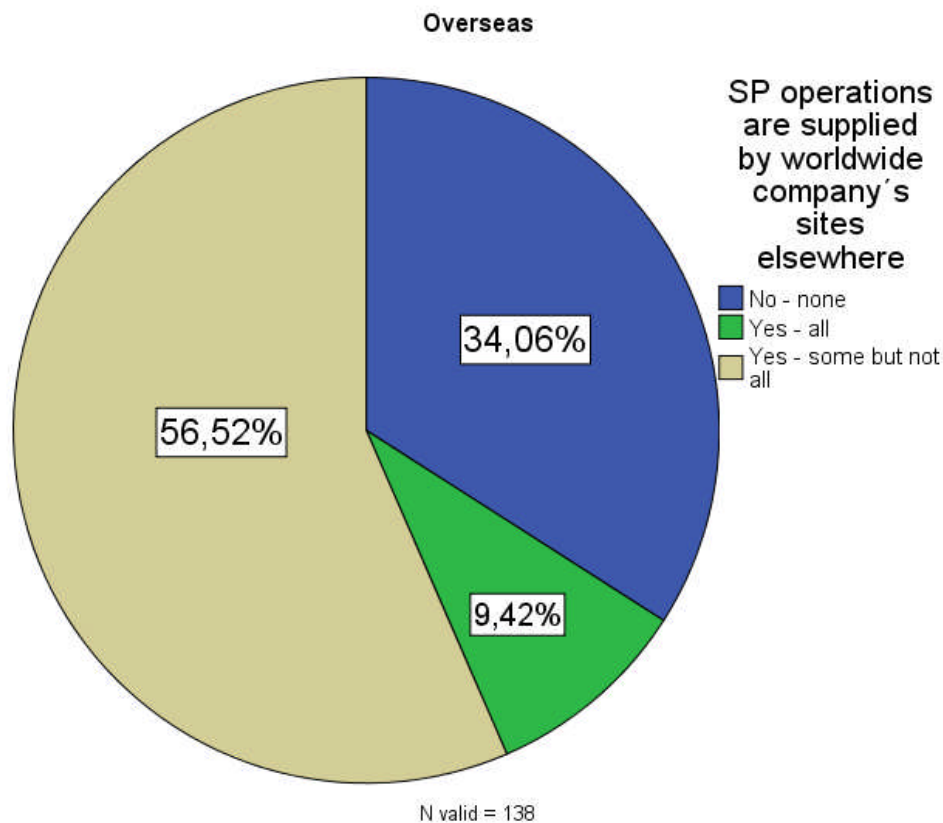
What do MNCs do in Spain?



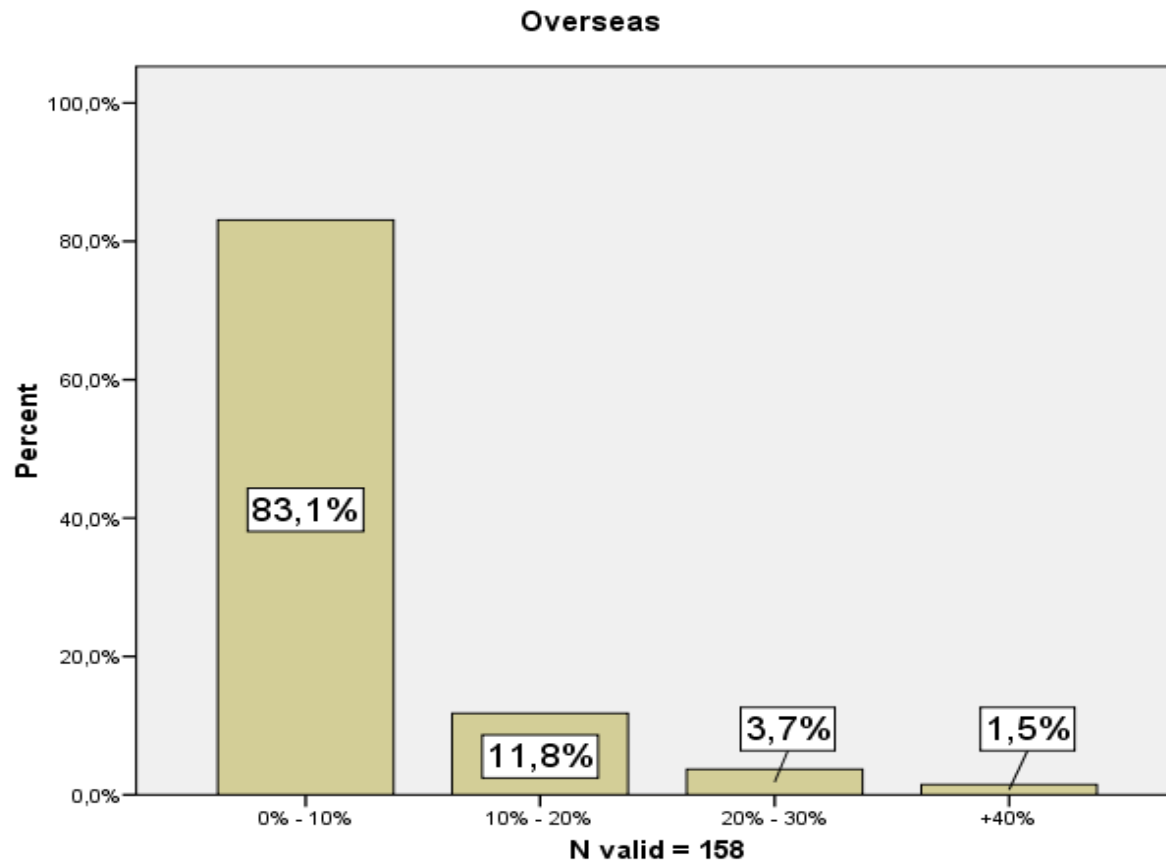
Manufacturing: Spanish Role in the Value Chain



Manufacturing: Spanish Role in the Value Chain

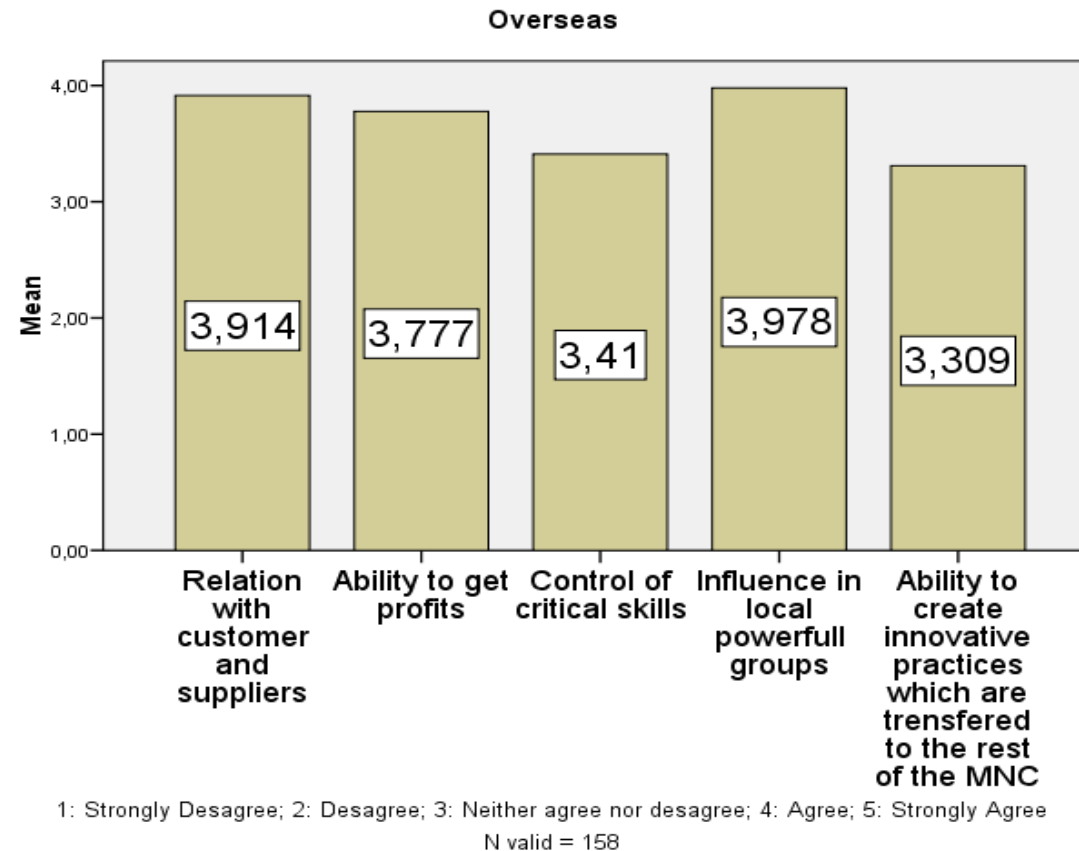


Subsidiary Weight (relative number of employees)

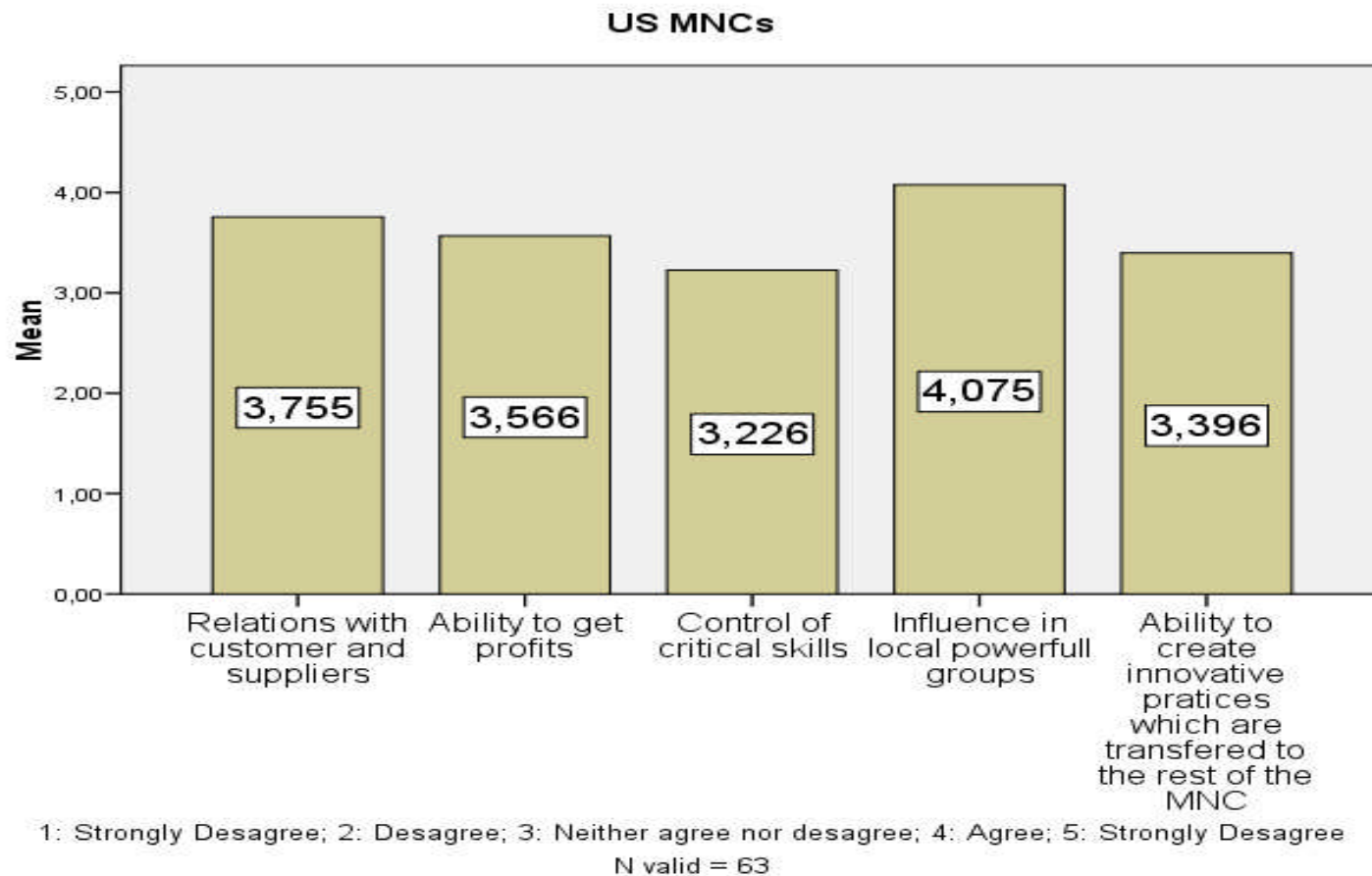


Role of the Subsidiary based on Power Resources

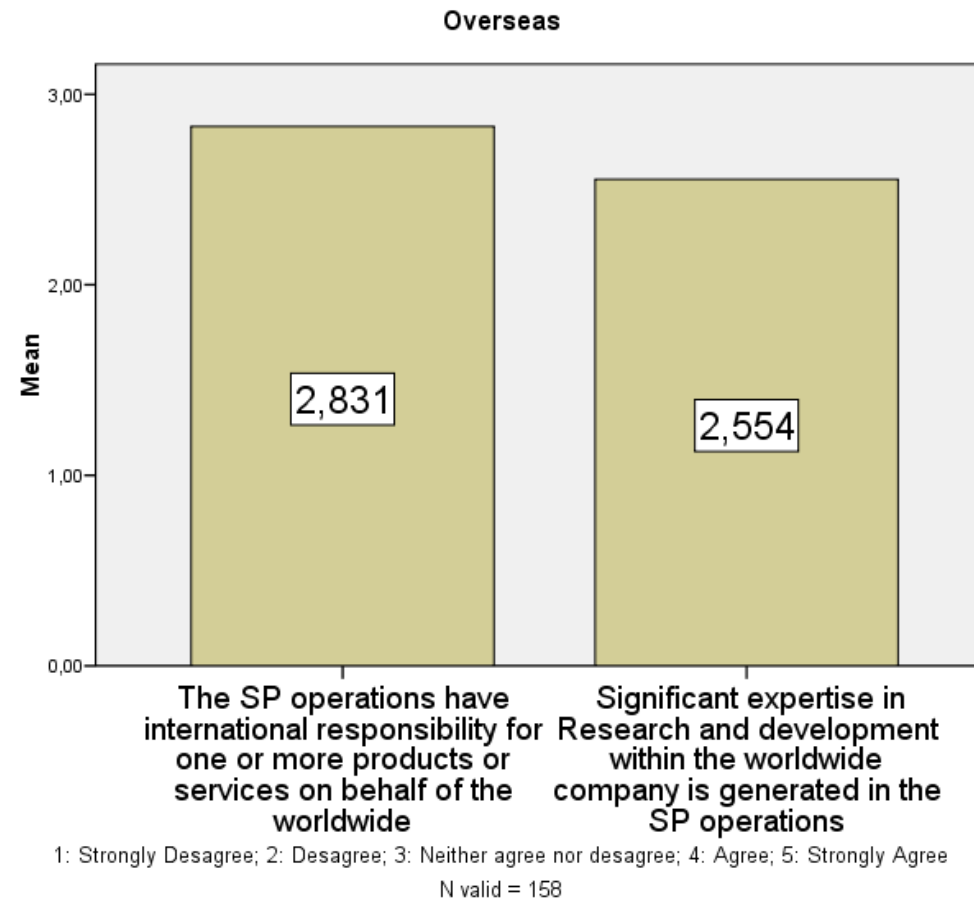
(Eduards, Ferner and Sisson 1996, Ghoshal and Barlett 1990)



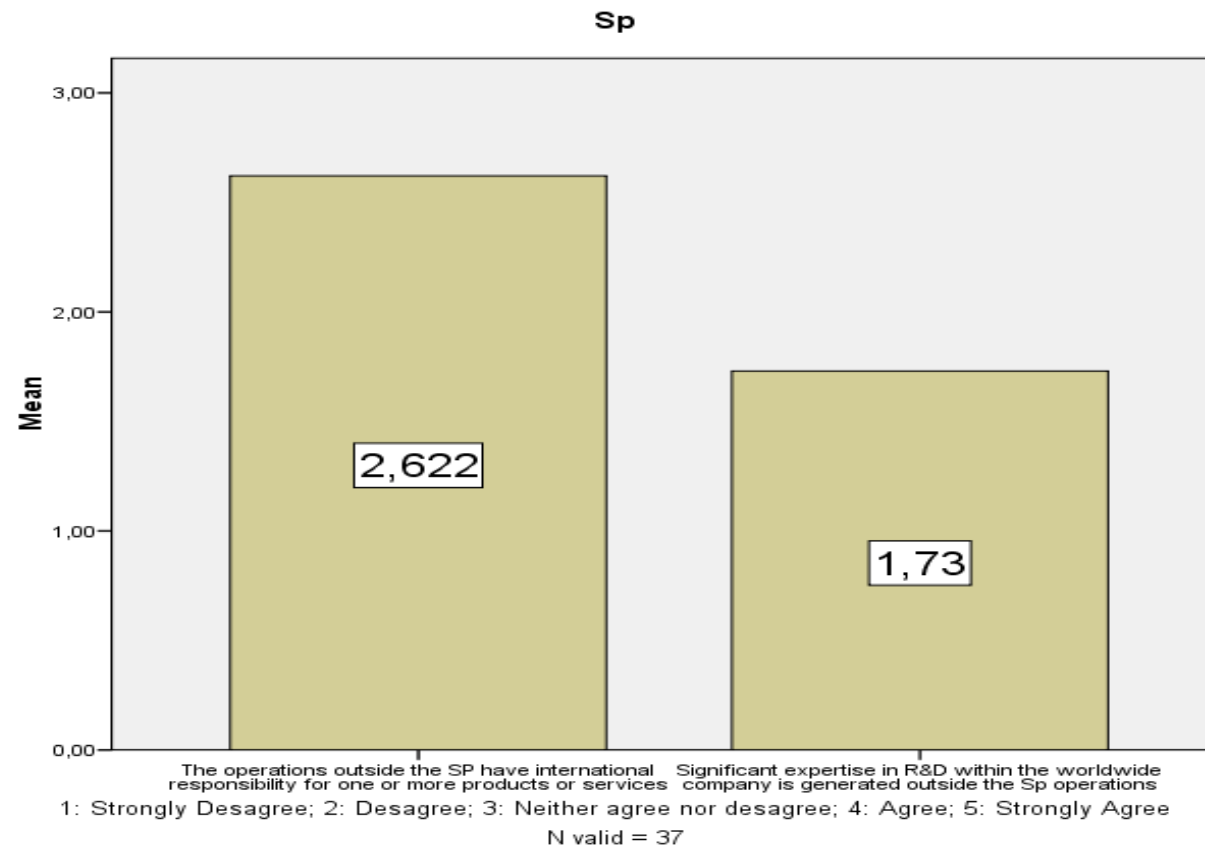
Role of the Subsidiary based on Power Resources



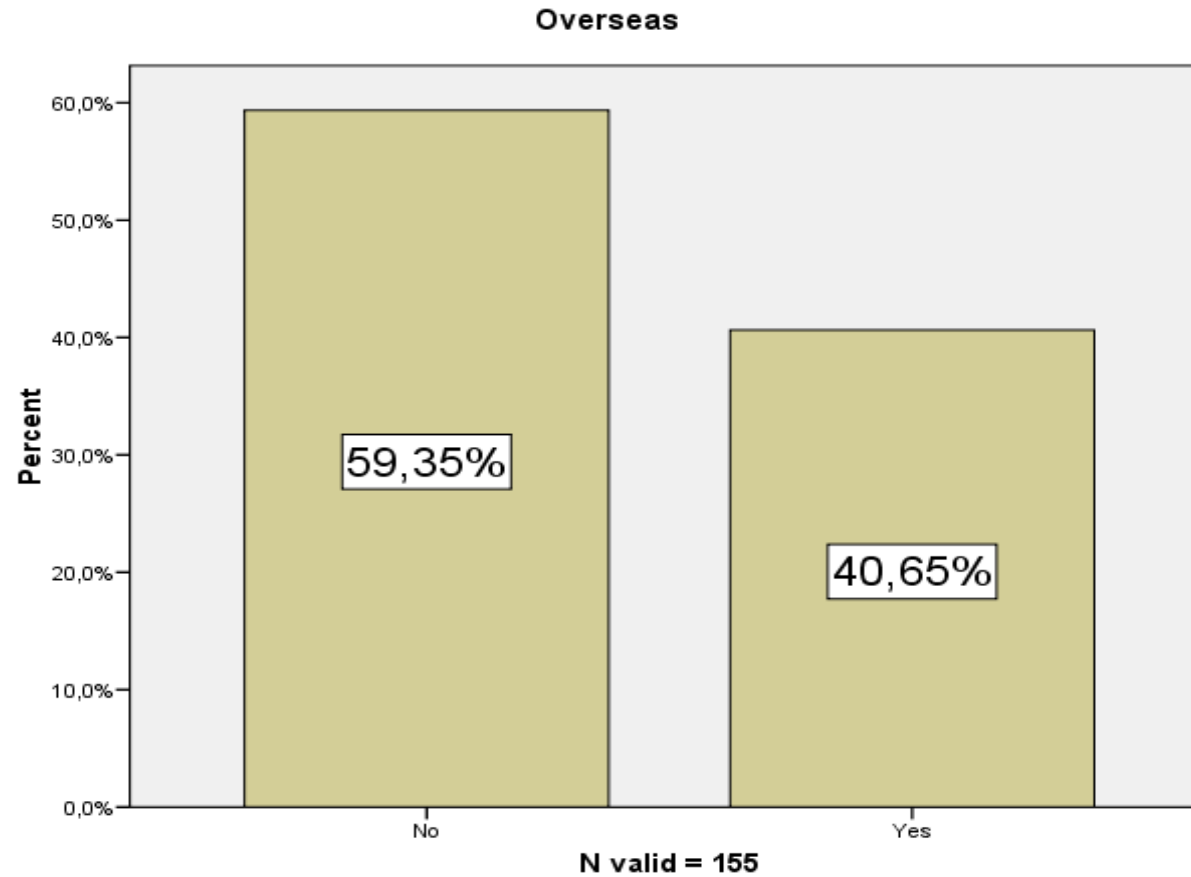
International Responsibility of the Subsidiary (overseas)



International Responsibility of the Foreign Subsidiary (SP MNCs)

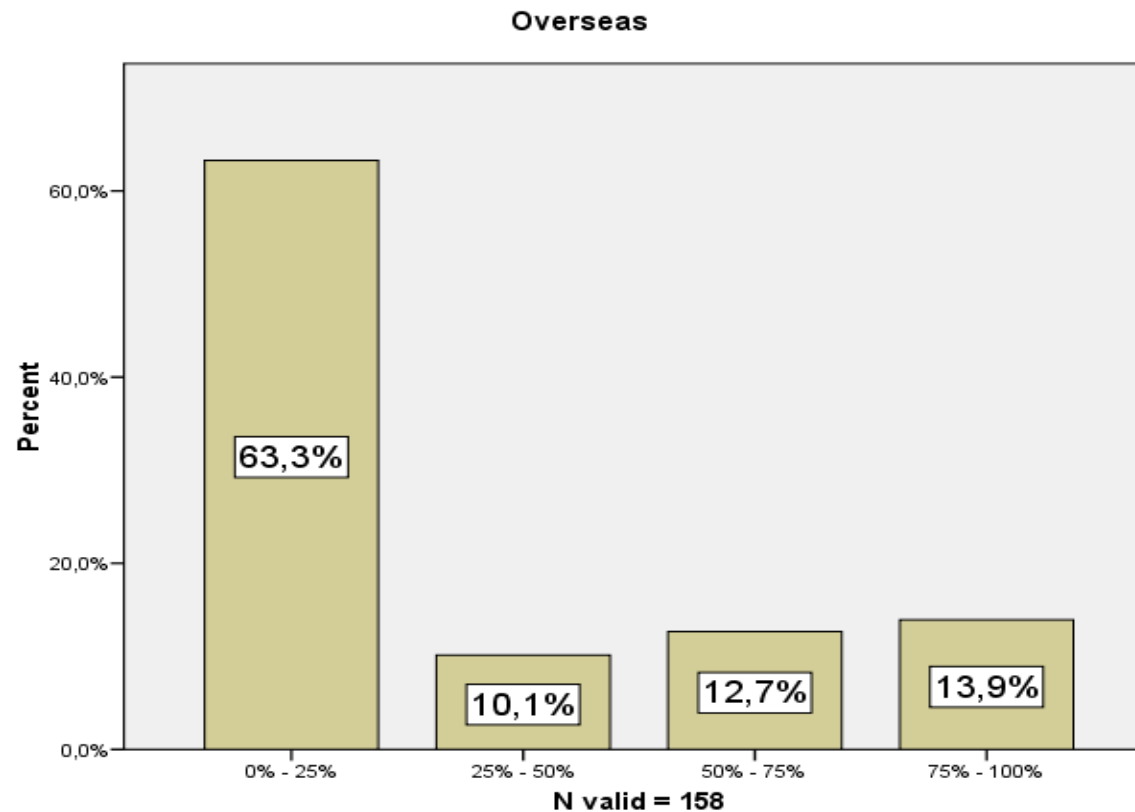


Joint Ventures and Strategic Alliances



MNCs Orientation: Local or International Market?

(Level of exports)



Conclusions (I)

- Differences in the “value chain” of Spanish MNCs and foreign- controlled MNCs
 - **Spanish Owned MNCs**
 - Encompasses all the activities involved in making a product and delivering it to retail and the consumer
 - Vertical integration
 - **Foreign-controlled MNCs**
 - High % of foreign-controlled MNCs that only have Comercial Activity in Spain (66 % of production supplied by worldwide company’s sites elsewhere)
 - Stages of production are limited in the value chain, the whole product isn’t manufactured in Spain
 - Closer integration of the subsidiaries with their parent group
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Conclusions (II)

- The SP operations of Foreign-controlled MNCs and the foreign subsidiaries of Spanish MNCs have small degree of:
 - international responsibility for one or more products or services on behalf of the worldwide company
 - expertise in R&D (relevant exceptions such as Lilly, IBM, ...)
 - Foreign Subsidiaries (both Spanish-owned and foreign-owned) however have a high degree of critical power resource:
 - in the relations with customers and suppliers
 - in their influence in local, powerful groups
 - in their capacity to generate profits
-

Conclusions (III)

- Foreign-owned subsidiaries have small relative size in terms of number of employees in Spain
- More than a half of the foreign-owned MNCs have a local orientation market (63,3%)
- 40% of the foreign-controlled MNCs have joint ventures or strategic alliances with other companies

