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978-0-521-51614-3 - The New Multinationals: Spanish Firms in a Global Context

Mauro F. Guillen and Esteban Garcia-Canal

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The New Multinationals

A new breed of multinational companies is reshaping competition in global industries. For most of the nineteenth and twentieth centuries, multinational firms came from the most technologically advanced countries in the world. Over the last two decades, however, new multinational firms from upper-middle-income economies (e.g. Spain, Ireland, Portugal, South Korea, and Taiwan), developing countries (e.g. Egypt, Indonesia, and Thailand), and oil-rich countries (e.g. United Arab Emirates, Nigeria, Russia, and Venezuela) have become formidable global competitors. These firms do not necessarily possess technological or marketing skills. In contrast to the classic multinationals, they found strength in their ability to organize, manage, execute, and network. They pursued a variety of strategies including vertical integration, product diversification, learning by doing, exploration of new capabilities, and collaboration with other firms. This book documents this phenomenon, identifies key capabilities of the new multinationals, and provides a new conceptual framework for understanding its causes and implications.

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Preface

Over the last two decades, the world has witnessed the fall of the Soviet bloc, an increase in the number of failed states, the rise of international terrorism, trade liberalization coupled with the formation of new trade blocs, a series of devastating financial crises, the expansion of the Internet, the beginnings of a green revolution, a spike in migration, and a drastic geographical reconfiguration of production. While these changes represent major shifts and discontinuities in the global political and economic landscape, looking towards the future the one that is likely to bring about the deepest consequences is the rise of the new multinationals from upper-middle-income, emerging, and developing countries. The international growth of these new multinationals marks the coming of age of a tier of countries that have hitherto being passive players in global economic, financial, and political affairs. It is hard to underestimate the importance of this phenomenon as one industry after another feels the impact of the increasing size, sophistication, and geographical reach of the new multinationals, challenging our assumptions regarding the division of labor between developed and emerging countries.

While research on the new multinationals has blossomed in parallel with the phenomenon itself, little has been said or documented about the capabilities that the new multinationals bring to the table. Often dismissed as creatures of protected home markets, beneficiaries of subsidized lending, and technology laggards, the new multinationals have been the subject of multiple jokes, condescending comments, and dire predictions of ultimate failure. And yet, here they are, investing not only in other countries at a similar level of development but also making daring acquisitions and conquering market shares in the most advanced economies. The rise of the new multinationals clearly shows that their countries of origin

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X PREFACE

have more to offer than domestic markets to be exploited and cheap labor force. In expanding around the world on the basis of know-how, project-execution, networking, and political skills, the new multinationals represent not only a challenge to their established counterparts in developed economies but also to our traditional ways of understanding the multinational firm. We argue that the new multinationals do not require a wholesale revision of the theory of foreign direct investment and the multinational firm, but they do make it necessary to revisit some of the assumptions about the role of the home country, the process of capability building, and the pace and sequence of international growth.

This book is the result of a long-standing collaboration between two scholars located on different sides of the Atlantic Ocean. While most of the evidence presented in these pages focuses on the new multinationals from Spain, as they compare to those from the United States and the more advanced parts of Western Europe, we also used our research on Asian, Latin American, and Middle Eastern multinationals to elucidate the drivers and the consequences of the rise of this new type of firm.

We would like to thank the Fundación Rafael del Pino for offering not only financial support but also, and most importantly, the intellectual guidance that helped us focus on an important topic that is likely to reshape the global economy for decades to come. Over the years, Amadeo Petibò and his team have encouraged us to re-examine our assumptions, revisit traditional arguments, and develop a new theory to tackle the rapid ways in which the business world is changing.

We would have been utterly unable to complete the book without the diligent assistance of several teams of research assistants. At Wharton, Wifredo Fernández, Arun Hendi, Jason Chien Jee, Chelsea Lew, and Maya Perl-Kot compiled numerous datasets and case studies used in the various chapters of the book. At Oviedo, Laura Fernández Méndez and Francisco Javier García Canal worked on the detailed case histories of Spanish multinational firms. Andrea Martínez-

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Noya, Pablo Sánchez-Lorda and Ana Valdés provided valuable insights. Purificación Flórez provided research on a variety of topics related to the project and undertook several of the editorial tasks. Jue Pu coordinated a team of assistants in Beijing who provided further insights on Chinese multinationals. We have also used evidence collected under the auspices of the Centro de Estudios Comerciales of the Ministry of Trade and Industry, and the Instituto Español de Comercio Exterior, and of the Centre d'Economia Industrial of the Universitat Autònoma de Barcelona. José Manuel Campa, Julio García Cobos, Alvaro Cuervo, Andrea Goldstein, and Emilio Ontiveros provided us with innumerable ideas to improve the book.

We would like to dedicate this book to our respective families. They allowed us to focus the attention on the task at hand during the late hours of the evening, many weekends, and a few field trips. We cannot return the time to them, but we hope that they will see in the final product that it was worth all the effort.