Mauro F. Guillén and Esteban García-Canal: The New Multinationals: Spanish Firms in a Global Context
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What is This?

In *The New Multinationals*, Guillén and García-Canal argue that the rise of new multinationals (MNEs) from upper-middle-income (e.g., Spain, Portugal, South Korea, Taiwan), emerging (e.g., Brazil, China, India, Mexico), developing (e.g., Egypt, Indonesia, Thailand), and oil-rich (e.g., UAE, Russia, Nigeria, Venezuela) countries represents a fundamental shift in the global economic and political landscape with far-reaching consequences similar or superior in magnitude to major discontinuities such as the fall of communism or the spread of the Internet. How did once marginal competitors from countries few people would identify as being at the leading edge of technological or brand development rise to positions of global dominance? What resources and capabilities did they leverage to challenge entrenched multinational incumbents and make a dent in global competition? How did the pattern of their international expansion differ from that of established, traditional multinational enterprises? How, if at all, do the new MNEs change our extant knowledge and theories of the multinational corporation and foreign direct investment? These are the questions Guillén and García-Canal set out to address in this thought-provoking book by analyzing novel firm-level evidence on newly emerged world-class Spanish (and Latin American) multinationals across a wide range of product and geographic markets.

Spain, a developing country until the 1970s, has transformed itself into a significant player in the world economy by becoming home of one of the largest numbers of new bi-regional and global multinational enterprises (together with South Korea and Taiwan). The world’s largest producers of rice (Ebro Puleva), olive oil (Grupo SOS), sparkling wine (Freixenet), denim (Tavex), bridal wear (Pronovias), sanitary equipment (Roca), and some of the world’s largest clothing (Inditex), stainless steel (Acerinox), wind turbine (Gamesa), infrastructure (ACS, Ferrovial, Acciona), telecommunications (Telefónica), energy (Endesa, Iberdrola, Repsol), and banking (Santander, BBVA) multinationals have all emerged from Spain over the last two decades. Guillén and García-Canal argue that the lessons learned from their astute examination of the distinctive competencies, strategies, and internationalization patterns of Spain’s newly born multinationals apply to the “new MNEs” at large and provide evidence and examples thereof throughout the book.

The book is structured in eight chapters. Chapter 1 provides an overview of the new MNE phenomenon from a global perspective as well as a brief background on the recent Spanish experience in developing international enterprises. The theoretical center of gravity is chapter 2, which presents
conceptual frameworks delineating the unique features of the new multinationals, their distinctive capabilities, motivations, entry modes, and patterns of growth. Chapters 3 to 7 provide the empirical base for generalization, containing comparative matched-pair case studies of the internationalization process of two dozen leading Spanish (and Latin American) MNEs in a broad range of industries—traditional sectors such as agriculture, food-processing, and wines (chapter 3); durable consumer goods such as clothing and electrical appliances (chapter 4); producer goods, including construction materials, wind turbines, and automotive components (chapter 5); regulated industries such as infrastructure, telecommunication, and financial services industries (chapter 6); and other service industries such as education, multimedia, transportation, and turnkey projects (chapter 7). Chapter 8 reviews the capability building and expansion strategies of the new MNEs and discusses their implications for existing theories of the multinational enterprise.

Readers interested in the new MNE phenomenon and its implications for theory and practice (rather than the histories of specific Spanish MNEs per se) will likely find chapters 1, 2, and 8 most appealing. Chapter 2, in particular, is where Guillén and García-Canal attempt to answer the key overarching question of what is different about the new MNEs and why it matters. Their overview of extant research on the new MNEs and their in-depth analysis of the emergence of new MNEs in Spain and other parts of the world lead them to identify and propose six main features of the new MNEs. First, compared with the historically gradual evolution of traditional MNEs, the new MNEs have internationalized and established global market presence at a far more accelerated pace. Second, the new MNEs are fundamentally different in that they have had to overcome not only the liability of foreignness but also the liability of being latecomers to the global stage, lacking many of the advantages, resources, and capabilities of entrenched multinational incumbents from the most advanced economies. Third, instead of following the single path approach pursued by traditional MNEs (expansion from less to more economically and culturally distant countries), the new MNEs have pursued a dual path approach of entering countries of a similar or lower level of development to gain size, operational experience, and profits in parallel with a capability upgrading process of entering advanced countries to acquire advanced resources and capabilities in order to reduce the competitiveness gap with established MNEs. Fourth, the new MNEs prefer entry modes based on external growth using joint ventures, alliances, and acquisitions to simultaneously overcome the liability of foreignness and gain access to their partners’ and targets’ competitive resources and capabilities. Fifth, the new MNEs tend to have stronger political and networking capabilities than traditional MNEs, as they are used to dealing with discretionary and/or unstable governments in their home countries—a valuable source of advantage in weak institutional environments such as those of the rapidly growing emerging markets. Finally, the new MNEs enjoy greater organizational flexibility and freedom to implement organizational innovations, a significant source of advantage, as they do not suffer from the inertia and path dependence of established global players whose long histories have engendered deeply ingrained values, cultures, and organizational structures.

Guillén and García-Canal’s analysis of the six main features of the new MNEs is aptly complemented and extended by their survey of the extant literature on the underlying sources of competitiveness, the firm-specific intangible
assets, of the new MNEs. These include the capability to adapt available technology to small-scale, lower-income markets; early technology adoption and implementation skills; “ethnic branding” of goods that appeal to immigrant home-country communities abroad; efficient production and large-scale project execution capabilities; expertise in the management of mergers, acquisitions, and/or strategic alliances; political, entrepreneurial and networking capabilities needed to operate in the weaker institutional environments of less developed countries; and greater organizational flexibility and early adoption of innovations such as network-based organizational structures. Readers may also find helpful the taxonomies of the new MNEs presented in chapters 2 and 8—e.g., by main motivation for foreign direct investment; by choice of entry (greenfield, alliance, acquisition) and capability development mode (internally or through acquisitions/alliances); or by product scope (generalist vs. niche player) and degree of global integration (low vs. high).

Do we need a new theory of the multinational firm to explain the new MNEs? As Guillén and García-Canal acknowledge in their analysis of the distinctive features, competences, and expansion paths of the new MNEs, the rise of this new type of global player does not necessarily imply a wholesale demise of extant theories of the MNE. Yet the insights offered by this book force us to reconsider core assumptions about the nature of firm-specific advantages, the process, pace, and sequence of capability building and international expansion, as well as the role of the home country. The core explanation for the existence of MNEs remains the possession of capabilities allowing firms to overcome the liability of foreignness: “no firm-specific advantages, no multinationals.” Yet it is imperative to note that the intangible assets that played a key role in the rise of the new multinationals tended not to be proprietary technologies and brands, as in the case of traditional multinationals, but rather other types of know-how such as strong managerial, organizational, project-execution, political, and network skills. Although these capabilities may not be “patentable,” their possession has been a source of firm-specific advantage for the new MNEs because they are rare, valuable, and difficult to imitate. Likewise, though the new MNEs have often followed patterns of expansion consistent with extant product life cycle and staged internationalization theories, their dual path approach to international expansion and capability building, in particular their entry in leading countries in search of advanced strategic resources and capabilities, and the accelerated pace at which they have expanded their global reach are notable and significant exceptions. Using the process of international expansion as a way to acquire competitive resources and capabilities (through foreign alliances and acquisitions), as opposed to solely leveraging home-grown resources and capabilities, has been a hallmark of the internationalization process of many new MNEs. The home country has also played a somewhat different role for the new MNEs. Home country governments, policymakers, and regulators have often played an active role in encouraging and facilitating the formation and international expansion of new MNEs, as the Spanish experience documented by Guillén and García-Canal vividly illustrates. Moreover, although the new MNEs’ origin in less developed countries has often put them at a competitive disadvantage in technology and brand development, it has also been a major source of their stronger political and networking capabilities, honed by experience in dealing with the home country’s discretionary and/or unstable governments and weak institutional environment.
Guillén and García-Canal’s praise for the new MNEs political savvy, unfortunately, raises the uncomfortable question of whether and when acts of corruption, at home and/or abroad, underpinned some of the political and network capabilities of these enterprises. I believe the book would have benefited from an open discussion, or at least acknowledgement, of this possibility. I would have also appreciated a more in-depth discussion of the extent to which the lessons derived from the analysis of successful Spanish (and Latin American) multinationals generalize to and capture all relevant features of the new MNEs as a global phenomenon. Overall, I have found The New Multinationals to be an informative, engaging, and thought-provoking read. It will be of great interest to both scholars and practitioners in the fields of strategy and organization, international business, international finance, and economic development.

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