

Institution: Manchester Metropolitan University
Unit of Assessment: C19 Business and Management Studies
Title of case study: International Business In Advanced And Emerging Economies: Shaping Policy And Practice
<p>1. Summary of the impact</p> <p>MMU's International Business (IB) impact case reflects the breadth and multi-disciplinary nature of the subject area: it demonstrates MMU impact in established and evolving IB areas, and in developed and emerging economies.</p> <p>Primary impacts relate to policy development and policy outcomes at government, NGO, international organisation, and business association levels. Research has impacted by:</p> <ol style="list-style-type: none"> increasing understanding (for policy-makers, development agencies & companies) of drivers and attractors for Foreign Direct Investment (FDI); shaping policy initiatives to support increased FDI volumes and improved outcomes; increasing public awareness and informing policy with relation to requirements for successful, development-oriented economic reform; and, influencing creation of new security governance paradigms to underpin expansion of (and equitable outcomes from) IB activity in emerging economies. <p>Our research shapes international business frameworks, which, in turn, affects the strategy and practice of the business community for improved operation in the global economy.</p>
<p>2. Underpinning research</p> <p>Rationale</p> <p>Original research is driven by two aims:</p> <ol style="list-style-type: none"> Provision of an evidence-base to inform policy-making and support efforts to optimise the benefits of Multinational Corporation (MNC) activity and FDI Creation of frameworks to assist stable and sustainable socio-economic development in emerging regions <p>Research Programme</p> <p>The research programme includes seven projects [i-vi] undertaken between and 2001 and 2012 and led by Professors Heinz Tüselmann and Hamed El Said (details below). These cluster around themes of 'Inward Investment & Subsidiary Development', 'Employment Relations & Firm Performance', and 'International Business, Reform & Security'. Inward Investment and Subsidiary Development and Employment Relations & Firm Performance projects entailed large-scale survey-based studies of firms from major foreign investor countries (e.g., Germany, France and the US) in the UK [i-iv]. International Business Reform and Security projects combined survey and case analysis of World Bank and IMF initiated economic reforms in emerging economies [v], and the performance of security programmes in Muslim states [vi].</p> <p>Main Findings</p> <p>Key findings from the research can be divided into four thematic areas:</p> <ol style="list-style-type: none"> <i>Inward FDI and Subsidiary Development</i> – upgrading of investment by incumbent subsidiaries, and engagement in higher-value operations, are desirable trends for all FDI hosts. Both correlate with 'embeddedness' of subsidiaries in host regions and devolution of strategic autonomy by MNC parents [1, 2]. To maximise embedding and upgrading opportunities, and encourage expansionary ambition, regional institutions require smart policies and programmes geared towards MNC strategic objectives: these include a sophisticated locational asset base and strong network infrastructures. Where these factors are present, benefits are evident at firm level (improved export and productivity performance) and regional/community level (enhanced quality/quantity of jobs, upgraded skills pool, and increased revenues) [1, 2]. <i>Employment Relations and Performance</i> - foreign-owned subsidiaries demonstrate a highly differentiated range of ER practices and systems. German firms lead in the operation of participative representation systems wherein cooperative, partnership-based approaches are

favoured. Counter to prevailing wisdom, the operation of participative arrangements is frequently associated with strong subsidiary performance [3]. MMU studies thus provide an evidence-based lesson that labour participation, where this is organised effectively in trust-based and mutual relationships, is good for business.

3. *Reform Frameworks in Emerging Economies* – MMU research relating to the Middle East and North Africa (MENA) region identified serious flaws in the operation of development agendas and reform frameworks. It found that such reforms (promoted by the IMF and World Bank, and predicated on austerity, privatisation, trade liberalisation and deregulation) have resulted in a retreat of the state from social welfare provision, and a major deterioration in living standards and social indicators (health, poverty, nutrition etc.) [4, 5]. The consequent vacuum in social welfare has been an important factor in Arab Spring uprisings and the continuing rise of Political Islam.

4. *Security for Development* - MMU research has provided extensive and powerful evidence for the development of more effective security governance frameworks via the adoption of ‘soft’ (rather than military) approaches to de-radicalisation and violent extremism [6]. By examining successes and failures, the research identified best practices, created capacity building frameworks, and generated policy options for soft de-radicalisation and rehabilitation programmes (to be adopted by governments and international organisations). The research demonstrates that soft approaches support improved security and stability, and thus provide a platform for investment and sustainable economic and social development.

Researchers: Tüselmann, H. Professor (1991 to present); El Said, H. Professor (1998 to present); McDonald, F. Professor (1978 to 2003); Golesorkhi, S. SL (2006 to present); Buzdugan, S. SL (ESRC Fellow 2010 to 2012; SL 2012 to present); Allen, M. SL (2004 to 2007).

3. References to the research

- [1] Gammelgaard, J., McDonald F., Stephan, A., Tüselmann, H. and Dörrenbächer, C. (2012) ‘The impact of increases in subsidiary autonomy and network relationships on performance’, *International Business Review*, 21(6), 1158-67 (ABS 3*) DOI:10.1016/j.ibusrev.2012.01.001
- [2] McDonald, F., Tüselmann, H., Dimitratos, P. and Voronkova, S. (2005) ‘The strategic development of foreign owned subsidiaries and employment in host locations in the UK’, *Environment and Planning C: Government and Policy*, 23(6), 867-882 (ABS 3*) DOI:10.1068/c0443
- [3] Tüselmann, H., McDonald, F. and Thorpe, R. (2006) ‘The emerging approach to employee relations in German overseas affiliates: A role model for international operation?’, *Journal of World Business*, 41(1), 66-80.(ABS 3*) DOI:10.1016/j.jwb.2005.10.004
- [4] El-Said, H., and Harrigan, J. (2009) ‘You Reap What You Plant: Social Networks in the Arab World - The Hashemite Kingdom of Jordan’ *World Development*, 37(7), 1235-1249 (ABS 3*) DOI:10.1016/j.worlddev.2008.12.004
- [5] Harrigan, J., El-Said, H., and Wang, C. (2006). ‘The Economic and Political Determinants of IMF and World Bank Lending in the Middle East and North Africa’, *World Development*, 34(2), 247-270 (ABS 3*) DOI:10.1016/j.worlddev.2005.07.016
- [6] Harrigan J., and El-Said, H. (2009), *Aid and Power in the Arab World: IMF and World Bank Policy-based Lending in the Middle East and North Africa*. Basingstoke: Palgrave Macmillan (outcome of DFID competitive funded research – see [v]) ISBN: 978-0230211964

Key Projects and Grants

- [i] Foreign Owned Companies in Northwest England (2008)
Funding Body: North West Development Agency (NWDA) (£27,000). Award Holder: Tüselmann (co-investigator: Golesorkhi)
- [ii] EU 5th Framework Project – West East Industrial Districts: Industrial clusters and re-location and the identification of policies within the perspective of EU enlargement (2001-2005) Funding Body: European Commission (£55,000, MMU share). Award Holder: Tüselmann (co-investigator: McDonald)
- [iii] Qualitative and Quantitative Employment Effects of Direct Foreign Investment into the UK for Home and Host Countries. (2001-2003). Funding Body: Anglo-German Foundation for the Study of

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Industrial Society (£35,000). Award Holder: Tüselmann (co-investigator: McDonald)
[iv] Labour Relations in German Multinationals in the UK and the Impact on Subsidiary Performance (2003 – 2005), and a follow-on project on US subsidiaries in the UK (2007-2008)
 Funding Body: Hans-Böckler-Foundation (£52,000). Award Holder: Tüselmann (co-investigators: McDonald and Allen)

[v] Impact of IMF and World Bank Policy Lending Economic Reforms on Developing Economies (2006 – 2009) Funding Body: DFID (£80,000). Award Holder: El Said and Prof Jane Harrigan (SOAS)

[vi] Counter Radicalisation and Deradicalisation Programs and their Impact in Muslim Majority and Muslim Minority States (2010-2012) Funding Body: Norwegian Ministry of Foreign Affairs (co-ordinated with UN) (£250,000) Award Holder: El Said

3. Details of the impact

Primary impacts relate to themes identified in Section 2 and are evident at policy level, in terms of *shaping* and *informing* the policies of governments, international agencies, interest groups, NGOs and business associations. All impacts are relevant to the period 2008 onwards, and presented below with principal institutional users and by geographical scope (i.e., impact on institutions at (a) *international & multilateral*, or (b) *country & regional* level).

a. Shaping and Informing Policy - International and Multilateral level

Investment for Development (UNCTAD) - Tüselmann has contributed extensively on issues of FDI and sustainable development as a member of the UNCTAD Expert Group on Investment for Development. His research summary/briefing paper re: efforts in developed economies to extend FDI through subsidiary development and upgrading (co-authored with Buzdugan) was presented to an expert Group meeting (attended by 150+ economic development ministers and policy-makers from UN member states, WTO, EU and ILO) in January, 2013. Tüselmann identifies insights, lessons and strategies for application by policy-makers in developing countries. The UNCTAD Director of Investment and Enterprise attests that discussions triggered by Tüselmann's contributions will inform future UNCTAD activities designed to improve frameworks for sustainable development **[A]**.

Upgrading economic reform and improving outcomes in emerging economies (IMF/World Bank/EU) – MMU research designed to bolster the success of reform frameworks in MENA countries, and to minimise negative impacts on social and economic development, have contributed to increased public understanding of the potentially damaging consequences of inappropriately configured reform packages **[B, C]**. Aid and reform policies of the IMF and World Bank now explicitly embody social development and anti-poverty features, measures that have been championed strongly by El Said on the basis of his findings.

Countering radicalisation and violent extremism (UN) – MMU research is central to developing work on counter-radicalisation and its benefits (security, stability and sustainable development etc.). El Said's research (facilitated by membership of UN, EU and US State Department Expert Groups on Countering Violent Extremism and the United Nations Terrorism Implementation Task Force) has (a) helped to shape the debate on security inside the UN, and (b) contributed to wider public debates concerning solutions to radicalisation **[D]**. In particular, El Said's identification of best practices and novel and more effective means of countering violent extremism has contributed to a shift from military approaches towards those based on 'soft' solutions. A senior UN official attests that El Said's work has contributed directly to UN efforts to raise awareness and to promote state-sponsored counter-radicalisation and rehabilitation programmes. He also commends the major impact of this work on the design of 'soft policy' programmes at national level **[E]**. Similarly, the George Marshall Centre (a leading US-European security and defence institute) acknowledges the value of El-Said's research, and has applied his findings directly in its capacity-building and training and development programmes for government and homeland security officials **[F]**. In addition, El Said has been involved in substantial public awareness raising activity re: both novel approaches to countering violent extremism and appropriate structuring for economic reform frameworks (via press publication and media commentary, most notably for Middle East broadcasting and press agencies including Al Jazeera and Jordan Times) **[C]**.

b. Shaping and Informing Policy - National and Regional level

Stimulating FDI, advising inward investors (German-British Chambers of Industry and Commerce) – Tüselmann’s research concerning (a) the attractiveness of the UK as a location for higher value-added FDI and subsidiary upgrading, and (b) the value of subsidiary embeddedness in host economies provides core findings to underpin the Chamber’s advisory services for German investors in the UK. The Chamber also employs MMU research concerning the interplay of host country location factors and multinational strategies in its investor counselling. The Chamber’s Director General confirms that MMU studies have played a key role in the Chamber’s activities designed to support the investment decisions of German MNCs [G].

Internationalisation and investment strategy (NWDA) - findings from research relating to German MNE investment activities, in combination with evidence concerning other major investor countries in the UK, informed the NWDA’s Internationalisation Strategy and its FDI promotion programmes (both created to attract, retain, expand and upgrade FDI in the region). The programmes were designed to deliver significant FDI-related benefits for the North West in terms of productivity, exports, and employment [H].

Innovative practise in employment relations and enhanced performance (Academy of Social Sciences) – Tüselmann’s research relating to employment relations and firm performance has been explicitly highlighted by the Rt Hon Vincent Cable MP (Secretary of State for Business). Cable commended MMU’s work insofar as it details the role of high-performance foreign-owned firms in driving innovative good practise in employment relations and participation. The research thus provides learning points for UK firms, and evidence to inform evolving government policies [I].

Participative employment relations and the future of manufacturing (TUC) - the TUC deployed the results of Tüselmann’s surveys on foreign-owned subsidiary performance and employee relations practices in its evidence to the 2007 Trade and Industry Committee of the House of Commons on the Future of UK Manufacturing. The TUC continues to draw on this research to inform its activities, in particular, making the case for the adoption of participative employment relations systems (on the basis of the latter’s contribution to strong firm performance) [J].

4. Sources to corroborate the impact

[A] UNCTAD corroborative document: (electronic format) available upon request.

[B] Deutsche Welle, 2011 (<http://www.dw.de/world-bank-to-rethink-middle-east-but-not-sure-when-or-how/a-14935744-1>)

[C] Jordan Times: November 2012 <http://jordantimes.com/lending-programmes---recipe-for-social-instability>; August 2012 <http://jordantimes.com/why-an-imf-programme>

[D] Guardian, June 2013 <http://www.guardian.co.uk/world/2013/jun/09/terrorism-do-deradicalisation-camps-work>

[E] United Nations: letter from senior official (electronic format) corroborating impacts on awareness raising of counter-terrorism and design of “soft policy” available upon request.

[F] Marshall Center: letter (electronic format) corroborating impacts of MMU research on capacity building and training and development available upon request.

[G] German-British Chamber of Industry and Commerce: letter from Director General, July 2013 (electronic format) corroborating impact on investment decisions of German MNCs available upon request.

[H] NWDA: contact details - former Head of Investment Services at NWDA (currently, Head of Enquiry Management Team at UKTI Investment Services) corroborating impacts on NWDA internationalisation strategy.

[I] Academy of Social Sciences: Rt Hon. Vince Cable (Business Secretary, Dept. Business Innovation & Skills): video and press-release (electronic format) corroborating impacts on increasing innovation in employment relations and evolving government policy available on request.

[J] TUC: letter from Senior Policy Officer, TUC Economic and Social Affairs Department, October, 2013 (electronic format) corroborating impacts on TUC employment relations policy available upon request.