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Multinational companies and local competencies

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As part of the project "Large foreign companies and Italian production chains: from the impact on territories to the integration of SMEs in global value chains", funded by the Analysis, Planning and Historical Documentation Unit, Directorate General for Public Diplomacy of Ministry of Foreign Affairs and International Cooperation, a workshop entitled "Multinational Enterprises and Local Competencies" was held on June 17, 2022, organized by the Luiss School of European Political Economy.

In the first part of the workshop there were presentations by four professors and researchers who dealt with the topic of multinational companies and their relationships with local competencies from multiple points of view. Professor Davide Castellani of Henley Business School (University of Reading) began the meeting with the paper "Leaving the multinational: the likelihood and nature of employee mobility from MNEs", which analyzes the effects related to the mobility of workers from multinational companies to national companies and the consequent repercussions on the territory.

The mobility of the labor factor is, in fact, a privileged channel for the transfer of knowledge, know-how and managerial skills at the local level and the economic literature has already demonstrated that the reallocation of human capital from a multinational company to a local company generates performance improvements for the local company, which can now count on a set of skills that were previously specific to the multinational company. In addition, the worker who moves also brings with him his network of knowledge, an additional asset for the company. Within this conceptual framework, the work of Castellani and co-authors combines numerous statistical sources that make it possible to associate the variables related to mobility with the characteristics of national companies, multinationals and with data on trade. The analysis shows that the presence of multinational companies pushes towards greater mobility of workers, especially the more qualified ones, who accumulate high-level managerial skills in their experience, which are precious resources for local companies. The benefits of skills transfer are greatest when workers move to start-ups or other multinationals.

Remaining on the subject of intangible assets and looking at their relation to the performance of multinational companies, Alessandro Faramondi, Manager of the Structural Statistics Service on Enterprises, Public and Non-profit Institutions at Istat, presented the results deriving from the construction of new composite indices, made with data from the last permanent business census, integrated with other administrative sources. These indicators measure the propensity of companies to invest in innovation, research and development, human capital and, finally, their ability to drive the growth of the territories in which they operate, which are strategic dimensions that explain the different

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levels of performance between multinational companies and domestic companies. To do this, Istat's new data collection methodology has made it possible for the first time to identify four different types of companies: independent companies, companies belonging to domestic groups, multinational companies with Italian capital and multinational companies with foreign capital. The results show that if the propensity to invest in intangible assets is particularly high for multinational companies, compared to domestic groups and independent companies, investment in human capital represents, in terms of skills and specialization, a dimension that characterizes multinational companies with foreign control: 46.7% of the companies with foreign capital in Italy (5100 companies) are placed in the tenth best percentile for human capital index.

The meeting continued with the analysis of outgoing FDI flows, a marginal phenomenon in the economic literature but often at the center of the political debate, as the evidence on their effect on regional performance is still unclear. The research presented by Valentina Meliciani, Full Professor of Applied Economics and Director of SEP, contributes to the ongoing debate by focusing on the interaction between outgoing FDI and intangible assets, distinguishing the effects according to the corporate functions that are reallocated abroad (headquarters, research and development and innovation, sales, production and logistics). The study notes a positive impact of outbound FDI on added value and employment, which is greater for functions with a higher added value content and is amplified, at a regional level, in countries that have higher investment rates in intangible assets, in particular organizational capital.

While the paper by Meliciani and co-authors looks at the local effects of the so-called greenfield investments, i.e. investments in new productive activities, that of Armando Rungi, Professor of Economics at the IMT Alti Studi School of Lucca, focuses on the effects of mergers and acquisitions of existing companies by multinational companies, reporting unprecedented results: in Europe, unlike the United States, the companies that are acquired reduce the level of markup and profits after the acquisition, despite the increase in their market share. This result could be due to mechanisms for increasing efficiency and reducing costs. The vertical integration of the acquired company, which already operated within the global value chain of the multinational company, ensures the supply of intermediate inputs at lower prices, thus leading to a reduction in the market price and therefore in the markup.

The workshop ended with a round table moderated by Cecilia Jona Lasino (researcher at Istat and Luiss), which saw speeches by Maria Savona (Luiss Guido Carli and University of Sussex), Alessandra Perri (Luiss Guido Carli) and Federico Eichberg (Ministry of Economic Development) on issues relating to the attraction of FDI in Italy and the investment in human capital.