CAN AFRICA LEARN FROM CHINA?
Chinese FDI, managerial knowledge spillovers and localisation strategies: insights from the Ghanaian construction sector

Cyrielle Auffray
MPhil Candidate in Development Studies
University of Oxford
Outline

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Introduction

- The greater context
  - FDI and economic development
    - Large literature on determinants FDI spillovers
    - Emphasis on the source country of FDI
  - Increasing China-Africa investment flows

- Focus of the research
  - Managerial knowledge spillovers
    - Importance of managerial skills for productivity improvements
    - Understudied in the literature
  - Research question
Methodology

- An “exemplifying” case study
  - Ghana
  - The construction sector
- A qualitative approach
  - Inductive and iterative research process
  - Emphasis on interdisciplinarity
- Fieldwork
  - 10 weeks in Ghana (summer 2012)
  - 31 interviews, including six foreign construction firms (three European, three Chinese), government agencies, civil society representatives, domestic firms (suppliers, subcontractors, consultants)
- Triangulation with existing literature
Managerial knowledge spillovers in the Ghanaian construction sector

- Channels of spillovers
  - Employees
    - Experience
    - Training
    - Mentoring
  - Suppliers
  - Subcontractors
  - Competitors
  - Consultants
Managerial knowledge spillovers in the Ghanaian construction sector
Managerial knowledge spillovers in the Ghanaian construction sector

- **Determinants of spillovers**
  - Absorptive capacity
  - Interpersonal interactions and trust

- **Structural constraints on spillovers**
  - Limited labour mobility
  - Limited access to finance
  - The impact of managerial knowledge spillovers could well be insignificant
Chinese construction companies and managerial knowledge spillovers

- Challenges to managerial knowledge spillovers in Chinese companies
  - Limited local linkages?
    - Chinese firms may be more vertically integrated
  - Less advanced managerial knowledge?
    - Difficult to measure in practice
  - All-Chinese management teams
    - The most significant difference
    - Note that most unskilled labour is sourced locally
Why Chinese management teams?

- **The language barrier**
  - Defined as the loss of rhetorical skills caused by a limited competency in the working language, resulting in difficulties in “achieving and sustaining effective communication and a productive, collaborative relationship” (Harzing and Feely 2008)
  - Creates ineffective communication and mistrust

- **The cultural clash**
  - Different concepts of “work” and “time” generate misunderstandings and affect intra-firm relationships

- **Supporting factors: history, time, money**
  - Limited international experience of Chinese firms
  - Lack of an economic constraint to localise managerial labour
Localisation strategies in Chinese construction companies

- A successful example of managerial localisation in Ghana
  - Inspiration
  - Implementation
  - Achievements
  - Challenges

- Potential impact on managerial knowledge spillovers

- Towards fully localised Chinese firms?
  - Growing economic pressures
  - Rising opportunity costs
  - Localisation as a CSR issue for Chinese firms
Concluding remarks

1. Managerial knowledge spillovers from Chinese construction firms are likely to be limited if there is no managerial localisation [but the contribution of Chinese contractors to economic development should not be assessed only on this criteria]

2. Chinese firms are following a steep learning curve, but are showing great adaptability

3. African and Chinese firms can learn from their mutual interactions

4. Governments have a role to play to favour localisation strategies and remove structural constraints on managerial knowledge spillovers

5. Opportunities for further research