

CAN AFRICA LEARN FROM CHINA?

Chinese FDI, managerial knowledge spillovers and localisation strategies: insights from the Ghanaian construction sector

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Outline



- Introduction
- Methodology
- Managerial knowledge spillovers in the Ghanaian construction sector
- Chinese construction companies and managerial knowledge spillovers
- Localisation in Chinese construction companies
- Conclusion

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

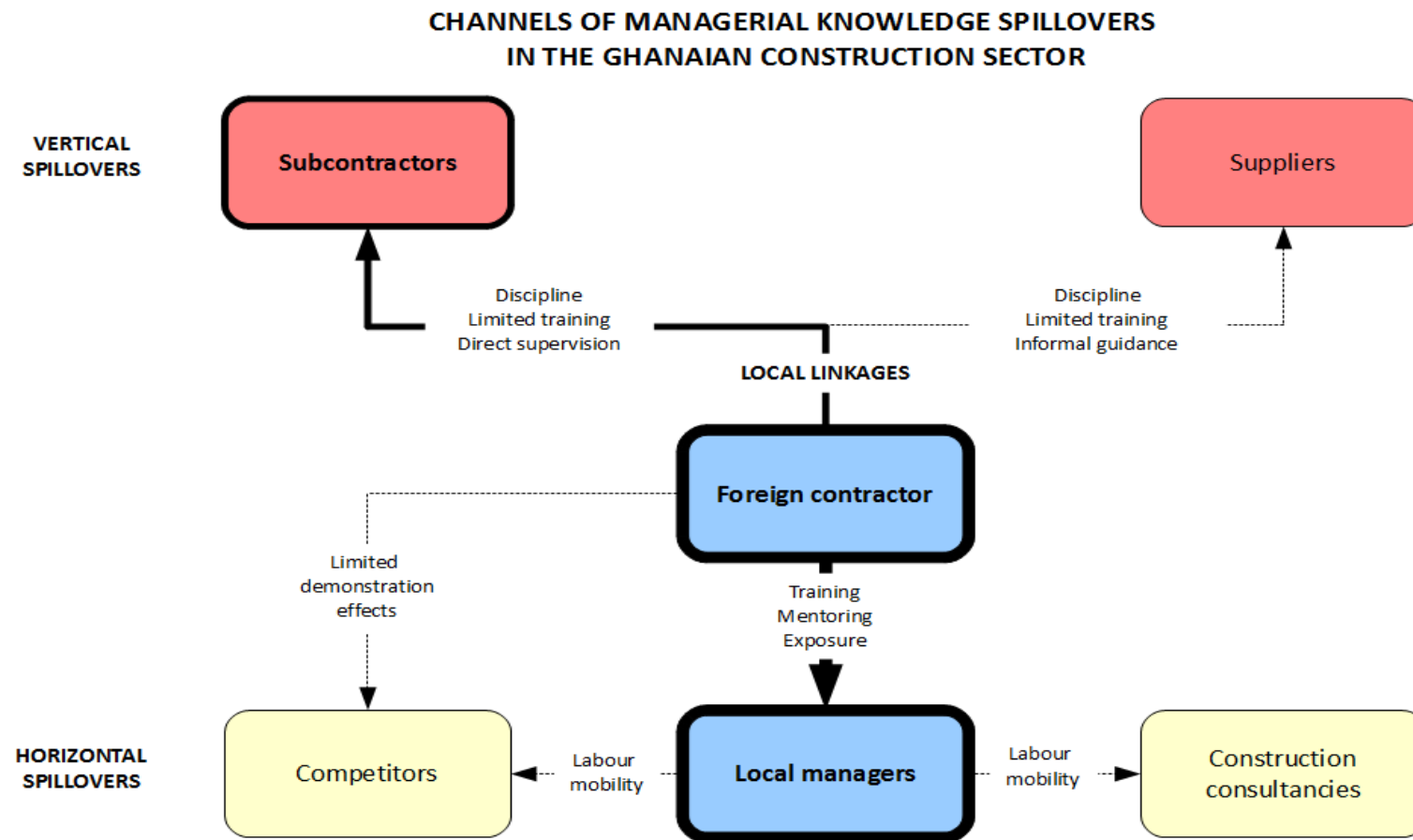
Methodology

- 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