

Chapter 62

Chinese Investment in the European Football Industry

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ABSTRACT

Outward foreign direct investment of Chinese firms in developed markets is a relatively new phenomenon. Since December, 2014 when the Chinese government announced a major investment program in sports, Chinese firms have particularly focused on foreign direct investments in the European football industry. We analyze the investment patterns, the determinants, and the motives of six investment cases of Chinese Outward Foreign Direct Investment (OFDI) undertaken in European football clubs. Based on Dunning's OLI paradigm and the determinants-framework from Holtbrügge and Kreppel, a within-case and cross-case analysis was conducted. We reveal that the main motives of Chinese investments differ between asset-seeking and market-seeking to a combination of both. The most important determinants of OFDI were the size of the host market and the level of know-how in it, while firm-specific resources and the strategic importance of the industry for the home government was a joint determinant for all Chinese companies.

INTRODUCTION

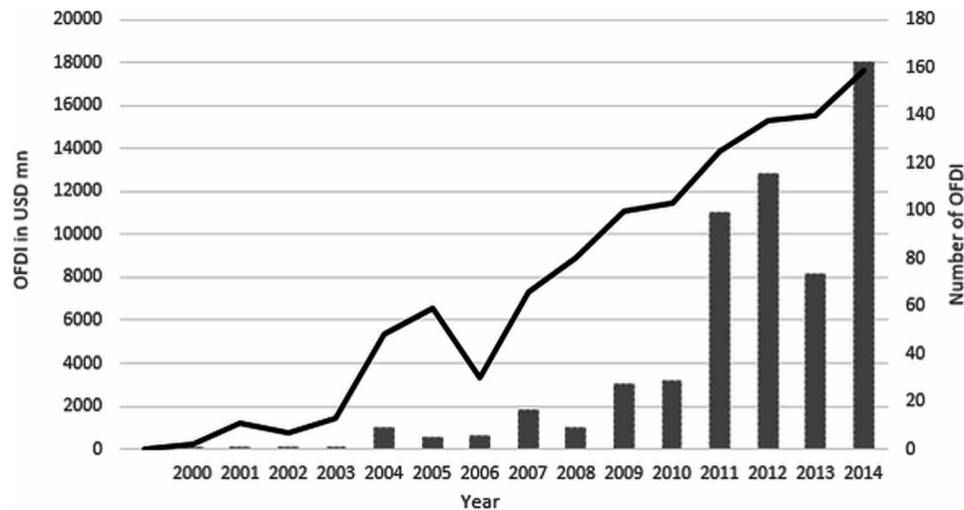
Problem and Objective

The rise of China's economy has brought a constantly growing number of Chinese firms which, being pushed by the Chinese government's GO GLOBAL POLICY implemented in 2001, entered into the international markets. These global activities of Chinese firms captured the attention of international managers, politicians, and scholars alike. Besides the remarkable pace and scope of Chinese outward foreign direct investment (OFDI) development, three further specifics account for this unprecedented

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Figure 1. Chinese OFDI development in Europe



phenomenon: First, mergers and acquisitions (M&A) gradually became the preferred form of Chinese OFDI. Second, since 2012 the majority of Chinese M&A has been targeting developed countries. Third, since 2011 Europe attracted twice as much annual Chinese OFDI as the United States, while in 2014 Chinese OFDI to Europe reached new record levels with US\$18 billion (Baker & McKenzie, 2015; MOFCOM, 2013). Figure 1 illustrates the tremendous growth of Chinese OFDI in Europe.

Numerous studies exist that examine Chinese firms regarding either their market entry strategies, i.e., location choice (Kang & Jiang, 2012; Liu, Buck, & Shu, 2005), ownership mode (Globerman & Shapiro, 2009; Rui & Yip, 2008), entry mode (Cui & Jiang, 2009; Liu & Buck, 2009), or regarding their antecedents, such as determinants (Alon, 2010; Buckley et al., 2007), and motivations (Deng, 2004; Lu, Liu, & Wang, 2011). However, studies focusing solely on Chinese OFDI in Europe and on just one industry hardly exist (Di Minin, Zhang, & Gammeltoft, 2012; Milelli, Hay, & Shi, 2010). By considering both industry-specifics and host country-specifics, it can significantly contribute to a better understanding of the drivers and thus of the investment patterns of Chinese firms.

The common base line of most studies is that Chinese firms' internationalization shows some unique characteristics in their investment patterns. These include the active involvement of the home government (Luo, Xue, & Han, 2010; Nolan & Zhang, 2002), the search for strategic assets (Boateng, Qian, & Tianle, 2008; Duanmu, 2012), or the fast learning capabilities (Zhou & Li, 2007; Morck, Yeung, & Zhao, 2008). Because of these peculiarities, some scholars argue that Chinese OFDI cannot be explained by traditional internationalization theories and hence new theories must be generated (Barney & Zhang, 2009; Peng, 2012). On the opposite side, other scholars view existing theories as suitable for China's global operations (Rugman & Li, 2007), or just call for their extensions (Dunning & Lundan, 2008; Mathews, 2006).

Dunning's (1980) Ownership-Location-Internalization (OLI) paradigm has been widely used for investigating Chinese firms' investment motives and determinants (Berning & Holtbrügge, 2012; Wei, 2010). Asset- and market-seeking are found to be the two most important investment motives behind Chinese OFDI in developed countries (Marchand, 2015; Mathews, 2006). In particular, Chinese firms are driven by strategic asset-seeking motives (Luo & Tung, 2007) that results in both asset exploiting and

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