

Chapter 62

Chinese Investment in the European Football Industry

Sue Claire Berning

University of Erlangen-Nuernberg, Germany

Daniel Maderer

University of Erlangen-Nuernberg, Germany

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.

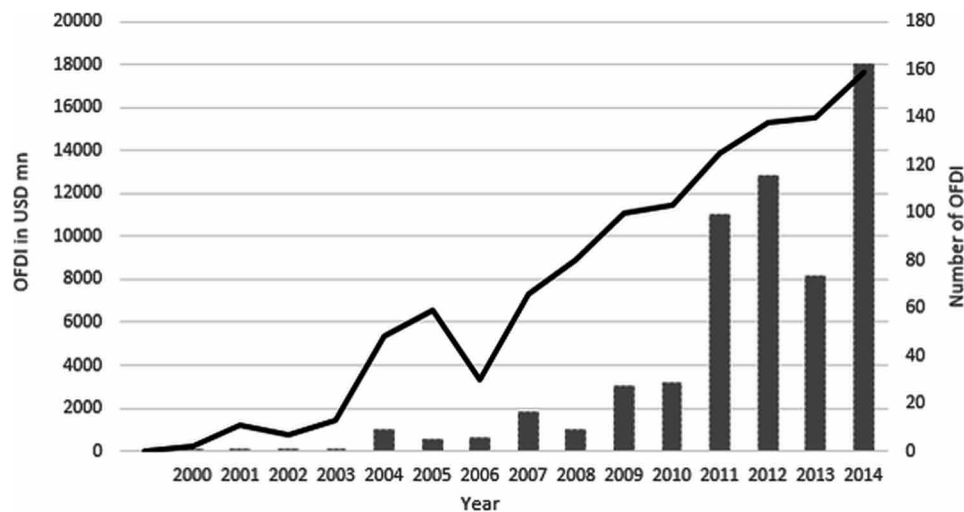
INTRODUCTION

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

DOI: 10.4018/978-1-7998-2448-0.ch062

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

20 more pages are available in the full version of this document, which may be purchased using the "Add to Cart" button on the publisher's webpage:

www.igi-global.com/chapter/chinese-investment-in-the-european-football-industry/248829

Related Content

The Effect of Corporate Governance on Bank Performance Evidence From UAE

Muhamad AbdulAziz Muhamad Saleh Jumaa (2020). *International Journal of Corporate Finance and Accounting* (pp. 16-38).

www.irma-international.org/article/the-effect-of-corporate-governance-on-bank-performance-evidence-from-uae/261857

Impact of the Global Financial Crisis on the IT Sector: The Case of Greece

Evangelos Chytis, Vasilisa Liota, Spiridon Goumas and Aristidis Papagregoriou (2022). *International Journal of Corporate Finance and Accounting* (pp. 1-11).

www.irma-international.org/article/impact-of-the-global-financial-crisis-on-the-it-sector/287909

A Study on Factors Influencing Mutual Fund Portfolio Performance: U.S. Equity Market During 2011-2016

Medhanie Mekonnen, Roger Mayer and Wen-Wen Chien (2018). *International Journal of Corporate Finance and Accounting* (pp. 1-11).

www.irma-international.org/article/a-study-on-factors-influencing-mutual-fund-portfolio-performance/212734

The Role of Local and Regional Institutions

John Tomaney (2014). *Global Perspectives on Achieving Success in High and Low Cost Operating Environments* (pp. 112-121).

www.irma-international.org/chapter/the-role-of-local-and-regional-institutions/106793

Investor Sentiment and Stock Returns: Out of Sample Evidence

Serkan Yilmaz Kandr, Veli Akeland and Murat Çetin (2015). *Handbook of Research on Behavioral Finance and Investment Strategies: Decision Making in the Financial Industry* (pp. 315-328).

www.irma-international.org/chapter/investor-sentiment-and-stock-returns/128638