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The impact of foreign firm ownership on local renewal activities

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Abstract

Purpose – The purpose of this study is to investigate how an increasingly intertwined international geography of ownership affects renewal activities and processes, including innovation, in established local companies that have shifted into foreign ownership. The authors develop a framework for the relations between (foreign) ownership and local renewal activities and processes (including innovation). The authors focus on access to resources for renewal, the development of capabilities for innovation and change, and local mandates to pursue renewal. Based on case studies of eight formerly Swedish-owned mid-size manufacturing companies that have shifted into and remained under foreign ownership during most of the 2010s, the authors develop a framework concerned with the relations between (foreign) ownership and renewal activities and processes in local firms.

Design/methodology/approach – Multiple intensive case studies of eight previously Swedish-owned mid-sized manufacturing companies to gain qualitative insights into the resource, capabilities and mandates for renewal under new ownership conditions. Empirical data collected primarily through semi-structured interviews and complemented with secondary material, including annual reports (2010–2018), databases, press releases and information on company websites. Empirical data were analyzed thematically to isolate key findings pertaining to renewal. At the core of the analysis process was the gradual creation of a framework that stipulates the relations between (foreign) ownership and firm renewal activities and processes.

Findings – The companies are endowed with liberal but conditional mandates to pursue strategic innovation in their original sites and draw on a stronger resource repertoire within their ownership spheres. In comparison to the established international business (IB) literature, the authors add considerations about how local aspects interact with international ones to form global distribution of renewal activities in our time. To economic geographers and innovation scholars, consideration of the local and its importance in renewal activities and processes is certainly not new, but we show how ownership is an important aspect that conditions some of the strategic interactions that companies have with their "outsides".

Originality/value – Contributes to the burgeoning conversation between IB and economic geography disciplines. Emphasizes a deeper local aspect to the IB literature, partly how companies access resources and capabilities from the ownership sphere at points that suit their renewal efforts and partly the persistence of path-dependent aspects of local companies even as they get acquired by multinationals. Emphasizes

The empirical findings have partly been previously published in Swedish, included in the report Alvstam *et al.* (2019). *Strategiskt förnyelsearbete inom svensk industri.* Vinnova Rapport VR 2020:07. The authors are grateful to Richard Nakamura, Claes Alvstam and Inge Ivarsson for their generosity in making some of the primary empirical material from that report available for this paper. Richard H. Nakamura visited and collected primary empirical material from *Komatsu Forest*, *GKN Driveline*, *Suzuki Garphyttan* and *GKN Aerospace*.

ownership and mandate aspects to the literature in Economic geography, which tends to focus on regional/non-regional assets for renewal and innovation. Findings show that the non-regional assets are, in fact, two distinct categories as ownership becomes internationalized: assets within and outside the ownership sphere.

Keywords Renewal, International ownership, Local resources, International M&As

Paper type Research paper

Introduction

Global ownership patterns rapidly become more complex. Between 2009 and 2018, the value of yearly net global cross-border mergers and acquisitions (M&As) increased from around US$300bn to more than 800 billion (UNCTAD, 2019). At the same time, companies need to adjust to rapid technological change and change consumer preferences by constant renewal. With renewal, we mean, for example, product and business model innovation as well as diversification of production to include new product varieties. Such renewal activities are often highly localized and frequently seen as instrumental in securing firm's competitiveness and the success of local economies. For example, in its 2020 budget bill, the Swedish government stated that "The innovation and renewal capacity of Swedish firms is of good quality but needs to be additionally strengthened to reinforce Swedish competitiveness." (Prop 2020/21:1, p. 43, our translation).

In this paper, we ask if and how intertwined geography of ownership affects local renewal activities and processes in established companies that have shifted into foreign ownership. Simply put: are local renewal activities and processes, indeed the ones that the Swedish government puts forward as instrumental for the long-term success of Swedish companies, threatened or facilitated by international ownership?

From a resource perspective, the rival propositions are straightforward. On the one hand, access to larger resource pools in new ownership constellations may help local companies to pursue long-term strategic renewal goals and facilitate for them to become more resilient and survive global competition in their original locations. On the other hand, with foreign ownership, important resources that are core to renewal activities and processes, such as R&D, innovation and training facilities, risk being relocated to other departments in regions or countries where the new international ownership sphere has its core operations. In addition, local renewal initiatives risk being curbed by distant owners.

There is no shortage of studies that investigate the link between foreign ownership on the one hand and productivity, wages and company survival of local firms on the other (Wagner and Gelübcke, 2012). Yet, few studies have investigated the effects of ownership on the renewal activities and processes of acquired local companies. This is peculiar, as renewal and its associated activities and processes are arguably some of the most important sources for company competitiveness in the longer run and for localities too, especially in an age of globalization.

Sweden, with its traditionally open, innovation-driven and manufacturing-centered economy, is a particularly interesting case to study to gain insights into this issue. Among the employees of manufacturing in Sweden, foreign-owned companies employ around 39% (2018). Also, foreign-owned companies account for about half of the private R&D expenditures, and the share is trend-wide increasing (Swedish Agency for Growth Policy Analysis, 2017a). Within this internationalized setting, mid-sized manufacturing companies are becoming increasingly interesting targets for foreign acquisition. The number of foreign-owned mid-sized companies, and the number employed in those companies, tripled between 1990 and 2018 (Swedish Agency for Growth Policy

Analysis, 2009, 2019). Moreover, the most common form of foreign entry into the Swedish manufacturing sector is by acquisition (Swedish Agency for Growth Policy Analysis, 2019).

Despite the impact of the eclectic paradigm paradigm and its emphasis both on ownership and location (Dunning, 2000, 2001), the link between company ownership on the one hand and localized renewal activities on the other has to our knowledge, so far, been considered only in the passing by the established geographical innovation literature (Fitjar and Rodríguez-Pose, 2013). Conversely, international business (IB), where trans-national ownership dimensions and local management mandates are of chief concern, only had a relatively shallow account of the importance of local economic environments and the particularities of places for renewal activities and processes (Buckley and Ghauri, 2004).

This paper is an example of how an understanding of local business activities under the auspices of globalization can be further developed by combining insights from International Business and Economic Geography (McCann, 2011; Cantwell, 2017). We study eight formerly Swedish-owned mid-size manufacturing companies that have shifted into and remained under foreign ownership during most of the 2010s. By combining information from company visits, personal interviews and secondary material, we find that for most of our investigated companies, turning into a foreign-owned mid-size manufacturing company has meant securing access to new resources and thereby securing the ability to engage in new activities and processes that facilitate renewal. New resources have been combined with the resources and capabilities already established *in situ*. Indeed, local resources are still important to the firms despite international ownership because the resources and capabilities that are built locally in Sweden are (still) difficult to imitate and require considerable time and resources to re-build elsewhere.

However, while the local companies, in general, have a liberal mandate to conduct business and compete, integration in a corporation-internal global division of labor also means that the investigated companies have developed a leading specialization in particular niches. Therefore, for the case firms of this paper, becoming part of foreign ownership structures has, on the one hand, meant securing new or augmented resources with a relatively liberal mandate for their use. On the other hand, this still has come at the "price" (or benefit) of niche specialization adapted to a fine-grained international division of labor.

We believe that the theoretical lessons from this paper are promising to further elaboration of the local-global nexus of globalization. At the end of the day, even if the "locality" of resources still is a profound mark of globalization, and while research strives to make typological sense of development patterns in a globalized economy, the company cases in this paper highlight the enormous complexity and the highly advanced international division of labor under which manufacturing companies operate.

Local renewal activities and ownership

Despite a vast interest in the concept of strategic renewal in the strategy literature, its precise definition is contested (Schmitt *et al.*, 2018). Some emphasize the aspect of change; that strategic renewal entails the content, context and process of change made to an organization's attributes that potentially affect its long-term prospect for future growth or development (Agarwal and Helfat, 2009). Others argue that strategic renewal is concerned with strategic intent and company capabilities (Schmitt *et al.*, 2018). Commonly agreed upon is, however, that strategic renewal, despite its different connotations, is a key aspect of company survival, competitiveness and prosperity (Flier *et al.*, 2003; Albert *et al.*, 2015). Whereas discontinuous renewal often is assumed to rely on disruptive technology, incremental renewal develops gradually over time (Horst and Moisander, 2015). Subsequently, strategic renewal can be a result of continuous efforts (Volberda *et al.*, 2001), where an organization can build on its existing practices to, over time, facilitate major strategic change (Agarwal and Helfat, 2009).

In this study, we draw on the competitive strategy literature to define renewal as intentional strategic actions aimed at aligning organizational competencies with the external environment to create and/or sustain competitive advantage (Flier *et al.*, 2003, p. 2168; Schmitt *et al.*, 2018). We use this definition for two reasons. First, by linking to the innovation literature, the definition allows us to pinpoint the concrete activities, processes and contexts of renewal in companies. Second, it allows us to separate between strategic renewal that results from consistency in action over time and insight and/or intention for a desired consequence or result (which is the focus of our study) and change that result from internal and external serendipitous events (which are not the focus of this research). More concretely, in our study, we include renewal activities aimed at product innovation, process innovation and business model innovation, but also implementations of new product varieties and changes in the value chain position of companies. In sum, these are measures that concern both strategic refinement and firm efficiency (Flier *et al.*, 2003; Ben-Menahem *et al.*, 2013). It also concerns activities aimed at strengthening and exploiting existing core competencies in the form of, for instance, the dissolution of existing products and services, as well as incremental change to its new product development processes (Salvato, 2009). We include a process dimension, as this refers to the temporal character of strategic renewal and covers the timing, frequency and volatility of strategic renewal actions (Flier *et al.*, 2003). Renewal, interpreted in our way, is a dynamic process subject to both managerial actions emanating from choice and environmental forces (Lester and Parnell, 2002; Al Humaidan and Sabatier, 2017).

A change in ownership can pose extreme challenges to a company's established ways of competing and "doing renewal". This is perhaps especially the case in foreign M&As, where local companies may be exposed to completely new management ideals and must adapt to the strategic ideas of distant owners[1]. When foreign companies acquire or merge with local companies, foreign companies face a fundamental trade-off, especially in high-cost economies. On the one hand, to exploit ownership advantages, a foreign company needs to integrate and orchestrate the efforts within the subsidiary enough for it to be or become related to the rest of the activities of the company (Cantwell, 2017). Closer integration with the resources and capabilities of the foreign company, perhaps even in geography, allows for closer control of processing and achieving economies of scale and scope in production as well as in renewal activities.

On the other hand, central firm renewal activities and processes, such as R&D and innovation, often rest on geographically localized resources, for example, a specialized labor force, localized networks and access to local innovation systems (Criscuolo *et al.*, 2005; Feldman and Kogler, 2010). Such resources and the advanced capabilities drawn from them do not travel well in space, and activities and processes in local companies have often become path-dependent in co-evolution with the assets in their localities (Henning, 2022). For example, resources for research activities in manufacturing industries have often been built over many years, sometimes even decades, in specific locations. Because of their complex and systemic nature, they cannot be dismantled, disintegrated and relocated without operational consequences. To put it bluntly, it does not make sense to push the activities of an acquired local company too far from the capabilities already developed or try to completely relocate the resources and capabilities required, at least not in the medium run.

We are certainly not the first to consider this interaction between organizational and spatial dimensions – it has a long history in the International Business and Economic Geography literature. In traditional home-base theories, a core argument was that the strategically most important corporate activities of companies, including governance and strategic functions, were normally localized to the company's geographical home base (Porter, 1990; Lundquist and Olander, 1999). This standpoint also echoes classical views held by the International Business literature on company internationalization as something primarily driven by a motive to exploit already established company advantages, for example, by developing economies of scale in new markets (Dunning, 2001).

However, in an increasingly globalizing economy, such classical "home-base views" on the Multinational Corporation (MNC) are becoming increasingly awkward. Starting with a few studies already in the late 1990s, the literature instead gradually emphasized seeking of advanced assets (knowledge assets and technological assets) as motives behind the internationalization of ownership and how reciprocal transfer of core assets such as technology take place within the MNE's international affiliates (Dunning, 2001; Cantwell, 2017). From such an advanced asset-seeking point of view and from the point of view of vertically integrated global production networks (Coe *et al.*, 2004), it would certainly be in the interest of the acquiring company to sustain renewal activities in the targeted local company.

Resources, capabilities and mandates for renewal

An organizational core issue related to the M&A motive is whether local companies manage and are, in practice, mandated to exploit the potential benefits of becoming a part of a larger ownership structure. Even if local renewal activities and processes are probable to continue under short-term autonomy, advanced asset-seeking motives need to be conditioned on at least some degree of interaction with and contribution from the parent company in the interest of augmenting the advantages of the foreign company. Without this, the investment is more likely to qualify as a classic portfolio investment (Dunning, 2001), which leaves the subsidiary with more organizational autonomy, but also with less opportunities to draw on ownership advantages spilled over from the new parent company.

Yet, even if the local renewal activities and processes are retained under foreign ownership, the conditions under which these take place may change fundamentally. Being incorporated into new divisions of labor under new ownership, local companies may find themselves faced with changes in their routines and value chain positions. The degree and nature of communication between the local organization and headquarters have obvious consequences for the autonomy of companies within larger corporate structures (Birkinshaw, 1997). For all local companies that become subsidiaries, the bargaining positions and the autonomy to take strategic decisions, something that we refer to as *mandate*, are likely to change. Since new, resource-demanding renewal activities and the process can entail changes in the overall corporate strategy, such activities must also be supported and driven or at least allowed, by decisions of corporate management groups or at the corporate headquarter level (Zahra *et al.*, 1999). At the extreme, foreign ownership of local companies may, on the other hand, result in a shutdown of local companies and a transfer of the local resources, activities and processes for renewal to other locations (Wagner and Gelübcke, 2012).

However, in the industrialized high-cost economies, such drastic outcomes of M&As in manufacturing are less likely. Here, target companies have already survived the recent decades' de-industrialization processes by sharpening their productivity and increasing the knowledge content of their organizations (Lundquist *et al.*, 2008). Therefore, because of the advanced asset-seeking motives of many foreign companies, the already "better" and more productive companies are those that are prime candidates for a foreign M&A (Swedish Agency for Growth Policy Analysis, 2017b). Related research confirms this "cherry-picking hypothesis". In times of asset augmentation, foreign company acquisitions are likely to be permeated by selection biases in favor of more productive companies (Bandick and Görg, 2010; Balsvik and Haller, 2010; Guadalupe *et al.*, 2012).

In such a context, there are three sets of potential consequences of M&As, and changed ownership, to local renewal activities and processes. First, becoming part of MNCs carries huge potential resource advantages to local companies. The local company gains access to a substantially larger resource base, which can be put into use to develop new, or augmented capabilities (Dunning, 1993, 2000; Neffke *et al.*, 2018). More specifically, access to larger pools of financial and knowledge resources, as well as the business models in new ownership constellations and networks, may help local companies to pursue more long-term strategic goal initiatives and opportunities, such as renewal (Vahlne and Johanson, 2019). Second, there are prospect combinatory advantages. Local activities and processes may draw on new intra-company collaborations with new partners and thereby achieve new combinations of both skills and knowledge – and in the end, capabilities – that could not be reached before. Such augmentation (Buckley *et al.*, 2016; Yakob *et al.*, 2018) occurs when drawing on the strength of intra-company collaborations specifically to strengthen existing competencies and competitive advantages within the local company. Third, by internalizing acquired intangible assets (Voudouris *et al.*, 2012) or drawing advantage of foreign located R&D facilities (Narula, 2006), the acquiring company can enhance its own capabilities or make new capabilities available for the larger MNC network (Cuervo-Cazurra, 2012).

Empirical strategy

Case companies and empirical material

This study draws on a multiple intensive case study of eight companies. These firms were selected because they are previously Swedish-owned mid-sized manufacturing companies acquired by a foreign global group, where operations in Sweden account for a smaller part of that group's overall global production and R&D. They are either manufacturing companies that mainly are positioned in the mid part of the value chain, that is, produce on behalf of original equipment manufacturer (OEM) customers, while themselves also being costumers to input producer upstream the value chain or themselves classified as typical OEMs. Further, they employ between 300 and 2,000 people, and they are exposed to significant transformation pressure because of rapid technological change and growing market competition in their respective industries.

Quite obviously, there is an inherent cherry-picking issue in terms of the companies that are exposed to foreign acquisitions – these are normally more successful than other companies (Swedish Agency for Growth Policy Analysis, 2017b). In a high-cost and innovation-driven economy such as the Swedish one, this is not strange. Companies can generally be expected to be acquired due to advanced asset-seeking motives. With this in mind, the purpose of our selection sequence has not been to secure statistical representativeness but to investigate theoretically interesting cases that provide new qualitative insights into the links between available resources, capabilities and mandates for renewal under new ownership conditions. Nevertheless, we do believe that the findings carry relevance for a larger set of firms within this segment in industrialized economies. While our findings do not reflect what happens to the activities and processes of just any company that gets acquired (because just any company does not get acquired), they do analyze in-depth what happens to already excellent manufacturing companies when they *do* get acquired.

The case companies generally manufacture complex industrial products that consist of several different components and systems based on different technologies, and the companies are often leaders in their specialized market niches, many even globally. Most of the companies have been under foreign ownership for most of the 2010s. To make ownership patterns even more complex, it is common that the foreign-owned company controls other companies outside Sweden and runs production units there.

Our case companies:[2]

Flexlink is a supplier of products and solutions for automated production flows, for example, conveyor systems. Funded in the early 1980s, the company has a bit more than 1,000 employees and has units in several countries. The main Swedish site is in Gothenburg, Sweden. The Italian group Coesia acquired Flexlink in 2012.

Toyota Material Handling (TMH) is a manufacturer of indoor and outdoor forklifts and services related to forklifts and material handling. The company runs a production plant in Mjölby (Sweden), which is one of the largest forklift plants globally, and the site is also the headquarter (HQ) for all European activities for TMH/BT. The Swedish-owned company BT launched its first forklift truck in the late 1940s, and Toyota acquired BT in 2000. The company has about 2000 employees.

Komatsu forest manufactures harvesters for self-propelled forest machines on wheels and tracks. The Swedish site started out as Umeå Mekaniska in Umeå in 1961, was acquired by Volvo BM in the mid-1970s, and by Finnish Valmet in 1986. The current Japanese owner Kumatsu acquired the Swedish operations from the then-owner, Finnish Partek, in 2004. Komatsu Forest has 1,400 employees and two production units – in Umeå (Sweden) and in Chattanooga (USA).

GKN driveline manufactures drive and control units for drive axles for mainly four-wheel drive passenger vehicles. Originally founded in the 1850s in Köping (Sweden) and subsequently run by Volvo, the then Getrag unit was acquired by GKN in 2011. The unit in Köping uses around 1,000 people.

Ruag space develops and assembles systems, antennas and microwave electronics for satellites/adapters and separation systems for rockets. The Swedish activities employ about 300 persons in Gothenburg, and 120 in Linköping, both in Sweden. Formerly Saab Space, the company was acquired by Swiss RUAG in 2008.

Unicarriers produce of indoor and outdoor trucks (forklifts) and services related to trucks and material handling. Funded as Elitmaskiner/Atlet in the late 1950s, Japanese Nissan acquired the company in 2007. UniCarriers is now a part of Mitsubishi Logisnext Europe. The Swedish production unit is located outside Gothenburg, employing slightly less than 300 persons. This site is also the HQ for the European activities of Unicarriers.

Suzuki Garphyttan supplies advanced spring wire products for a wide range of applications, for example, in cars. Founded in 1906, it was acquired by the Japanese Nippon Steel Corporation in 2009. The Swedish site in Garphyttan (Sweden) employs about 350 people.

GKN Aerospace (Sweden) delivers advanced welding solutions to special components for commercial aviation, the aerospace industry and military aviation. The company's main site is in Trollhättan (Sweden), with 2,000 employees, but it runs production units in several other countries. Components produced by the company can be found in almost all newly produced commercial aircrafts. Funded as Nohab Flygmotor fabriker AB in the early 1930s and turning into Volvo Aero in 1994, the British consortium GKN acquired the company in 2012.

From this point on in the paper, we will anonymize our findings, referring to the companies by random letters.

We have visited all our case companies and conducted semi-structured interviews with key employees (Table 1). The interviews, conducted in 2018 and 2019 and carried out at corporate sites, lasted between 60 and 90 min and were recorded, transcribed and coded. During interviews, notes were taken in the form of keywords to capture topics, situations and events that seemed significant to the respondents. The main topic discussed in the interviews was whether the company's role in the value chains had changed as they became part of a larger international ownership constellation, and how this affected the availability of resources and capabilities and if it changed mandates for renewal. To complement the interview material, we also rely on a wide range of secondary material, including annual reports (2010–2018), databases, press releases and information on company websites.

Analytical approach

At the core of the analysis process of our empirical material was the gradual creation of a data structure that reflected the relations between (foreign) ownership and local renewal activities and processes (Figure 1). This data structure constitutes the foundation of our emergent findings. The aim of the analysis process was to discern several central and empirically driven second-order themes that could explain the influence of changed ownership on local firms' renewal activities and processes. Ultimately, we are focusing on which consequences changes in ownership structures and mandates have.

The empirical data were analyzed thematically to isolate key findings. Hence, the analysis of empirical data commenced with several iterations between data sources to

Company	Position
A	Director + Team Leader
B	Senior Manager
C	Director Innovation + Digital Transformational Data Scientist
D	Head of production technology and technology development
E	Plant Manager/Member of Board
F	Senior VP Marketing and Sales
G	Head of Group IT Infrastructure
H	Vice President, Products and Manufacturing

Table 1. Interview overview

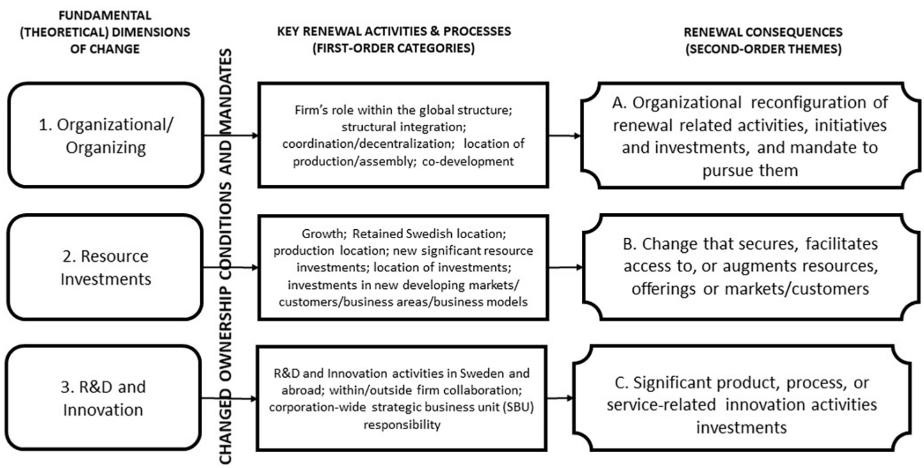

Figure 1. Data structure

engage in descriptive coding to identify crude first-order categories (Miles and Huberman, 1994; Spiggle, 1994). Thus, we used a constant comparison technique for inductive open coding of the empirical data, using the words of the interview participants. At this stage of the analysis, we distinguished approximately 15 main first-order categories where our main interest was the properties of local renewal activities and processes. Linkages between first-order categories were then sought after by means of axial coding (Corbin and Strauss, 1990), resulting in several second-order themes on a higher level of abstraction based on inductive reasoning.

Our emergent framework focuses on the links between changes in how resources are augmented, transformed or replaced, changes in how capabilities can be derived from them and local firm activities and processes. Accordingly, the left side of Figure 1 shows fundamental (theoretical) dimensions of change, first-order categories stipulate the findings (at the level of meaning of the respondents); and second-order themes show the collapse of related categories into researcher-induced second-order themes emanating from the analysis (Nag *et al.*, 2007). Overall, the analytical approach in this paper has allowed us to reach a detailed understanding of how changed ownership conditions and mandates manifest themselves in the local renewal activities and processes.

Given the broad number of categories (first-order categories) that we have investigated, we engage in the process of analytical generalization (Smith, 2018). At the end of the day, therefore, we generate a conceptual framework that we hope is generalizable to further studies on the links between available resources, capabilities and local renewal activities and processes under new ownership conditions, and not only to the specific context or populations under investigation in this paper:

- The first theme, (A) *organizational/Organizing,* touches upon changes in the organizational prerequisites and deals with changes in organizational reconfiguration of renewal activities and processes and mandates to pursue them. It reflects how mandates to augment, transform or replace resources and develop capabilities from them are distributed and how this links to coordination and decentralization, the company's position in value chains, and the configuration of business models,
- The second theme (B) *resource investments* deal with if and how ownership changes have allowed companies to secure or augmentation new and greater amount of resources for both change and growth, and if new ownership transformed the company's business models or offerings to markets and customers. It reflects the augmenting, transforming or replacing organizational resources-aspect of our definition,
- In the third theme, (C) *R&D and Innovation,* we venture further into renewal activities and processes connected to changes in R&D activities and various types of innovation strategies and if and how shifting ownership meant something to that. It reflects how the resources are put into use to develop company capabilities.

The findings in the next section are based on the identified second-order *themes* because focusing on the theme level is a more informative way of capturing deeper issues and processes underlying the fundamental dimensions (Nag *et al.*, 2007; Yakob *et al.*, 2018). This reduction process has been necessary because the case companies are all dynamic enterprises where many things happen all the time, and business challenges need to be addressed constantly. Here, we would like to focus on those changes in resource assembly, development of capabilities and mandates to perform activities that are related specifically to the impact of ownership structures.

Findings

Organizational reconfiguration of renewal activities and processes and mandates to pursue them

> "There is no influence from our owners whatsoever. We are a profitable company, one of the most profitable in the group, so we are pretty much left alone."
>
> (Head of Group IT infrastructure in Company G, our translation)

The majority of our case companies describe how they have come to play important strategic roles within their new ownership constellations, from both a size and from a technological point of view. For these companies, internationalization of ownership has carried opportunities to renew their operations further. However, our case studies also show that internationalization of ownership needs to be kept analytically apart from internationalization of production. Some of the companies acquired by foreign MNCs, were already MNCs themselves. As shown below, half of the case companies run production plants abroad, in addition to the Swedish sites.

From an operational point of view, the degrees of integration in the parent company's global structures vary vastly among our case companies, from near-total autonomy to close integration in the international parent companies' value chains. Company D is, for example, characterized by a higher degree of integration with the rest of the ownership group's operations, whereas companies C and G have almost total autonomy in all parts of the production process and in other business activities.

Overall, nevertheless, most of our companies describe how they operate relatively autonomously within their respective ownership spheres. Most of our companies also share stories about a strong relationship between their "pre-acquisition history", and their new position within the new ownership sphere. This is especially true for companies A, C, E, G and H, which had a strong presence at their original sites with both production facilities and significant R&D already before they became acquired. In addition, these companies were owners of historically strong brands in their respective industries. In general, the companies with historically strong and productive manufacturing, R&D and innovation activities and traditional strong brands have gained significant positions also within their new spheres of ownership.

However, post-acquisition life, even under asset-seeking contexts in a high-cost economy, is not entirely a sunshine story. In a few cases, the international change of ownership has meant greater pressure on both productivity figures and growth. One strategy to meet this has been to strive for and invest in highly automated production, to thereby become as productive and cost-effective as possible within the global production networks. This applies especially to companies that are part of international groups where the Swedish units manufacture products that are not necessarily completely unique or can be relatively easily transferred to other units within the group. Although the Swedish units have managed to defend their positions well at the time of our investigation, the strategic challenge for these few companies is much greater than for most companies that have unique profiles and have achieved relatively autonomous positions within their respective ownership spheres.

It is striking how many of the case firms are located in small and mid-sized towns. The ability of our case companies to stay renewed and stay competitive, in some cases even world-leading, in these, by conventional standards, awkward locations is clearly connected to niche specialization. Here, the connection to the contexts of the ownership spheres becomes apparent. Many of our case companies survive and can renew in remote locations because of their high-end specialization on the one hand, and the alignment with the strategies and offers of the international owner, on the other.

Connected to this, we also find that the organizational status that the Swedish company has within its ownership sphere indicates the position and mandates given. For example, some companies carry important and clearly visible and communicated niche functions, which are also separate business areas within the ownership sphere. This is important because, all in all, clear and generous local operational mandates to carry out renewal activities and processes clearly dominate among our case companies.

However, there are also limits to these mandates. Indirect control of the operation from the side of ownership spheres is sometimes apparent through the appointment of the CEO and the board of directors of the Swedish company. Nevertheless, most companies are indirectly controlled by means of performance measures rather than by active interference with the way that local renewal activities and processes are being managed. There are clear outcome expectations from owners, but the mandate to decide on strategic ways of reaching them is normally endowed to the local Swedish sites.

In the literature review, we mentioned the argument that local firm business activities and efforts risk being curbed by distant owners. Among our case companies, we find very little evidence of this. This is, of course, natural in an asset-seeking context – why should owners curb acquired companies when companies were acquired because of their resources and capabilities? In the details, however, there are small but important differences in the mandates given. One company even experienced that some efforts, such as increasing movement toward greater integration with services, were not supported by the new owners.

However, except for this case, there we find few, if any, indications that the foreign owners attempt to further increase the integration of their Swedish units with other companies in their ownership spheres and significantly increase the operational control over them.

By means of a summary, Table 2 highlights the differences in core categories among our case companies in terms of organizational reconfiguration of renewal activities and processes and mandates to pursue them.

Change that secures or facilitates access to, or augmentation of resources, offerings or markets and customers

> "We have had delegations from [two very well-known international conglomerates] who came all the way to us [in a tiny Swedish town] because there are no one that possess the same competences as we do!"
>
> (Director Innovation and Digital Transformation, our translation).

Our case companies are all well-performing, as expected from the "cherry-picking hypothesis". During 2010–2018 all of them grew or retained their positions in terms of

Table 2. Empirical categories, "organizational reconfiguration of renewal activities and processes, and mandates to pursue them" (number of case companies within brackets)

Company's relative importance within ownership sphere	More Important (6)
	Less important (2)

turnover, and only one of the case companies decreased the number of employees. Most case companies also experience stabile investment patterns and some increases in investments.

The historical legacies of pre-acquisition times are obvious in the stabile location patterns of the case companies. All the companies are still located, at least partially, in their original and historical Swedish sites. Historically, production has been tightly co-located with other central renewal activities and processes. Nowadays, however, the locational patterns are partly more complex than they used to be – companies have either all their production located in Sweden or in a combination between sites in Sweden and abroad. Only one of our case companies has all its production taking place outside Sweden.

The Swedish locational sites include relatively small and peripheral towns, where the companies nevertheless manage to retain competitiveness in very advanced technological and market niches. The quote from the Director of Innovation and Digital Transformation in one of our case companies, which started out this section, expresses this eloquently. It is difficult to determine whether there are any clear competitive resource access advantages in these locations nowadays. However, across decades, the companies have built logistics chains and adapted local resource acquisition and use to their locations. In that sense, many of the case companies have completely co-evolved with their locational sites.

Therefore, by far, the most common geographical expansion strategy among our case companies has been *in situ* growth in the Swedish sites. In general, none of the new owners have attempted to move activities elsewhere in any significant ways. In all, during the processes of acquisition and its aftermath, the Swedish sites and their activities have been very stable.

New ownership brings opportunities to secure new resources for pursuing renewal activities, at least in the context of asset-seeking investments. According to the companies, among the links that have indeed evolved within the spheres of ownership and that are of importance, count especially those that allow the companies to secure access to technical expertise. Several companies also bring up their close collaboration in technological development projects, not necessarily with the mother company but with other sister companies within the ownership group. But above all, our case companies emphasize how they have gained access to greater financial resources to renew and stay competitive after the international acquisition.

In terms of business model innovation, new ownership, however, had limited impacts. Most companies also do not foresee any major changes in their business models in terms of value proposition, distribution channels, revenue model or target customers and segments. Thus, most companies seem to operate within relatively stable business models, and the need for business model modification is generally not a result of new ownership but rather a consequence of changes in the respective industries within which the companies operate.

But, again, there are subtleties to this among our case companies, and there are also those that do change their business models or foresee immediate changes. Changes in business models can be structured into three main lines. First, business model change can be driven mainly by the response to what others do. Company F, for example, engages in business model change, where change is mainly driven by the general development of the industry and by changes that are made to customers' business models. Second, business model change can create new contexts for marketing and selling of already established physical products. Company H exemplifies this and tells us that their pressures for change on business models are both driven by changes taking place at the customer and within the company itself. In particular, the company sees a greater opportunity to catch up with competitors through new business models rather than by the introduction of new products. Third, business model change can be at the core of a complete re-thinking of a company's business. Company A, for example, is in the process of developing business models that are not within the company's traditional business areas. It is moving toward becoming a solution provider that offers complete solutions to customers because the development of new service solutions is allowing for a changed value offering to customers. However, we do find it hard to attribute these business model changes among our case companies to the switch in ownership.

The customer structures for the case companies are also generally stable. Relations with customer companies are, in general, long-term and based on historical relationships that, in many cases, originate from the time before the foreign acquisition. A few of the companies are nonetheless actively seeking new markets and opportunities as market logic changes and new business models become more commonplace. Another expression of market expansion is the increase in the number of business areas. One interesting example is the development of new business areas toward existing customers, offering more products or services and tighter integration between them.

Table 3 summarizes the variation of core categories among our case companies in terms of change that secures or facilitates access to or augmentation of resources, offerings or markets/customers.

Significant changes in product, process or service-related innovation activities

> "When we aspire changes or do technology development projects, our owners have organized things in that way, that each global pant has a mother factory in [the owner's home country]. This means that we have a speaking partner in [the owner's home country] that is our support organization if we are in need of production skills or other kinds of knowledge [. . .], then there is exchange, and [we] either send staff there for training [. . .], or they send people here to help us out."
>
> (Plant manager in company E, our translation).

Finally, we take a closer look at the link between ownership, R&D and dedicated innovation activities. We have already seen how the inclusion into new spheres of international ownership allowed companies to secure foremost access to technological expertise but also financial resources to conduct new or augmented activities and processes. In the vast majority of cases, the companies are also granted with relative generous, but not unconditional, mandates to put these resources into local renewal work.

As with production, location patterns of R&D for our case companies are really mixed, but Sweden generally has remained important as the main location. Most companies have

Growth (case company in Sweden)	Turnover growth (8) Turnover + employee growth (8)
Retained location at original site in Sweden	Yes (8)
Location of production	Sweden (3) Sweden and abroad (4) Only abroad (1)
Significant investments (current and recent)	In Sweden (3) In Sweden and abroad (2) No (3)
Business model change	No major change (5) Current change (1) Desired/expected change (2)
Change in markets and business areas	Maintain (5) Conversion (1) Expanding existing markets (2)

Table 3.
Empirical categories "change that secures or facilitates access to, or augmentation of resources, offerings or markets and customers" (number of case companies within brackets)

their R&D and innovation activities located in Sweden only or in a combination of activities and Sweden and abroad. In this regard, Company H is particularly interesting. It has its head office, manufacturing, development and training premises in Sweden, but the production of almost identical products and a certain amount of overlapping R&D also takes place in the USA and Asia, and then for the respective markets to have a proximity to the customer and local product adaptation. A few companies do little R&D on site in Sweden, but this has not changed with the new ownership patterns.

A striking pattern is that for those that *do* R&D in Sweden, companies tell us that the Swedish sites have become important nodes also within the new ownership spheres. Several of our case companies invest in new R&D infrastructure at the Swedish sites; company A has invested in a new research and business unit with a focus on automation and telematics in one of the Swedish metropolitan regions, which has allowed them to recruit workers with, for the company, new types of skills. Company E has received increased financial resource allocation from the parent company to develop new product platforms. Half of our case companies tell us that further normal investments in physical capital are planned.

In terms of the new, or augmented, work conducted, our case companies, in general, have a clear focus on product development in their R&D and innovation activities. A few of them also have a prioritized, or complementary, production focus. For example, Company C's R&D is aimed toward developing new methods to maintain its strong position in the industry for special welding of components, and they use, for example, computer simulation to calculate new production capacity. For the companies that do have a process innovation focus, the development of the most cost-effective production process gives the company a completely necessary competitive advantage. For Company D, R&D is primarily about continuously optimizing production with the goal of being able to compete in terms of productivity within the ownership group.

The collaboration patterns for R&D are as multifacetted as the industries themselves. In general, R&D collaboration with customers, suppliers and universities is a common phenomenon. Dominating patterns of R&D collaborations within the ownership sphere are as common as external R&D collaborations or a combination. Three interviewed companies primarily do R&D collaboration within the ownership sphere. In the case of Company A, this applies to R&D cooperation with other units within the ownership group. Company E cooperates with the parent company's various units in cases where synergy opportunities have been identified between their own products and the group's product range. As testified by the quote at the beginning of this section, here is also an exchange of technical expertise.

Therefore, there is, in general, no consistent tendency of how ownership changes affect R&D and innovation collaboration patterns. In anything, companies seem to collaborate within the ownership sphere when synergies are expected and choose other collaboration paths when not.

However, companies do stress that it is important to distinguish between R&D and applied co-development. In contrast to R&D, the companies have a relatively limited product-oriented co-development of products or processes together with other companies, including other companies within the ownership group. Company A, for example, has no direct vertical collaborations with other companies in relation to the joint development of new technologies. On the other hand, they work together with companies within the group to develop and offer larger system solutions to customers. The only companies that can be considered to have a deeper developed product development collaboration internally within the ownership sphere are Companies E and F. Company E has developed products and technical solutions together with other units for the development of its products. Company F has a co-development project with a sister company in Europe, where, among other things, a common product is developed and manufactured.

Table 4 summarizes the variation of core categories among our case companies in terms of significant changes in product, process or service-related innovation activities.

Conclusions

Manufacturing companies in Sweden have become increasingly integrated into the global economy and its global value chains (Ivarsson and Alvstam, 2013). The largest Swedish manufacturing companies had for a long time significantly higher shares of their employees located abroad rather than "at home "in Sweden. During the 2000s, the integration of manufacturing companies into the global economy has taken a qualitatively different approach. Swedish manufacturing companies have still acquired companies abroad, but foreign ownership of companies in Sweden has increased significantly too. In this process, rising foreign ownership has raised protectionist fears of draining Swedish companies on their resources and capabilities for renewal – do foreign owners really have as much interest in these as conventional domestic owners?

In essence, our case studies show that this question is put wrongly from the start. Instead of converging to simple dichotomies as either foreign or domestic/local, cross-ownership patterns are becoming more complex. Many acquired companies are themselves MNEs in their own rights, and some belong to the very best within their global niches. In such a setting, it becomes increasingly hard to specify which resources and capabilities are company-specific and not, which are local and not, and how they use of those affects local renewal activities and processes. Through theories and concepts such as *global production networks* (Coe *et al.*, 2004), *global value chains* (Gereffi *et al.*, 2005) and the *global factory* (Buckley *et al.*, 2018), this internationally integrative development has been theoretically discussed in the literature. In that sense, the Swedish manufacturing industry, and in particular the companies we examined, are almost ideal examples of "deep globalization" (Dicken, 2015).

Yet, while describing the overall tendencies, this globalization literature is not that specific when it comes to considering local qualitative consequences of foreign firm ownership. We believe that our framework that focuses on three main components – organizational/organizing configurations, resource investments and R&D and innovation – provides important insights into these local consequences. We, therefore, emphasize two principally important aspects to the traditional literatures:

First, we emphasize a deeper local aspect to the International Business literature – partly, how the case companies access resources and capabilities from the ownership sphere at points that suit their renewal strategy, and partly, the persistence of path-dependent aspects of local companies even as they get acquired by other multinationals. The resources for

Table 4. Empirical categories "significant changes in product, process, or service-related innovation activities" (number of case companies within brackets)

R&D location	In Sweden (3) In Sweden and abroad (3) Mainly abroad (2)
R&D collaboration	Mostly internally within the Swedish organization (3) Within the Swedish organization as well as externally (5)
Main types of R&D and innovation	Product (incl. service) (2) Product + process (6)
Joint development with customers and suppliers	Less (6) More (2)

specialized renewal activities and processes that have been built up in various locations, also in small, specialized towns, are very difficult to imitate and require vast time and resources to build up elsewhere. Firms in seemingly peripheral regions in the industrialized economies in this way become directly linked up with global production networks but also to the resources available in such networks. Deep globalization thereby becomes a pervasive phenomenon across the entire industrial geographies of mature economies, as the conventional investment home countries turn into host countries too.

Second, to the literature in Economic geography, we emphasize the ownership and mandate aspects connected to economic renewal. While geography research had a tendency to focus on regional/non-regional assets for business change and innovation, our cases show that the non regional resources are, in fact, two distinct categories as ownership becomes internationalized: resources within and outside the ownership sphere. Their conditions for their use seem to differ drastically. Too often, organizational aspects conditioning the use of resources and mandates for their use are forgotten in regional studies. As local companies enter M&A processes with historically stronger productivity, stronger niches and stronger historical brands, they are more likely to be endowed with stronger mandates for local renewal activities and processes. This is not surprising, but it highlights to geographers that the use of local resources for development work after an M&A is dependent not only on the M&A process itself but also on the history of the company, its brand and on the new ownership context.

The traditional "home base" concept leads to too simple conclusions regarding the location and duration of firm renewal activities and processes in a globalized economy. The manufacturing industry in Sweden, and in many other countries too, has worked its way from such a two-dimensional reality. For most of the investigated companies, Sweden is still important as a location for their strategy and operations and will be so for the foreseeable future in order to complement locations abroad. Rather than leading to a division of labor between R&D- and innovation-intense regions on the one hand, and production-intense regions on the other, this signals a reciprocal division of labor between different types of strategic activities and processes within ownership spheres, conducted at numerous localities across the globe.

Notes

1. For the sake of simplicity, we call the target firms in acquisition or merger strategies "local companies". The acquiring part is the "foreign company". In reality, the "local companies" may also well be MNCs themselves.
2. The descriptive information in the following section is derived from public information sources, primarily firm websites and newsletters.

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