

GLOBAL CONNECTIONS: MULTINATIONAL COMPANIES IN SYDNEY

Sydney operates as a significant location, but not as a global centre, for the vast majority of foreign multinational companies. Self-sufficient and largely stand-alone, Sydney operations of multinationals are essentially local implementers, rather than regional or global innovators for their parent companies. But, Sydney is more important to the strategies of foreign multinationals in 2008 than it was a decade ago, a positive trend that provides the base for future benefits to Sydney and to multinational companies.

This is the picture painted by the new study, *Global Connections: a study of multinational companies in Sydney*, undertaken for the Australian Business Foundation by Professors Michael Enright, Richard Petty and Suresh Cuganesan of Enright, Scott & Associates, a Hong Kong-based research and strategy company with a specific focus on the Asia Pacific region and China.

This study provides an up to date understanding of exactly how Sydney features in the strategies, organisation and location decisions of multinational companies. It investigates what differentiates Sydney from other locations in the Asia-Pacific. It also examines Sydney's competitiveness in different corporate activities and the strength of the local and global networks of the Sydney offices of foreign multinationals. The research is based on an assessment of survey data from 85 multinational companies based in Sydney. Comparisons are made with similar research carried out by Enright, Scott & Associates on Sydney in the late 1990s and with Hong Kong in 2007.

Sydney is the site of significant high-value managerial activities for foreign multinationals in sales, marketing, customer service, management and internal support functions, but not significant production or research and development functions.

Sydney is well-represented as a location for foreign multinational companies, attracting large, medium and small companies in a diverse spread of industries and a mix of long-established offices with a stable base in Sydney, as well as newer offices adding vitality. The geographic coverage of the Sydney offices of multinationals is primarily focused on the local market of Australia and New Zealand. This contrasts with operations in other cities in the region like Singapore, Hong Kong and Shanghai, which tend to have a broader span of control across the Asia-Pacific region.

The research investigated the importance of Sydney to the company as a whole in performing 39 separate activities grouped into seven functions, namely: Corporate Coordination; Central Management Functions; Finance and Accounting; Sales, Marketing and Customer Service; Distributional Activities; Production Activities; and Research and Development.

Sydney is of highest importance in performing sales, marketing and customer service functions, and important in some corporate management activities like competitor intelligence, regional strategy and operations support. Sydney is of relatively low importance in undertaking production activities such as manufacturing, assembling/processing, testing/certification and quality control. Similarly, Sydney is not considered important as a location for research and development activities, including new product or technology development.

Sydney offices of multinationals are moderate contributors to the multinational company as a whole in terms of decision-making; knowledge generation and application; management; and product and service development. They are more local implementers, not regional or global leaders within the parent multinational company. But there is evidence of a small set of exceptions who play a global role.

While making recognised contributions to overall corporate management capabilities, Sydney offices of multinational companies are not seen as major independent contributors to the design or development of products, services or processes for use internationally. Instead, they tend to develop products and services for the local market, as well as implementing designs, specifications and processes developed overseas. While self-sufficient in generating and using knowledge from operating locally, Sydney offices are generally not searching farther afield for external sources of knowledge useful to the multinational's global operations, nor are they well 'plugged in' to knowledge sources elsewhere.

Sydney operations of foreign multinationals are relatively isolated in terms of the connections, knowledge-sharing and collaborations they nurture with local organisations, within the corporate network of their global parent company and with other external bodies.

The study explored the organisations with which the Sydney multinationals worked most closely. Customers topped the list, followed by local industry organisations and associations, but fewer connections were reported with other Sydney-based entities, such as local partners, suppliers, competitors and government. The least collaboration was reported with public research institutes and universities.

The main source of knowledge for the Sydney offices of multinationals is their own local operations, rather than through exchanges and collaborations with local companies, other multinationals active in Sydney, their corporate network, or from elsewhere. They learn by doing, not by interacting and working with others.

Further, Sydney offices of multinationals identified key gaps in the capabilities of local Sydney companies that would act against introducing these local companies into the multinational's international networks. The biggest gaps identified as needing improvement were in strategic thinking and customer service.

Few if any of the potential impacts of the present global economic crisis on multinational companies is likely to be positive for Sydney.

The study comments on how the global economic crisis may affect multinationals in Sydney and the Asia-Pacific. The story most likely is cut backs, especially if the Sydney operation has a peripheral role either in the Asia-Pacific region or in the global parent's strategy and organisation.

Urgent action is needed to revitalise investment promotion initiatives aimed at multinationals and to ramp up opportunities for more potent connections and collaborations between the Sydney operations of multinationals and local organisations.

There is a twin imperative for action from this study. Firstly, revitalise investment promotion initiatives so they better reflect and build on the activities and skills revealed as Sydney's strengths with multinational companies. Secondly, ramp up the opportunities for greater engagement and collaborative activities between local organisations and the Sydney offices of multinationals, so that they are embedded more closely in a web of enterprise, bringing with it new global and regional connections for Sydney.