

# Innovation in Services. Exploring MNCs in Mexico

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# The facts

Service sector have proved to be the engine of the economy in the last two decades at least, and the firms of that sector constantly take places more relevant in the global market . It is a well known example that in the famous *Forbes* 500 each year insurance, banking, delivery , or retail companies, are better ranked (WalMart s top place since 2007)

# There are many precesses to explore and explain about services

- The role of services in macroeconomic structure ( dynamism, salaries, welfare state, etc.)
- Innovation in services
- Services & manufacture
- services internationalization
- Virtual services

# Main focus on MNCs

- Raw materials and manufacturing:
- capital exports for competing integrating the cycle of commerce and local production (main theories: Baran, Sweezy; Hymer, Vernon, internationalization, neoclassical, value chain, etc.)
- ¿Services ?

- In traditional theories , local production was the starting process and the international production was the question. (why?, where?, how?, etc.)
- Today , MNC s are organic, there is no separation between «local» and «foreign» to understand the diynamics of production and marketing. That is in essence the globalization of manufacturing economy.

- What happens with services?
- Perhaps there are services with more proximity to processes in traditional manufacture, and other services absolutely new in their processes.
- ICT s based services

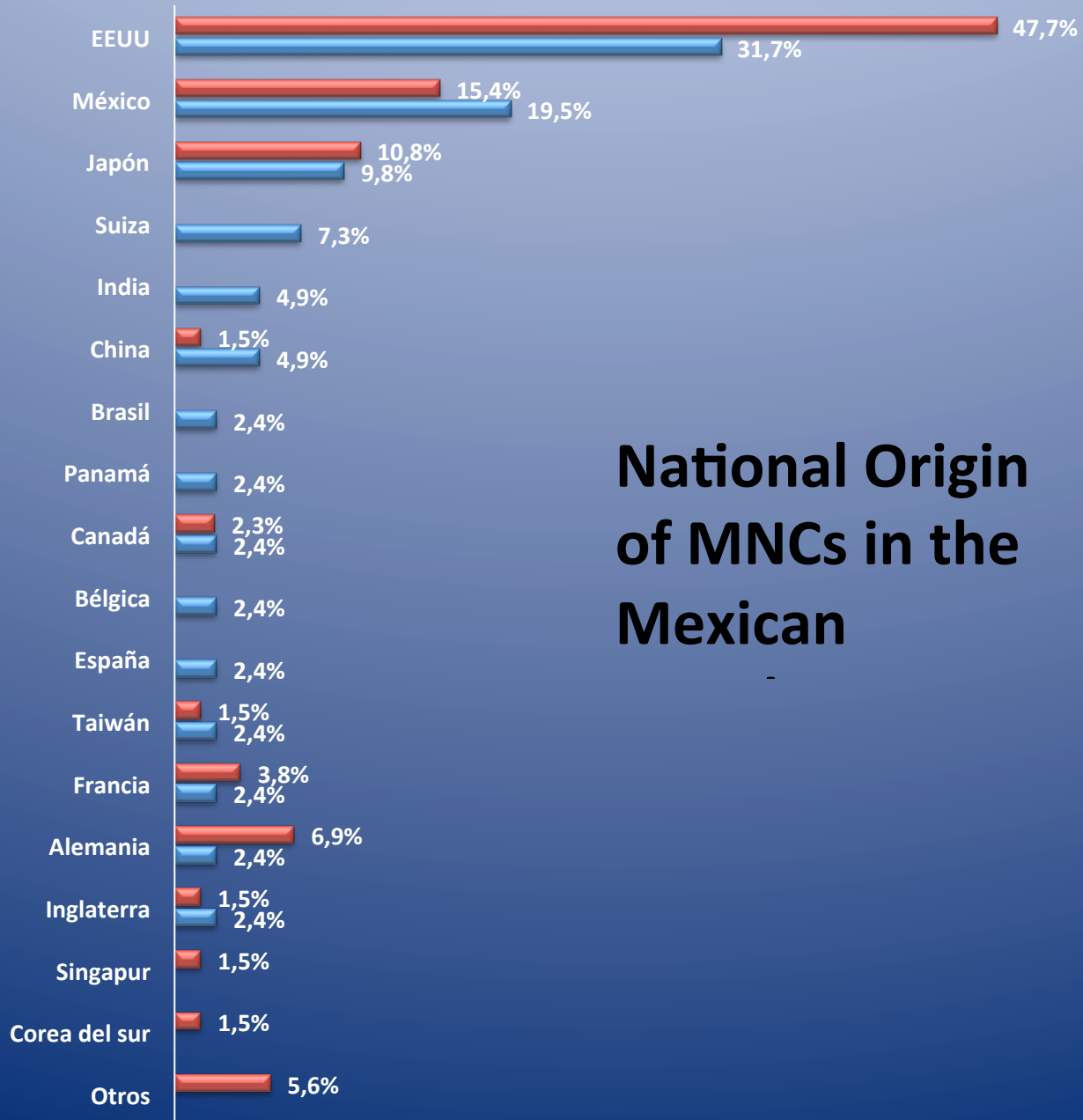
## We believe:

- The services generate several questions about the behavior of the firm, in terms of their organizational and technological processes. The innovation in services remains as a central question for researchers and policymakers. The integration between manufacturing and services is a trend that transforms the competitive basis of firms in traditional industries. From the point of view of the studies on Multinational Firms, services are a door for a greater understanding of the phenomenon of global expansion of the economy.

- In our paper we will explore the database of the inquiry *Firmas Multinacionales en México*, conducted by J. Carrillo, in order to answer a question: what are the differences and similarities between subsidiaries in México pertaining to manufacturing and service sector? The axis of our analysis the innovation process inside the firm's organization. The result can make a better understanding of the significance of services in the international economic structure and it could be specially relevant for a country as Mexico, considered as an emergent economy.



■ Manufactura ■ Servicios



## National Origin of MNCs in the Mexican

	<b>Total 1999-2010</b>
Total general	100.00%
Estados Unidos de América	50.95%
España	15.08%
Holanda	14.32%
Canadá	3.99%
Gran Bretaña	2.95%
Islas Vírgenes	2.03%
Alemania	1.87%
Suiza	1.63%
Japón	0.87%
Luxemburgo	0.72%
Otros	5.58%

Employment 's Growth During las 3 years in Mexican operations	Manufacturing (as a % of total firms in manufacturing)	Services ( as % of total firms in services)
Total	34.5	56.1
RD	23.1	36.0
Customer service	21.5	47.3
Temporary workers	27.0	36.4
Number of sites	22.4	34.2

<b>«High» evaluation of the next aspects of workforce in mexican operations</b>	<b>Manufacturing</b>	<b>Services</b>
Quality of Employees coming from universities	55.4	62.5
Quality of Employees coming from technical schools	61.7	50.0
Ability to learn	81.5	85.0
Ability to work with CIT	63.1	74.4
Ability to workteaming	51.5	47.5
Discipline	50.5	55.0
Worker ´s initiative	52.1	45.0

<b>More than 40 training hours for employees  (average, 2007)</b>	<b>MANUFACTURING</b>	<b>SERVICES</b>
	<b>37.7%</b>	<b>56.1 %</b>

<b>Factors that strongly contribute to new investments/operations In mexican subsidiaries</b>	<b>MANUFACTURING</b>	<b>SERVICES</b>
<b>Developing new competences /skills</b>	<b>77.6</b>	<b>62.5</b>
<b>Labor ´s environemnt quality</b>	<b>82.2</b>	<b>65.0</b>
<b>Cost structure</b>	<b>80.0</b>	<b>56.4</b>
<b>Ability to innovate</b>	<b>75.6</b>	<b>52.2</b>
<b>Local suplier ´ s avallability</b>	<b>70.6</b>	<b>57.9</b>
<b>Labor flexiblity</b>	<b>80.8</b>	<b>60.0</b>

Statement that better defines the company's situation for the main product(s)/ service(s)	MANUFACTURING	SERVICES
<b>Significantly adapted to local market</b>	<b>8.9</b>	<b>22.5</b>
<b>Adapted to different World 's region but standardized</b>	<b>37.9</b>	<b>50.0</b>
<b>Globally standardized</b>	<b>53.2</b>	<b>27.5</b>

## CONCLUSIONS:

- The data base about MNC in Mexico , allows to us to compare Manufacturing with Services.
- First differences shown in general are not surprising.
- This is a good start point to compare with other countries and deeper research , integrating MNCs to a general comprehension of the service ' s economy.



Thank you  
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