What a difference an OFDI makes. Firm-level evidence from the EU

by Valeria Gattai | Piergiovanna Natale | Koray Aktas | Università degli Studi di Milano-Bicocca | Università degli Studi di Milano-Bicocca | Università degli Studi di Milano-Bicocca

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*I*Using a balanced panel of 3,136 European firms over the years 2007-2015, this study investigates the effects of outward Foreign Direct Investment (OFDI) on performance.

Controlling for self-selection through propensity score matching techniques at baseline in a two-way fixed effect difference-in-difference framework, we find that OFDI firms exhibit higher productivity, value-added, sales, and profit compared with non-OFDI firms. Our heterogeneous analysis by destination reveals that the largest performance premia accrue to firms engaged in OFDI directed to non-EU countries and developed economies. Our heterogeneous analysis by ownership structure shows that OFDI managed via joint-venture or wholly owned enterprise have similar, positive effects on performance. Investing abroad entails no reduction in the parent companies' number of employees. Furthermore, OFDI firms investing in non-EU countries and developed economies experience increases in employment compared with non-OFDI firms. Finally, we document an increase in research and development (R&D) expenditure for OFDI firms at both the intensive and extensive margins, pointing to the surge in R&D expenditure as a potential driver behind the observed performance premia.