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Article

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The Influence of Foreign Direct Investment on Managerial Efficiency: The Case of Kleemann Hellas

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Abstract

Economic crisis lead Greek companies to struggle to survive under uncertain economic circumstances and either slow down their operations or undertake Foreign Direct Investment (FDI) to gain competitive advantage and compete in the global market. However, in order to promote FDI, companies should adjust their strategic management process and invest in management practices that will accommodate their internationalization efforts. Using a case study approach, we examine the internationalization process of a Greek manufacturing company (i.e. Kleemann Hellas S.A). In this respect, a thorough analysis is made on the strategic management process the company applies and also the Human Resource Management (HRM) practices and innovative procedures it implements in order to support FDI endeavours and enhance managerial efficiency. The study showed that through FDI, the company can gain competitive advantage, improve its profitability and achieve managerial efficiency while adjusting HRM practices and innovation to be aligned with the strategic goals.

Keywords: Foreign Direct Investment (FDI), Internationalization, Managerial Efficiency, Strategic Management Process, Human Resources Management (HRM), Innovation.

JEL classifications: F2, L2, M1

1. Introduction

Globalization has affected the interaction between economies. The world economic activity has entered a new stage and started embracing strategic alliances, global production and distribution around the world. Therefore, many firms have been encouraged to operate in the global market and internationalized their activities by adopting FDI strategies in order to compete on an international level. In general, firms undertake FDI to exploit market opportunities, economies of scale, natural resources, political and economic stability (Beamish *et al*., 1997).

There are many benefits generated through FDI strategies, with the most common the economic growth. However, managerial knowledge spillovers are one of the most valuable benefits (Dunning, 1958; Lall, 1992; Buckley *et al*., 2002). Managerial knowledge includes the firm’s managerial and organizational practices and plays a paramount role in the competitive advantage of the firm as it determines the firm’s productive efficiency (Teece and Pisano, 1994).

Since managers in Multinational Corporations (MNCs) perform in a dynamic global environment, they developed sophisticated HRM systems in order to assist them in managing their diverse workforce (Taylor *et al.,* 1996). By developing its subsidiaries, the corporate parent and the host country can enhance performance management (Birkinshaw and Hood, 1998).

The basic components included in Managerial Efficiency and affect FDI are skilled Human Resources, innovation and R&D. Global HRM practices enhance MNCs' internationalization strategy and create a source of competitive advantage (Porter, 1985; Begin, 1991; Butler *et al*., 1991; Cappelli and Singh, 1992; Schuler, 1992; Wright and McMahan, 1992; Jackson and Schuler, 1995). Innovation, high-tech products and services also reinforce the competitiveness in the global market.

However, all efforts to internationalize can be hindered when the home country face liquidity problems due to economic crisis. Since 2009, Greece confronts a large deficit problem that reached 15.3% of GDP. IMF provided assistance through memorandums that contained harsh terms. The high tax rates, included in these memorandums, forced many Greek firms to shut down their operations or transfer them abroad. Nonetheless, certain companies undertook FDI and escaped the crisis while accomplishing Managerial Efficiency.

The aim of this study is to highlight how companies can benefit from FDI in periods of economic recession. Benefits from FDI are not only economic ones but can affect other aspects of the corporation, like the managerial efficiency. However, most previous research focus only on the economic benefits generated from FDI, so this study examines, through a case study of a Greek company, the influence of FDI on the corporation's managerial efficiency.

The methodology used is a case study of a Greek manufacturing company (Kleemann Hellas S.A.) that during the economic recession in Greece exercised FDI effectively. In order to gain competitive advantage over its main competitors, the company concentrated on HRM procedures, innovation and R&D. The practices of this company as well as its strategy towards FDI are under examination and evaluation.

This paper is organized as follows. The second section includes the literature review of the main concepts used in this study. The third section analyzes the methodology used and how the data was gathered. The forth section presents the analysis of the case study. Finally, the fifth section summarizes the results and conclusions.

2. Theoretical Background

2.1 Foreign Direct Investment

Foreign direct investment is not a domestic investment but a particular type of foreign capital that does not include loan capitals, bonds and/or stocks. The concept of managerial control over the enterprise makes the investment a direct one. In the manufacturing sector, FDI is usually a subsidiary or a branch plant that is located in a different country of the one the mother company is located.

Large international institutions, offer different definitions of FDI. The International Monetary Fund (IMF, 1977) defines FDI as: "investment that is made to acquire a lasting interest in an enterprise operating in an economy other than that of the investor, the investor's purpose being to have an effective voice in the management of the enterprise". While according to OECD benchmark definition "Direct investment is a category of cross-border investment made by a resident in one economy (the direct investor) with the objective of establishing a lasting interest in an enterprise (the direct investment enterprise) that is resident in an economy other than that of the direct investor" (OECD, 2008).

The absence of a generally accepted framework has forced researchers to depend on empirical data in order to explain the FDI determinants. The World Investment Report (UNCTAD, 1998) analyzed the determinants of FDI and classified them into three categories: Political factors, economic factors, and business facilitation.

Many empirical studies analyzed various combinations of the aforementioned variables with diverse results. Yet, the FDI determinants that are most accepted are:

- Market Size (Artige and Nicolini, 2005; Charkrabarti, 2001)
- Openness (Jordaan, 2004)
- Labor Costs and Productivity (Shamsuddin, 1994)
- Political Risk (Schneider and Frey, 1985)
- Infrastructure (Jordaan, 2004)
- Growth (Culem, 1988; Charkrabarti, 2001)
- Tax (Hartman, 1984; Kemsley, 1998)
- Exchange Rate Valuation (Froot and Stein, 1991; Lipsey, 2001)
- Trade Effects (Blonigen, 2001; Head and Ries, 2001; Swenson, 2004)

There is a variety of benefits generated from MNCs efforts to invest abroad. Such benefits include:

- High technology inputs and effective organization processes in various operations offered by MNCs, like production and distribution resulting in increased productivity in the foreign subsidiaries.
- Spillovers (or the positive externalities) from the knowledge transfer to the host country. Spillovers affect the productivity and endure benefits for the host economy. The new technology introduced may be beneficial to local suppliers and sub-contractors. As a consequence, the technical efficiency of local firms is improved from the technology diffusion (Blomström and Kokko, 1998).
- The managerial knowledge transfer to local firms through FDI (Dunning, 1958; Lall, 1992).

Empirical evidence on managerial spillover from FDI is limited and those existing focus mainly on HRM (Human Resources Management) practices within foreign subsidiaries. Knowledge spillovers, as measured by the number of patents of new products, expenditure on R&D, sales of new products (Branstetter, 2006; Singh, 2007; Añón, 2007; Driffield and Love, 2007; Girma and Görg, 2007; Mancusi, 2008), are mainly focused on technological knowledge. However, FDI embodies two major types of knowledge; technological and managerial.

Managerial knowledge includes the firm's managerial and organizational practices and plays a paramount role in the competitive advantage of the firm as it determines the firm's productive efficiency (Teece and Pisano, 1994). It incorporates all the managerial aspects of the company, starting from strategic management, HRM, marketing, operations management etc. Various management practices include Kanban management, lean production, performance related-pay and more. In order such practices to be implemented successfully in the company, they should be complementary to each other.

2.2 Managerial Efficiency

It is beneficial to the corporate parent and the host country to develop its subsidiaries as to enhance performance management (Birkinshaw and Hood, 1998). As a result, it is of great strategic importance for the MNCs' global success to promote their subsidiaries and their employees (Taylor *et al.*, 2008). One of the most important intangible assets that a firm owns is Managerial Efficiency (Gaines-Ross, 2003). Moreover, Managerial Efficiency captures the dimension of managerial human capital (Francis *et al.*, 2008).

MNCs can benefit from economies of scale on intangible asset investment like management skills, R&D expenditure, brand-name etc. These intangible assets can be applied in foreign countries and increase MNCs' profits originating from the reduction of unit cost and the increase of turnover (Hymer, 1976; Grant, 1987).

We can pinpoint that the basic components included in Managerial Efficiency and affect a MNC's efforts to internationalize are skilled human resources and the efforts made by the HRM to develop and train the personnel, innovation and R&D processes and finally shifts made on tangible and intangible assets in the MNC. In order to conclude whether the MNC succeeds to achieve Managerial Efficiency through FDI activities and therefore increases its economic growth, which is the primary goal of any entrepreneurship, the financial data of the MNC should also be analyzed.

2.3 Human Resources

Globalization has created significant changes in the labor market. The role of HRM has become crucial in forming the strategy of MNCs. Recruitment and training are now necessary elements in implementing the international strategy (Workie, 2009).

Managers of MNCs are now familiar with HRM and understand that human capital is the primary source of competitive advantage, so by emphasizing on the human dimension of management, the level of performance can be improved. In order to compete against host country firms and other MNCs, the firm must possess sufficient resources to undertake FDI successfully.

One of the major issues MNCs face when attempting to implement a FDI strategy, is staffing policies. Staffing can accommodate in establishing international integration and control over the expansion activities. This can be accomplished by employing expatriates in the foreign subsidiaries.

Global HRM includes all policies and procedures to be adapted ensuring that they are aligned with the MNCs' international strategy and also with the employees' goals and needs in order to create a source of sustainable competitive advantage (Begin, 1991; Butler *et al.*, 1991; Cappelli and Singh, 1992; Jackson and Schuler, 1995; Porter, 1985; Schuler, 1992; Wright and McMahan, 1992). As a consequence, human capital management and HRM programs influence the FDI location choice more than other factors like attractive taxation incentives and cheap labor force.

The use of high performance work practices like comprehensive recruitment and employee selection procedures, incentive performance management, training and coaching can enhance the employees' knowledge and skills, increase their motivation and lead to managerial efficiency in the entire corporation (Jones and Wright, 1992).

2.4 Innovation

The competitiveness plays a paramount role in the economic growth performance and affects the long-term productivity of an organization. Nowadays, competitiveness is determined by R&D and innovations and not by the wealth of natural resources or the factor endowments. As a result, firms are forced to develop new technologies and new products, in order to face the fierce competition.

Production at MNCs is organized on global basis by transferring the domestic innovation in the host country's production line and set up there R&D centers for innovation. With the implementation of vertical production strategy MNCs benefit from economies of scale, enhance distribution and expand sales network.

Knowledge that is now available through FDI Inflows is significant for local firms as it boosts the ability to absorb and therefore supports internationalization (Ito *et al*., 2012). However, how much of this knowledge will be absorbed depends on the technology level and the human capital that host firms own (Gorodnichenko *et al*., 2014).

The intense rivalry in global market obliges MNCs to produce high-tech products in order to be able to compete with other firms in the global competition market. As a consequence, they increase expenditure in R&D equipment which will eventually provide them new high-tech products at lower cost. According to Hsu and Yu-En (2015), innovation's most significant determinants are R&D expenditures, scientific research and skilled technical personnel.

2.5 Financial analysis

According to Chang and Rhee (2011), when FDI expands rapidly it affects positively those firms' performance that have internal resources and strong returns. In international flows of capital like FDI, sales of foreign affiliates in the host countries replace gradually direct exports, thus resulting in the replacement of international trade by FDI (Gurbuz and Aybars, 2010). International Financial Reporting Standards (IFRS) increase firm's value and promote FDI thus reducing costs originating from information processing for foreign investors.

A firms' performance is traditionally analyzed in relevance with other firms of the same industry. The accounting earnings like ROA, EBIT and market measures such as ROE and return on common stock adjusted for market return are used for measuring the financial performance of a firm (Furtado and Karan, 1994). However, a firm's performance can also be measured by profit margin and ROE, according to Yasser *et al*. (2011).

One of the most common indicator used to measure the activity of MNCs is sales data of their affiliates, which includes the value of goods and services sold and plus the investment income when the MNC is a financial firm (Brainard, 1997; Carr *et al*., 2001; Helpman *et al*., 2004; Blonigen *et al*., 2007; Ekholm *et al*., 2007; Davies, 2008).

3. Methodology and Data Gathering

The case study methodology was chosen since it allows in depth study of a single case and it enables the researcher to scrutinize all parameters in a more detailed way. This case study examines one Greek company that operates domestically and internationally. This methodology is chosen for this analysis due to the complexity of the subject and the difficulty to code the variables that affect managerial efficiency through FDI activities.

The analysis includes the case of Kleemann Hellas S.A.; one Greek company that overcame the Greek financial crisis through FDI activities and achieved profitability. All necessary data are primary and gathered by the researcher. All the data presented are originated from various departments of the company like the Group Economic department, the HR department, the Marketing and Commercial department. The analysis does not include data from interviews with top management.

4. Case Study Analysis

4.1 The company profile

Kleemann is a Greek manufacturing company, founded in 1983 in Greece and its main facilities are located in the industrial park of Kilkis. It is one of the major lift companies in the European and global market. It holds 2% of the global market share and 70% of the domestic market. The last few years has oriented its activities in exporting its products internationally.

Kleemann lifts systems are installed all over the world and in many iconic buildings such as Kremlin in Moscow, Norwich's cathedral, Cambridge University and in many luxurious Hotels, stadiums and International Airports. In Greece, Kleemann lifts can be found in the metro of Athens, Elefterios Venizelos airport, Thessaloniki airport etc.

At the moment, Kleemann has expanded its commercial presence in 15 nations while its network is all over the world, in 102 countries, with international sales reaching 90% of the company's turnover. Major markets include Australia, Turkey, UK, Russian Federation, Iran, Serbia, Germany, Romania, Belgium and Cyprus. Furthermore, new market openings in Africa and Middle East are being occurred.

Kleemann's mission is to grow globally through innovation, by offering exceptional customer experience and investing in its people. While its vision is to become a world leader in the lift manufacturing industry and always growing as a company and as people.

Kleemann’s values have a significant role in formulating and executing the strategic management. Its core values include: 1) Safety, 2) Trust, 3) Passion for people, and 4) Breakthrough culture.

4.2 The strategic management process of Kleemann

During 2009, Kleemann Hellas’ turnover was generated by 70% from the domestic sales. However, within five years the situation was totally altered with 88% of the turnover to be generated from international sales. This shift occurred due to the economic crisis of Greece and forced the company to invest in FDI, in forms of international sales, new subsidiaries and offices around the world.

In order to support this new strategy major investments occurred. The construction in 2011 of a new test lift tower, that cost more than five million euros, gave the competitive advantage to R&D department to design a new line of products more suitable to markets where skyscrapers dominate. Such markets include USA, Middle and Upper East. The same year a third production line (beyond the one in Kilkis and Belgrade) commenced in Shanghai, China. This investment cost two million euros and enhanced the demand in this area, since 60% of the global demand in lifts comes from China.

In addition, the custom oriented strategy built a strategy towards tailor made solutions and thus flexibility and quick delivery. One of the major projects Kleemann won over well establish competitors was a special elevator for the Moscow Kremlin theatre that was installed within two months. With regard to this anthropocentric culture, a 24/7 After Sales department was created to support customers.

In 2015, beyond the expansion in Australia, two more subsidiaries in Croatia and Germany were established. During the first semester of 2015 the group turnover reached 47.9 million euro when the same period of 2014 the group turnover was 40.3 million euro, an increase of 18.9%. Moreover, EBIT was increased by 84.2%, from 1.1 million euro to 2.1 million euro.

In 2016, Kleemann organized its strategic management in the way that is clearly aligned with its mission and vision statements and also the company’s core values. To achieve that six pillars with different strategic goals were formed. Each pillar is assigned with different objectives that all together will boost the company’s competitive advantage through FDI and towards managerial efficiency.

Kleemann’s new strategic management primarily depends on the company’s success factors, which are:

1. Employees’ talent that enhances the company’s efficiency.
2. Compensations and benefits that makes the organization a great place to work for all employees and affiliates.
3. The use of core technology in its products.
4. The sales effectiveness that ensures profitability to the whole Kleemann group.
5. The world class engineering.
6. Being a lean organization.

Those six success factors form six different strategic pillars with different goals and objectives. The first pillar has as a strategic goal to make Kleemann a talent rich organization. Actions in order to achieve this goal include Human Resources' Talent Management and remaining in the first places in the Great Place to Work competition. The employees that will be selected and therefore trained to become "talent" will have the opportunity to take managerial positions in new and already existed subsidiaries in order to transfer internationally the company's culture and core values.

The second strategic pillar has as a main goal to grow the company's profitability through acquisitions. This FDI strategic move will boost the company's turnover in already existing markets or even create opportunities in new markets. New acquisitions will aim at gaining new technology and therefore lead to innovative products that will augment the company's competitive advantage.

The third strategic pillar's goal is to achieve growth through expansion and modernization. This goal includes the expansion of the already existing trading subsidiaries with production lines and the promotion of the modernization solutions in the elevators. By expanding production lines abroad the company gains a strong brand name internationally as logistics management work more effective and efficient.

The forth strategic pillar includes the creation of an innovative corporate culture. New innovative products to be released in all markets and thus gain competitive advantage.

The fifth strategic pillar has as main objective to remain the company's position as customer oriented company by becoming an exclusive business partner with the customers and increase the customer intimacy. This will result in the increase of turnover and clientele.

Finally, the sixth strategic pillar is a financial one. Its objective is to create a lean organization with decreased expenses and new policies and procedures in order to support that cause. The lean management will flow throughout the organization in way that the whole group works under the same policies, procedures and principles.

To achieve internationalization more effectively the company decided to exit the domestic exchange market in September 2016, in order to gain flexibility during the internationalization efforts being made. The definite exit is to be completed in 2017.

Finally, in 2017 major strategic actions to be made include a new assembling line in Kleemann Russia as the company has already moved to new, bigger facilities outside Moscow. The new assembling line will allow the company to respond faster in customer demands and in the lift restoration, which has significant development margin. Also a new subsidiary is going to be established in Dubai to reinforce the company's turnover in the area.

4.3 Human Resources Management at Kleemann

4.3.1 Recruiting and hiring

The recruiting and hiring process at Kleemann is characterized by the attraction of qualified personnel who embrace the company's culture, vision, values and strategic goals. The essential personal characteristics of the personnel must be connected with the company’s values in order to contribute to the achievement of strategic goals.

So the education level and professional experience play a paramount role when hiring an employee. Due to the fact that Kleemann is a manufacturing company, great emphasis is given in engineering degrees and previous professional experience in the manufacturing field.

Job rotation is endorsed in the company, not only to motivate and develop the employees but also to promote the corporate culture in the subsidiaries located abroad. The last years (2008-2016), 55 employees have been rotated and expatriated.

The recruiting and hiring procedure boost the company’s internationalization efforts on the grounds that all employees being hired have the abilities to support the company’s mission and vision statements and can lead the company to economic growth and prosperity. The high-skilled human capital can accommodate the company to compete and confront other MNCs and after all, it is the employees who formulate strategies and execute them, create and design new products and most importantly produce and deliver the product.

4.3.2 Employee Development and Training

Employee development is as crucial and essential as the recruiting-hiring process because all employees whether are high-skilled or not should be aligned with the company’s strategic goals and also connect their personal performance with the annual department’s and company’s goals. In addition, employee development should lead the employees to make use of all their possibilities through personal development plans and therefore contribute to their present and future development.

At Kleemann, employees set personal breakthrough goals at the beginning of the year. The goals should follow the SMART criteria and the monthly achievements are divided in milestones as to be clear which the steps should be followed.

Every year all employees are evaluated according to the achievements of the previous year. Emphasis is given on how the achievements occurred and the soft skills the employee acquired. In 2015, the evaluation form was altered as to be in accordance with the Talent Management process. In certain administration position the 360o evaluation under the methodology of “The seven habits of highly effective people” by Franklin Covey is occurred.

The next step of the evaluation is to create a personal development plan that will be focused on the necessary training the employee should receive in order to develop certain abilities and skills. The training might include seminars, on the job training, in house training, coaching, e-learning and participation in projects. All company employees regardless the position they hold receive product education. The purpose of this training is to furnish and familiarize the personnel with the basic information about the products the company manufactures. Moreover, engineers are trained every year in new technologies and the company’s new products as to be constantly informed.

The rapid internationalization forced the company to invest in the foreign language study and especially in the English language on the grounds that not all employees were familiar with the foreign languages. From 2012 fifty (50) employees from both administration and production participated in in-house education concerning the English language. All these training programs help the company to compete in the global market, transforming its high-skilled employees into competitive advantage. As Kleemann's vision states to keep growing as company and as people, the company focuses greatly on training and development.

Kleemann spends around half a million euros annually in order to train and develop its personnel. In 2016, 95% of the employees took part in training programs and 474 millions of euros were spent for such programs. Subsidization of Masters are also included in the training expenditures.

4.3.3 Employee Motivation

Employee motivation plays a paramount role in achieving goals and perform effectively. Therefore, Kleemann offers its employees the opportunity of personal coaching as to accomplish alignment with the strategic goals and also nurture a breakthrough philosophy for extraordinary results. Benefits from coaching include personal development, boosting employee confidence and enhancing self-motivation.

Furthermore, Kleemann emphasizes greatly on the Breakthrough culture and many actions are being made towards this direction. Every year approximately three Breakthrough workshops are being held with a specialized USA consultant to cultivate employees in the concepts of extraordinary thinking and results.

All of the above mentioned procedures offer great benefits to the company since they not only support the strategic pillars but also they reinforce managerial effectiveness and efficiency in the company. HRM practices positively influence the internationalization efforts and strengthen the company's competitive advantage against its competitors.

4.4 Innovation at Kleemann

In the global market, lift systems face intense rivalry and the main market leaders are Big4, OTIS, KONE, Schindler and Thyseen. Kleemann, compared with its competitors, manufactures and sells complete lift systems but is not involved in the maintenance and installation processes. Also, the lift industry involves smaller companies that are focused on local markets.

4.4.1 Products

Kleemann emphasizes on innovation not only by designing new products but also by introducing novel customer services. To achieve that, mechanical engineers staff all company's departments in order to contribute in the development of new high-tech products that will ensure competitive advantage over its main rivals. The company in 2016 employed 739 mechanical engineers, which is 57% of its total employees.

By emphasizing on research and development, the company licensed twenty patent rights regarding complete lift systems and relevant sub-systems. The company is constantly informed for new products through global conferences and by observing the market leaders and thus gathering crucial information to stay ahead in the global market.

The high quality of its products also strengthens Kleemann's competitive advantage and promotes new innovative ideas of high quality. Kleemann was one of the fist companies that developed a complete system for ensuring quality according to ISO 9001 and the Lifts Directive 2014/33/EU that "permits the free circulation of lifts and safety components for lifts within the internal EU market and ensures a high level of safety for lift users and maintenance staff". The quality assessment laboratory conducts audits in three different directions as to ensure all materials, middle-products and final products are with no defects before reaching the final customer.

Furthermore, ISO 14006 Eco Product Design differentiated the company from its competitors since it is the only one in Greece and one of the few globally that is certified to produce eco-friendly products that can also be recycled after their lifecycle. Green edition lifts are also available and can decrease the necessary energy needed for operating by 70%.

Innovative cabin design plays a paramount role in the elevator market, as passengers spent their time inside the cabin and are not aware of the mechanical and other parts. Kleemann forecasted how important design would be in global market and commenced a cooperation with the world famous industrial designer A. Zapatina to introduce new designs that are different from the traditional ones and therefore boost its turnover in markets where design in lifts is essential.

4.4.2 Services

Innovation does not only involve R&D and high-tech products. Innovative services can also attract and maintain new customers internationally. Kleemann offers a 24/7 service support and a technician visit, when necessary. In addition, online applications like "Design your lift" gives the customer the flexibility to design its own lift according to the various preferences and technical features needed.

In 2016, the customer portal was introduced to Kleemann customers. This portal simplifies and automates the production and procurement process of an elevator. The customer places the order at the website and the data are transferred to a CAD system which produces a fully detailed 3d model of the order. As a consequence, the average time to compile an offer has been reduced from two hours for an experienced engineer to 10 minutes for any user. Additionally, the average waiting time for drawings creation has been reduced from one day to 15 minutes while minimizing errors attributed to human factor. The major benefit from the customer portal is the creation of a direct link between the customers, through a web-application, and the production department. Also, the use of portal eases the communication with the customers when there are cultural and language barriers.

4.5 Analysing the financial data of Kleemann

From studying some significant ratios from Kleemann's Balance Sheet for a period of ten years, from 2005 to 2015. Some important results regarding the FDI can be concluded.

Sales turnover pinpoints the company’s shift from domestic to international markets. Due to the Greek economic crisis that was evident from 2008 the company decided to reinforce international sales as the domestic market did not offer any chances for profitability. In 2005, the international sales reached 90% of total sales when in 2006 were 41%. This change also boosted the company’s total turnover as it increased by 25% since 2006 (from 85.632.000€ in 2006 to 107.047.000€ in 2015). However, the gross margin did not change significantly (from 36% in 2006 to 31% in 2015) due to the fact that the products most wanted in global market are the mechanic lifts that cost more than the hydraulic lifts, which were the dominant product in Greek market.

In addition, the company’s average operating cycle is constantly decreasing (from 249 days in 2006 to 161 days in 2015), which indicates improvement in the effectiveness of the company's management and therefore to the overall health of the company. Also, the Net loans since 2013 are negative (-4.996.000€) which means that the company can finance with its cash all short and long term loans.

The number of employees is also increased from 824 in 2006 to 1.169 in 2015, an increase of 42%. The FDI results can also be shown from the increase in the number of employees of subsidiaries; in 2006 148 employees worked in the subsidiaries and in 2015 they increased into 383, fact that illustrates the internationalization effort being made. Furthermore, the participation of Mother Company in its subsidiaries is constantly increasing, for instance in 2006 was 1.962.391€ and in 2015 reached 12.297.626€.

From the financial data and ratios of Kleemann, it is palpable how FDI can affect the company in many levels. FDI benefits are already known from the literature and some can be seen in this case study. The company increased its sales turnover and managed to maintain the gross margin. Nonetheless, the EBIT was deteriorating until 2014 when afterwards started to increase. Other ratios like average operating cycle and net loans are improved, thus improving the managerial efficiency of the company.

5. Conclusions

This case study provides evidence on how FDI can generate or enhance managerial efficiency in a company that operates in an uncertain economic environment. It is of a major importance to highlight the efforts being made by the company to adopt managerial practices that aim to boost the managerial efficiency and simultaneously support internationalization endeavors. In order to undertake FDI successfully, it is essential that the company formulates and executes a strategic management process that enhances its competitive advantage and reinforces managerial efficiency in the organization.

This case study analyzed the existing strategic management process Kleemann has followed over the years and how this has resulted in the formulation of the current strategy. The company’s current strategy is oriented towards its core values and the company’s vision statement “to grow as company and as people”. To execute this strategy, the company emphasizes on talent management and innovative corporate culture. To be more specific, the study focused on the HRM practices the company endorses and the innovative products and services it develops to strengthen FDI and thus cultivate managerial efficiency in the entire organization.

After studying in depth the company's practices and strategic management, we can conclude that Kleemann escaped the Greek economic crisis through FDI and all actions performed to support the internationalization efforts obliged the company to endorse new practices that are aligned with its strategic goals. The financial data confirms that FDI stimulates sales turnover, drove the company to increase its employees and invest in subsidiaries while reducing its liabilities. In addition, the various awards Kleemann gains from various institutions (in 2014 as "Better listed exporting company" at the Greek exports awards, in 2013 as one of the two hundred (200) most profitable corporations, which during the Greek crisis increased the number of personnel, in 2013 until 2015 as one of the Greek companies with the most satisfied employees), pinpoints that FDI can influence managerial efficiency in a positive direction.

The overall conclusion is that in order to undertake FDI successfully adjustments in management practices should be made. These adjustments if formulated and implemented while being aligned with the strategic goals can spawn managerial efficiency. Finally, Managerial Efficiency along with profitable FDI can improve the overall health of the entire organization.

The study has limitations; since one case was studied the findings of the research cannot easily be generalized (Dul and Hak, 2008). In addition, the research does not include primary data originating from questionnaires/official interviews with the Group Directors and also crucial data concerning the company's strategy, since they could not been published due to confidentiality reasons.

In order to generalize the conclusions, more companies should have been studied and the collection of primary data from questionnaires would have come out with more accurate conclusions. Moreover, interviewing managers from Greek companies that achieved to overcome the economic crisis and have undertaken FDI successfully could lead the research to more interesting conclusions. Finally, studying the Risk Management of the organization in depth, as to overview how to minimize the risks from FDI and how it can also enhance managerial efficiency would come with some interesting results.

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