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Igor Gurkov, Alexandra Kokorina, Zokirzhon Saidov

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MANUFACTURING FACILITIES –
LESSONS FROM MULTINATIONAL
CORPORATIONS OPERATING
IN RUSSIA**

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Igor Gurkov¹ [corresponding author], Alexandra Kokorina², Zokirzhon Saidov³

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Opening ceremonies of oversea manufacturing facilities of multinational corporations serve, at the first glance, just as festivities upon successful completion of important industrial projects, but their real meaning is mutual acceptance by foreign investors and by the authorities of host country largely different criteria of efficiency of newly erected facilities. In this respect, public expression of admiration by newly built facilities by highly-ranking representatives of host country authorities is a measure of success of a plant opening ceremony for a foreign investor. Such attitudes of representatives of host country authorities are achieved mostly through carefully planned and properly executed orientation tours on the new premises but also by following familiar symbolic actions of putting in motion.

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¹ D.Sc., National Research University Higher School of Economics (Moscow, Russia), Professor; E-mail: gurkov@hse.ru

² M.Sc., National Research University Higher School of Economics (Moscow, Russia), Manager; E-mail: akokorina@hse.ru

³ C.Sc., National Research University Higher School of Economics (Moscow, Russia), Senior Lecturer; E-mail: zsaidov@hse.ru

Introduction

Annually industrial corporations open thousands of new manufacturing plants domestically and abroad. YouTube contains 167,000 results of a search “plant opening ceremony”. Surprisingly, only one academic article [Konopacki, 1992] and no practical guides exist on such corporate events. Meanwhile, even plant opening ceremonies in purely domestic settings, designed and implemented within well-known national traditions for such events and within corporate standards for such festivities, like crowded weddings, present a serious headache for PR function of the corporation. The task to design and to run smoothly a plant opening ceremony becomes more complicated for overseas manufacturing facilities, “when cultures collide” [Lewis, 2006], and especially in countries which have their own well-established traditions for such rituals. In this paper we wish to reveal both the obvious and hidden meanings of opening ceremonies of oversea manufacturing facilities, to propose the criterion of success of such corporate rituals and to demonstrate how such rituals can be performed efficiently in extreme conditions, namely, in Russia, in a county affected by international sanction and economic recession, where the reasons of expanding existing or opening new manufacturing facilities by foreign multinational corporations (MNCs) are unclear and often obscure [see Gurkov, 2016; Gurkov, Kokorina and Saidov, 2017].

The Meanings of Opening Ceremonies of Oversea Manufacturing Facilities

First and foremost a formal plant opening ceremony is a ritual. The most developed definition of the meaning of rituals can be found in Maliavin [2007, pp. 20–21]:

“...the ritual, defining the normative qualities of the action, embodies all the exclusive, in its way unique in existence. He sheds the "light of eternity" on the everyday life, not denying, but justifying the exclusivity of each moment of existence. The ritual develops a sense of meaningfulness of life. ... The ritual (also) asserts the universal connection of phenomena and, in the final analysis, the "secret likeness" of opposites: presence and absence, manifest and hidden, conscious and unconscious, etc. Ritual is nothing more than a symbolic action, and in this sense - means and environment of the hidden (but also immanent and unconditional) communication of human hearts, which simultaneously makes possible every message and sets its limit.”

In this definition the communication function of rituals is emphasized. To whom does communicate the corporation through the formal opening ceremony of its oversea manufacturing facilities? We argue that the major recipient of communication is host country's authorities.

Currently, MNCs' manufacturing units have a clear and limited mandate to concentrate on only manufacturing because most MNCs employ separate country or regional sales organizations to handle marketing, distribution, and sales [Buckley, 2012]. Within that narrow mandate, MNCs' manufacturing units have an exclusive set of indicators to justify in-house manufacturing over contract manufacturing. These indicators can include the level of robustness of the operations, correspondence to standards of quality (i.e., Six Sigma), and the level of unit costs, thus putting serious requirements on the surrounding and supporting infrastructure (reliable transport routes for raw materials, spare parts, finished products, and the working shift; margin of safety for the electricity and water supply and the sewage systems). Dependence on the supporting infrastructure is critical for manufacturing units in high-volume processing industries (construction materials, chemicals), and the reliability of energy supply systems and components is also very important in assembly and low-volume manufacturing. A plant opening ceremony is a sign that all of the questions about the likely relationship between foreign industrial investors and host country authorities (land allocation; problems with access to electricity, water supply, and sewage systems; issues of compliance with local rules for environmental control and local labor legislation) have been at least satisfactorily answered and local contractors responsible for satisfactorily connecting the facility to the local infrastructure have performed their tasks. *Celebrating the completion of all installation and putting in motion works is the obvious meaning of plant opening ceremonies.*

However, there is also a *hidden meaning of plant opening ceremony* which is related to radical differences of foreign investors and host country's authorities regarding the desired properties of new production facilities. Considering the existing investment promotion schemes that often stipulate preferential tax regimes for foreign direct investments, host country authorities do not show much interest in possible future net cash flows from the project. However, their ultimate interest is a new project's investment amount and headcount because these create jobs and a stable taxation base (property taxes and taxes on employee wages). *Thereby, the host country authorities want the industrial project to be "efficient", i.e.*

costly, and want the facility to be operational for an indefinite period. In contrast, the logic of offshoring manufacturing activities dictates to MNCs another set of investment criteria: the robustness of the operations, correspondence to quality standards, and unit costs, i.e. they wish the project to be “effective”. *The properly designed and performed plant opening ceremony should demonstrate the acceptance by each party the criteria for project’s properties of the other party.* Foreign investors should admit the interests of the host country – to demonstrate high cite-specific investments and overall investor’s intentions to keep the newly erected facility effectively running for a long (ideally, indefinite) period. Representatives of host country’s authority also should admit the criteria of foreign investors of efficiency of a manufacturing facility. The easiest way to do so is to express publically the admiration of certain technical aspects of a newly erected facility.

*Thereby, we can propose the criterion of success for **opening ceremonies of oversea manufacturing facilities** -- the stronger the degree of expressed admiration (by the facility itself or by the ceremony)] and the higher the rank of the host-country official pronouncing such words, the greater the success of a plant opening ceremony for foreign investors is.*

Studying plant opening ceremonies

The best method for receiving an impression from a ceremony is to attend it. The first co-author had the opportunity to attend a formal plant opening ceremony in January 2015 of a Swedish MNC in Russia. However, we considered that proper analysis of a phenomenon requires multiple observations. It was impossible to arrange a long sequence of personal attendances at plant opening ceremonies because even for a large MNC, opening a new overseas plant is a relatively rare event. Thus, too much time was needed to accumulate substantial personalized experience from plant opening ceremonies. Instead, we decided to substitute the personalized observations with an analysis of video reports on such ceremonies, which can be found on corporate websites, on personal websites of some high-ranked officials of several host countries, and in TV news archives, particularly for business TV channel news. This approach is consistent with the current approaches in visual management studies [see Bell and Davison, 2013] and the suggested research avenues for the use of video in organization research [see Meyer et al., 2013].

The example of Russia also provides a unique opportunity to compare plant opening ceremonies in radically different political and economic contexts because the conditions for foreign direct investments to Russia dramatically changed during 2014–2015 [see Gurkov, 2016; Gurkov and Saidov, 2017]. Before 2014, plant opening ceremonies were just important stages of MNCs' business projects developed within the standard framework of investment projects in large emerging economies. Since 2014, with the beginning of the political hostilities between Russia and the West and, and particularly since 2015, with the deep decline in the national currency and stagnation or recession of major local markets that new manufacturing facilities of foreign MNCs should serve, every completion “against the wind” of an industrial project launched in prosperous times signified a victory of the host country's government over its political opponents - governments in developed nations that imposed economic sanctions on Russia; a victory of local authorities that facilitated the completion of an investment project under conditions of significant uncertainty (or that created additional obstacles for foreign investors seeking to abandon a project); a victory of top executives of parent entities who persuaded shareholders that losses from abandoning ongoing investment projects would be higher than losses from completing the project and putting the facilities in motion; and a victory of regional headquarters or country management of the parent that achieved the necessary attention (and funds) from headquarters to complete the project.

Gurkov and Kokorina made a database on all plant opening ceremonies performed by subsidiaries of foreign MNCs between January 2012 and December 2016 [Gurkov and Kokorina, 2017] and we further extended it to June 2017. The resulting database includes information on 330 objects: 214 new plants and 116 extensions of existing plants executed by 243 corporate parents of 33 countries of origin in 62 Russian regions. As we built the complete database, we started to collect video materials from plant opening ceremonies. We found 119 publicly revealed videos on the opening of 56 industrial objects in 20 Russian regions: 42 new plants and 14 extensions of existing plants of 46 corporate parents from 17 countries of origin. We also found some amateur videos related to the preparation of plant opening ceremonies. In one case, the videoed ceremony was attended by the President of Russia, in two cases by the Prime Minister, and in 42 other cases by the local governors (the heads of provincial administration).

Mandatory elements of plant opening ceremonies

4.1 Orientation tour on newly erected manufacturing premises

An orientation or inspection tour of the supervising officials on the newly erected premises is a mandatory element of a plant opening ceremony in Russia – there were observed in 100% of videoed formal opening ceremonies. Even if a local official was accompanied on such a tour by an executive of the foreign company, the local staff made most of the explanations of the details to the local official and in the native language. We should also stress that, during such interactions, the local employees behaved naturally and without any signs of servility. In one video, the Mayor of Moscow, the capital of Russia, was given explanations from an employee of a plant's laboratory on the new product pipeline. The first co-author had the opportunity to visit that plant and interview the same employee on the same topic two years before the Mayor of Moscow's visit. The manners of that employee in an interview by an academic researcher were absolutely the same as in the interview by the high-ranked official. The face of the Mayor expressed his satisfaction with the presentation, and he confirmed his satisfaction through the usual method of asking for the particularly pleasant information to be repeated: "What have you said? Sixty new products are in the pipeline?"

In several videos, we observed that the guided tour can serve as the core element of the plant opening ceremony and can make a very deep impression on a local official. For example, after a carefully prepared and well-executed orientation tour of the facilities (represented in a separate video), the President of Russia - after the speeches and execution of the symbolic act of putting the facility in motion - stepped down from the platform on which the symbolic act was performed, closely approached the factory employees standing in a few lines in front of the platform, and said sincerely and with active and a bit bewildered gestures (broadly spreading arms):

"Thank you, and now it is like this, without a microphone. I wish to congratulate you. This is indeed a posh enterprise that has—you see it yourselves—a peculiar technological beauty; it is one of the most modern in the world and I congratulate you and wish you success."

Such an episode may serve as a sign of the ultimate success of that plant opening ceremony from the viewpoint of a foreign investor. However, in 100% of the studied cases

foreign investors were able to “squeeze” from representatives of local authorities their oral expression of admiration by particular elements of newly erected facilities.

4.2 Symbolic action of putting in motion

The symbolic acts of putting the facility in motion are mandatory but the acts themselves were quite diverse. Simultaneous ribbon cutting was the dominant symbolic act (27 out of 56 cases). Other types of collective actions (pulling a lever, pushing a button, or turning a number of keys) were also popular. Japanese companies used double symbolic acts, such as laying the handbreadth and consequently cutting a ribbon. A few Chinese corporations that opened their first Russian plant preferred to use laying the handbreadth as the sole symbolic act of putting the facility in motion (see Exhibit 1). This was met by local participants of the ceremony with some astonishment, especially visible in a video reportage.



Exhibit 1. Laying the handbreadths as a symbolic act of putting the facility in motion used in opening ceremonies of subsidiaries of Chinese corporations

The composition of persons performing the symbolic act of triggering the operations of the facility largely varies in different ceremonies. The total number of persons performing this symbolic act ranges from two to 10, with an average of four. The large number of persons (higher than six) performing this symbolic act was observed in both Western and East Asian companies that launched their first industrial plant in Russia. Such behavior of companies inexperienced in managing Russian industrial assets is understandable. They bring a number of corporate officials to a ceremony to share the responsibility for a project in a novel location

and attempt to attract to the ceremony many local officials to create a “multilayer shield” for further facility operations. Simultaneously, corporations with a dozen Russian factories and experience with numerous ceremonies devoted to extending existing (erected or acquired) facilities can allow themselves to hold intentionally modest ceremonies for putting the facility in motion. For example, an employee can simply click the computer mouse on his desk as a local official and a corporate executive stand nearby, and the new shop starts operating.

4.3 Speeches

The third mandatory element of plant opening ceremony was speeches of high-ranking participants. We should stress that speeches by lower-ranked employees were completely absent—not a single case had such a speech. Both local employees and members of a large launch team typically assembled from specialists of central engineering departments of the corporate parent were among the attendees of most ceremonies (this was particularly visible at opening ceremonies of Russian plants by Korean, Japanese, and Chinese companies). However, local employees and foreign members of launch teams alike were completely speechless during the ceremonies (unless they provided explanations during the guided tour of the premises). This totally contradicts the local tradition of public opening ceremonies that were organized as “rallies of supporters” with riotous public expressions of joy (up to tossing “labor heroes” into the air and clumsy but sincere speeches of new facility’s workers) [see Il’f and Petrov, 1932].

In speeches of high-ranked participants we distinguished two dominant tones - pathetic vim and businesslike reporting. Pathetic vim was a dominant mood expressed by both local and foreign participants in videos from in the pre-sanctions period (2012–mid-2014). Pathetic vim is expressed using a number of rhetoric methods, including exaggeration, metaphors and hyperbolas, and colloquial expressions by local participants. Some speeches of diplomats of home countries of foreign investors were especially emotional. For example, one diplomat used in her speech the standard Russian verbal construct that is used only toward persons or objects of very high affinity: “This (factory) *is our pride and a sign of deep relationships.*” This expression was accompanied by a specific gesture of sincerity: placing the right hand to the very upper part of the chest where the neck starts (see Exhibit 2).

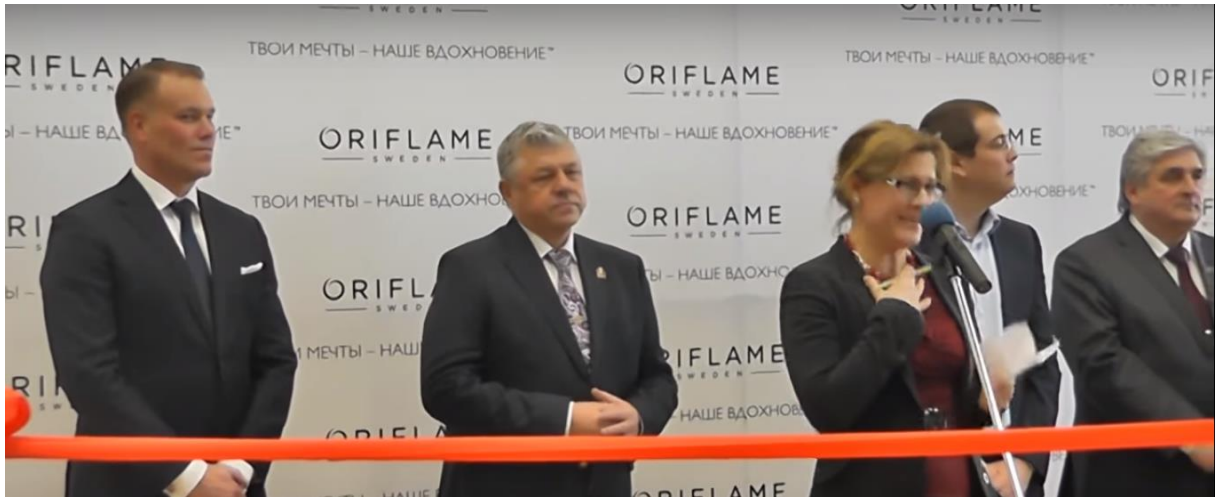


Exhibit 2. A foreign diplomate delivering a speech at a plant-opening ceremony

In another recorded case, a foreign diplomat made a statement about the launch of the factory “with a foreign passport and a Russian *residence permit*.” Because the speech was in the Russian language, in the original text instead of the term “residence permit,” a special Russian term, “*propiska*,” was used. *Propiska* in Russian is the analogue of the Chinese system of *hukou* [see Fang and Zhang, 2016] and presents a complicated system of barriers for migration into large cities. Thereby the efforts to settle a manufacturing facility in Russia were emphasized.

Businesslike reporting was first observed as the mood of speeches by executives of foreign investors at plant opening ceremonies in 2015 and became even more visible in 2016. This reporting style is revealed by long, tedious, and monotonous readings of written texts with significant numerical data on the company’s affairs and detailed arguments on the advantages of the project (despite the obvious fact that such numerical data are poorly perceived by the ear, particularly from not always accurate consecutive translations).

All participants’ speeches and particularly speeches by foreign participants lengthened during 2015–2017. In 2012–2014, a two-minute speech with subsequent translation was the norm for both local and foreign participants (85% of speeches), in 2016 the average speech length of a local participant (with subsequent translation) exceeded four minutes, and a speech by a foreign participant lasted 8–10 minutes or longer. Long, businesslike oral reports presenting a battery of arguments for the implemented project was a tactic that foreign participants of plant opening ceremonies considered to be most suitable when the host

country's economy was rapidly deteriorating. Indeed, in such a situation, general vows of “we came here to stay” may seem insufficient in persuading local officials of the long-term intentions of foreign investors. Detailed arguments are needed to explain why new manufacturing facilities are appropriate in declining markets and shrinking industries.

Variable elements of plant opening ceremonies

Besides the mandatory elements, we were able to find several types of elements included at the plant opening ceremonies at the discretion of foreign investors – invitation of business partners, lavish banquets, and artistic performances.

Attendance at the ceremony not only by officials, constructors, and operators of a new facility, and the press, but also by business partners (equipment suppliers and, in particular, consumers of the new facility's product) was observed in 20 out of 56 opened facilities. These cases were mostly of new facilities in manufacturing machinery and equipment (agriculture machinery, milling machines, and others) and indicated that the prejudices against specific countries of origin exist not only in consumer (B2C) but also in professional (B2B) markets [see Smith, 1993; Janda and Rao, 1997; Chailan and Ille, 2015]. In one case, the foreign company (in a joint German–Japanese ownership) brought to the ceremony more than 700 of its global business partners. That occasion was used by the local governor to establish a broad network of new business contacts and to introduce a dozen potential foreign investors to the region.

Signs of lavish banquets were observed in 13 out of 56 cases. We presume that the actual number of plant opening ceremonies that had lavish banquets is larger; however, some of these banquets were private parties and were not recorded in publicly released videos.

Artistic performances were rare but indeed extraordinary. In one case a Japanese company producing road construction equipment which did not allowed the press to step into the production shops, compensated this by a performance in which an excavator built a pyramid of champagne glasses and painted words in Japanese (see Exhibits 3-4).



Exhibit 3. A moment of a performance during an opening ceremony of a Japanese subsidiary producing machinery for road construction – building a pyramid of champagne glasses by an excavator



Exhibit 4. A moment of a performance during an opening ceremony of a Japanese subsidiary producing machinery for road construction – painting Japanese words by an excavator

This case which demonstrated the quality of the production of a newly erected facility attracted deep attention. In all other cases, where just artistic performances of different styles and originality were a part of the ceremony, such episodes were mostly considered as attention-distracting actions (like pretty semi-naked girls standing at (or even sitting on) cars in car shows) with no really deep impression on participants of plant-opening ceremonies.

Suggestions

We presented the phenomenon of plant opening ceremonies as an important step in the execution of foreign investment projects in manufacturing. These ceremonies aim to ensure the embeddedness of new manufacturing subsidiaries into the local business context [see Scott-Kennel and Michailova, 2016]. As such, our study has clear managerial implications that we seek to present in the form of suggestions and propositions on the timing of plant opening ceremonies, the overall compositional design of the ceremonies, and participants' behavior.

As was shown, the observation tour of local officials through a newly erected facility has significant importance in assuring such officials of the proper technological level of the facility. Thus, the plant opening ceremony should not to be scheduled during an early stage of installation of the production facilities. At least some important parts of a facility should be completely installed and tested to make the impression that steady and efficient work is being conducted. In addition, at least minimal landscaping of the surrounding territory should be completed. The first impression can be definitive and the order outside the factory walls serves as a very good sign of similar order inside the factory walls.

Our second suggestion regards participants of the plant opening ceremonies. Because a foreign investor cannot always ensure the presence at a ceremony of high-ranking officials from the host country [see Gurkov and Kokorina, 2017], every effort should be made to ensure that diplomats of foreign investors' home country are present. In most cases, these individuals can make speeches in the local language. Besides presenting the high level of positive emotions, speeches of diplomates can also demand from the host country authorities fair or preferred treatment of the particular industrial investment project regarding completing different bureaucratic procedures. *The presence of business partners of the foreign investors is also extremely desirable.*

A number of suggestions can be made about the role of employees of newly erected facilities in plant opening ceremonies. First, we demonstrated that guided tours on the premises and impromptu interactions with facilities' employees during those tours are very important to creating the proper impression of the facility for visitors. Thus, the entire route through the facilities should be carefully planned in advance and impromptu interactions should be prepared and rehearsed. For ceremonies devoted to extensions of existing facilities, finding local employees with sufficient communication skills and the proper appearance and manners is not typically problematic. However, for newly built facilities, finding an adequate number of local employees with sufficient communication skills and the proper appearance and manners can be difficult. For such cases, a special envoy of employees from headquarters or sister-subidiaries who have perfect knowledge of the local language should be implemented to assist with guided tours. Another suggestion is related to the role of the "tacit crowd" of permanent local employees and members of the launch team who are present at plant opening ceremonies.

We also recommend, at least for Russia, a more active role of both permanent local employees and launch team members to conform to the local standards of plant opening ceremonies. Also suitable for most plant opening ceremonies are a short speech by a launch team member (delivered in the language of the foreign investors) on the quality of the installation and a similar speech by a member of the permanent local staff (delivered in the local language) on having mastered the processes and procedures that ensure that the facility will operate smoothly.

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