INTRODUCTION

The long run debate on desirability of multinationals presence, arguing on their superior performance and technology, is still ongoing. In general their subgroup show higher productivity levels and a stronger Labour and Total Factor Productivity (TFP). Moreover, foreign owned firms appear to be larger, more capital intensive and they seems to pay more their workers than domestic firms (Caves, 1996). At theoretical level many interpretation could lead to similar conclusion on the desirability of multinational presence: superior managerial or organizational skill and higher technological capabilities are the main base of the so called "proprietary assets model". All previous advantages could be easily internalized by affiliates, active in foreign countries, leading to higher productivity levels and growth potentials. Strong empirical evidence mainly confirms this interpretation. Dimelis and Luori (2002) analyse the Greek case and show that labour productivity, estimated through a Cobb-Douglass specification, was statistically higher for foreign owned firms, but only in case of a majority ownership. Arnold and Hussinger (2005) on the German manufacturing sectors and Crisuolo and Martin (2009) for the UK, find higher TFP levels for MNEs. Similar results are find for developing countries: Takii (2004) analyses the Indonesian manufacturing sector, while Blomström (1988) the same sector in Mexico. Other contributions add covariates, Chacar *et al.* (2010) find a positive, but diminishing with firm's age, while Maffini and Mokkas (2011) include corporate tax rate differentials in explaining TFP differential.

The literature on the Italian case is still limited. Castellani and Zanfei (2006) find that firms located in Italy with foreign owners perform better than the domestic ones, but this difference seems to disappear when the analysis is restricted to the sample of foreign and domestic-owned multinationals. Grasseni (2010) restricts the analysis to the subsample of MNEs, foreign or domestic owned, finding higher labour productivity, higher wages and higher capital intensity in favour of foreign MNEs. However, profitability levels of Italian MNEs is higher, when measured as Return On Sales (ROS) or Return on Investment (ROI).

When a foreign firms decide to enter in local market, the issue of the entrance strategy is important for both the multinational firm and for the foreign country. Previous analysis concerning this point are still limited, but Nocke and Yeaple (2007) show through a general equilibrium model how that choice is endogenous. The underling motivation of FDI (Foreign Direct Investment) strategy versus cross-border M&A, or Greenfield investment versus Brownfield investment, rely in a trade-off between the exploitation of own capabilities and the acquisition of costly country-specific capabilities. Moreover, some capabilities are not mobile internationally, such as institutional competences, distributional network or marketing strategy (Arnand and Delios, 2002)

Benfratello and Sembenelli (2006) also address this issue, reinterpreting the higher productivity showed by multinationals as a possible outcome of the MNE's localization strategy. The idea of their superior technological and managerial capability, one of the main point of internalization theory, became only one possible interpretation: MNE groups could decide to buy only the best locals firms or to engage their-self in the most productive activities. Moreover, increasing attention was devoted to the problem of firms heterogeneity, arguing a composition effect that boost MNEs' productivity due to the choice of operating in more dynamic sectors. Other variable, such as capital intensity or size could significantly drive the results in favour of multinationals. Griffit (1999) find that, after controlling for the differences in inputs utilisation, the effect of foreign ownership was negligible; also (Globerman et al., 1994), after controlling for heterogeneity, do not find evidence in favor of higher MNE performances.

At theoretical level, the so called Liability of Foreignness (LFO) is a possible way to explain poorer performances of multinationals (Zaheer, 1995; 2002). They have to face a foreign environment and difficulties of making business abroad increase where the concentration of small and medium enterprises is high. In this situation the interaction among MNEs and domestic firms could be hamper by cultural aspects, and this could be particularly true in a period of crises. Moreover, the absence of specific institutional competences, distributional network or marketing strategy could increase transaction cost for MNEs (Hennart, 2010). Empirical evidence on LOF