

# PROCEEDINGS

of the

**2002 Annual Meeting of the**

**Academy of International  
Business**

***“Geographies and International Business”***

**Caribe Hilton, San Juan, Puerto Rico**

**June 28-July 1, 2002**

**Program Chair and Proceedings Editor**

***Lorraine Eden***

***Mays Business School, Texas A&M University***

**June 2002**

Proceedings of the 44th Annual Meeting  
of the Academy of International Business  
*Geographies and International Business*  
Caribe Hilton, San Juan  
San Juan, Puerto Rico  
June 28-July 1, 2002  
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# Table of Contents

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Welcome	4
Program Committee	7
Timetable	8
Program Outline	10
Abstracts	17

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# Welcome from the AIB 2002 Program Chair and Proceedings Editor

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Welcome to the 2002 Annual Meeting of the Academy of International Business!

The AIB 2002 Program Committee has lined up an impressive program for you at the Caribe Hilton in San Juan, Puerto Rico, June 28-July 1, 2002. The theme for this year's conference is "Geographies and International Business".

In this Proceedings volume, you will find Abstracts for all the papers and panels that will be presented at the conference. The conference sessions are organized into five basic types:

- **Competitive sessions:** These contain the very best papers submitted through the blind review process to the Track Chairs, and then subsequently organized by the Track Chairs into coherent sessions by topic area. Typically, competitive sessions have three papers, a chair and a discussant.
- **Workshop sessions:** These contain papers that the reviewers and Track Chairs judge to be of excellent quality but not quite as polished as those in the Competitive sessions, which the Track Chairs have assembled into coherent sessions by topic area. Typically, workshop sessions have four papers, a chair and a discussant.
- **Poster sessions:** These sessions contain a mixture of papers, some are works-in-progress; others are papers where there were insufficient numbers to construct a complete panel around the topic; others are papers where the author preferred to present in a poster format. One special addition to the Poster sessions is the Saturday **Doctoral Consortium Row**, where some of the doctoral students in the Friday PhD consortium are presenting their work.
- **Panels:** These are excellent sessions that were assembled and submitted by a panel chair, reviewed by the AIB Program Chair and Track Chairs, and judged to be of high quality and appropriate for the conference. Typically, panels have four

papers, a chair and a discussant. In some cases, the panel is organized as a **Roundtable** where there are no formal papers and no discussant.

- **Special sessions**

- **Plenary sessions:** There are four plenary sessions this year, one on each day of the conference: UPR plenary on “Geography, Trading Blocs and Investment in the Caribbean Space” (Friday), the Program Chair’s plenary on the conference theme (Saturday), the Fellows Plenary honoring John Stopford and Louis Wells (Sunday) and a Conference Plenary honoring Peter Buckley and Mark Casson (Monday).
- **BALAS sessions** (organized by the Business Association of Latin American Studies)
- **Awards sessions:** JIBS Decade Award, Farmer Dissertation Award.

In addition, where the session focused on some aspect of the conference theme, “Geographies and International Business”, the session has the word “**Theme**” in the session title, as in “Theme Workshop” or “Theme Panel”.

As you go through this book, you may find it helpful to first look at the Timetable on pages 8-9, which gives an overview of the whole program, and then turn to the Program Outline on pages 10-16, which summarizes the title, times and locations for each of the sessions. The Abstracts for the individual papers and panels, which start on page 17, follow in the order in which they are presented in the conference program.

I would like to acknowledge the assistance of the many people who made my job as Program Chair so much easier and rewarding. Given the short time span between annual meetings this year, everything had to be done in half the time. I could not have done it without their help. Many hands make light work!

First, a wonderful group of people gave many hours of their time as Track Chairs: Steve Salter (Cincinnati), Tina Dacin (Queen’s), Stewart Miller (Michigan State), Susan Feinberg (Maryland), Robert Weiner (George Washington University), Yadong Luo (Miami), Mike Wright (Nottingham), Eleanor Westney (MIT), Saeed Samiee (Tulsa), Jing Zhou (Texas A&M), Robert Kudrle (Minnesota), Tom Murtha (Minnesota), and Joseph Ganitsky (Loyola University-New Orleans), the BALAS track chair.

Second, I would like to thank all the people who submitted paper and panel proposals in December, who reviewed them in January, and who are on the program in a variety of roles as paper givers, panelists, chairs and discussants. The track chairs sent 343 papers out for blind review, each paper to at least two reviewers; we also reviewed 30 panel proposals.

The largest number of submissions were in Economics and Finance (16%), closely followed by Strategy (13%), Marketing (13%), Emerging Markets and Transition Economies (13%), Alliances and Networks (12%). Thank-you for your time and efforts on behalf of the Academy of International Business!

Third, I worked very closely with the AIB Executive Board -- Steve Kobrin (Wharton), Jose de la Torre (UCLA), Bernard Yeung (NYU), Danny van den Bulcke (University of Antwerp), Jim Wills (AIB Office) and Laurel King (AIB Office) – and with the individuals responsible for different parts of the program, for example, the consortium chairs, Joanne Oxley (Michigan) and Witold Henisz (Wharton). To all the faculty members around the world who helped put part of this program together, my thanks.

Fourth, I would like to acknowledge my hard-working TAMU Team: Lei Zhao, Shannon Eyre, Natalie Young, Raghu Sethumadhavan, Jun Li, Patsy Hartmangruber and Robert Bartholomei, and the financial and administrative support provided to me by the Texas A&M CIBER and the Department of Management. I would also like to acknowledge Eric Fong in the AIB Office, whom I have never met but with whom I have exchanged hundreds of emails as we worked through the details of getting the program into print.

Fifth, putting together a program of this size, with the program chair in one location and the conference at another, requires very close cooperation between the program chair and the local arrangements chair. I was very fortunate this year to work with Arleen Hernández, who is a phenomenal organizer. Arleen and her team of faculty and staff at the University of Puerto Rico were a pleasure to work with, and I know you will appreciate their wonderful hospitality during your stay in San Juan.

Finally, this Proceedings book was assembled with the able assistance of Lei Zhao and Natalie Young. I would like to thank all the authors and panel chairs for their cooperation in submitting their abstracts. As a result of their cooperation, we were able to “bat 1000” with this volume since every paper and every panel has an abstract.<sup>1</sup> I hope you find these abstracts helpful in choosing your sessions and in following up with the authors of the papers relevant to your own research and teaching interests.

Welcome to Puerto Rico and enjoy the conference!

Lorraine Eden  
AIB 2002 Program Chair  
Mays Business School  
Texas A&M University  
College Station, Texas 77843-4221

June 4, 2002

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<sup>1</sup> Abstracts are missing from the Doctoral Consortium Row posters because they were submitted as posters, not papers, for review by the Doctoral Consortium Chair.

# AIB 2002 PROGRAM COMMITTEE

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## *Program Chair*

Lorraine Eden, Texas A&M University

## *Local Arrangements Chair*

Arleen Hernández, University of Puerto Rico

## *AIB Executive Board*

Steve Kobrin, University of Pennsylvania (President)

Jose de la Torre, UCLA (Past President)

Bernard Yeung, New York University (Vice President and 2001 Program Chair)

Danny van den Bulcke, University of Antwerp, Vice President Administration

James Wills, University of Hawaii (AIB Office)

Laurel King, University of Hawaii (AIB Office)

## *Track Chairs*

Lorraine Eden, Texas A&M (Geographies & International Business)

Steve Salter, University of Cincinnati (Accounting & Tax)

Tina Dacin, Queen's University, (Alliances & Networks)

Stewart Miller, Michigan State University (Strategy, Entrepreneurship & New Ventures)

Susan Feinberg, University of Maryland (Economics)

Robert Weiner, George Washington University (Finance)

Yadong Luo, University of Miami (Emerging Markets)

Mike Wright, University of Nottingham (Transition Economies)

Eleanor Westney, MIT (Organizational Theory & Institutional Sociology)

Saeed Samiee, University of Tulsa (Marketing & Supply Chains)

Jing Zhou, Texas A&M University (Organizational Behavior & Human Resource Management)

Robert Kudrle and Tom Murtha, University of Minnesota (Political Economy, History & Law)

## *Consortium Chairs*

Witold Henisz, University of Pennsylvania (Doctoral Consortium)

Joanne Oxley, University of Michigan (Junior Faculty Consortium)

## *Texas A&M Program Assistants*

Robert Bartholomei, Shannon Eyre, Patsy Hartmangruber, Jun Li, Raghu Sethumadhavan, Natalie Young, Lei Zhao

## *Proceedings Committee*

Lorraine Eden, Texas A&M University (editor), Natalie Young, Lei Zhao

# AIB 2002 Timetable

Friday June 28				Saturday June 29		Sunday June 30			Monday July 1								
7:30	PhD Consortium 7:30-12:00	Junior Faculty Consortium 7:30-12:00	AIB Executive Board Meeting 9:00-11:00	7:30	Conference Theme Plenary: Geographies and International Business 8:30- 10:00	7:30	AIB Regional Chairs Bkfst 7:30- 8:30	World Cup Soccer 6:30-8:30	7:30	AIB Annual Members Meeting (with light refreshments) 7:30-8:30							
7:45				7:45		7:45			7:45								
8:00				8:00		8:00			8:00								
8:15				8:15		8:15	8:15										
8:30				8:30		8:30	8:30	Individual Sessions #4 8:30-10:00	Plenary honoring Peter Buckley and Mark Casson 8:30-10:00								
8:45				8:45		8:45	8:45										
9:00				9:00		9:00	9:00										
9:15				9:15		9:15	9:15										
9:30				9:30		9:30	9:30										
9:45				9:45		9:45	9:45	9:45	9:45								
10:00	PhD & JF Consortia Joint Lunch 12:00- 1:00	AIB Executive Board Meeting 9:00-11:00	Gurus Seminar Registration 8:00-8:30. Sessions 8:30-4:30 (closed)	10:00	Individual Sessions #1 10:30-12:00	10:00	Break 10:00-10:30		10:00	Break 10:00- 10:30							
10:15				10:15		10:15			10:15								
10:30				10:30		10:30			10:30		Individual Sessions #5 10:30-12:00	Individual Sessions #7 10:30-12:00					
10:45				10:45		10:45			10:45								
11:00				11:00		11:00			11:00								
11:15				11:15		11:15			11:15								
11:30				11:30		11:30			11:30								
11:45				11:45		11:45			11:45		11:45	11:45					
12:00				PhD & JF Consortia Joint Lunch 12:00- 1:00		AIB Executive Board Meeting 9:00-11:00			Gurus Seminar Registration 8:00-8:30. Sessions 8:30-4:30 (closed)		12:00	Poster Session #1 with Lunch 12:00-1:30 (includes Doctoral Consortium Row)	12:00	Poster Session #2 with Lunch 12:00-1:30	AIB 2002 Track Chairs Lunch 12:00-1:30	12:00	AIB Awards & Appreciation Banquet 12:00- 1:30
12:15											12:15		12:15			12:15	
12:30	12:30	12:30	12:30														
12:45	12:45	12:45	12:45														
1:00	PhD Consortium 1:00-2:45	Junior Faculty Consortium 1:00-2:45	Gurus Seminar Registration 8:00-8:30. Sessions 8:30-4:30 (closed)	1:00	Individual Sessions #2 1:30-3:00	1:00	Individual Sessions #6 1:30-3:00		1:00	Individual Sessions #8 1:30-3:00							
1:15				1:15		1:15			1:15								
1:30				1:30		1:30			1:30								
1:45				1:45		1:45			1:45								
2:00				2:00		2:00			2:00								
2:15				2:15		2:15			2:15								
2:30				2:30		2:30			2:30								
2:45				2:45		2:45			2:45								

AIB 2002 Timetable ( cont'd)											
	Friday June 28				Saturday June 29			Sunday June 30			Monday July 1
3:00	Meet the Editors (PhD & JF Consortiums only) 2:45-4:15			3:00	Break 3:00-3:30	3:00	Break 3:00-3:30	3:00	Break 3:00-3:30	3:00	Break 3:00-3:30
3:15				3:15		3:15		3:15			
3:30				3:30	Individual Sessions #3 3:30-5:00	3:30	JIBS Decade Award 3:30-4:30	Farmer Dissertation Award 3:30-4:30	3:30	Individual Sessions #9 3:30-5:00	
3:45				3:45		3:45			3:45		
4:00			Chairs 4:00-4:20	4:00		4:00			4:00		
4:15	Wrap Up	Wrap Up	4:15	4:15		4:15					
4:30	Opening Plenary: Geography, Trading Blocs and Investment in the Caribbean Space 4:30-6:00		4:30	WAIB Meeting & Reception (sponsored by Texas A&M) 5:00-6:00		4:30			AIB Fellows Plenary honoring John Stopford and Louis Wells 8:30-10:00		4:30
4:45			4:45		4:45						
5:00			5:00		5:00						
5:15			5:15		5:15						
5:30			5:30		5:30						
5:45	5:45	5:45	5:45	5:45	5:45						
6:00			6:00		6:00		6:00				
6:15			6:15		6:15	Entertainment by the Puerto Rico National Band (sponsored by Temple University and Bacardi) 6:15-7:15	6:15				
6:30	AIB Presidential Reception 6:30-8:30		6:30	University of Puerto Rico Dinner & Gala 6:30-9:30	6:30		6:30				
6:45			6:45		6:45	6:45					
7:00			7:00		7:00	7:00					
7:15			7:15		7:15	7:15					
7:30			7:30		7:30	7:30					
7:45			7:45		7:45	7:45					
8:00			8:00		8:00	8:00					
8:15			8:15		8:15	8:15					
8:30			8:30		8:30	8:30					
8:45			8:45		8:45	8:45					
9:00	9:00	9:00	9:00								
9:15	9:15	9:15	9:15								
9:30	9:30	9:30	9:30								

# AIB 2002 Program Outline

SLOT	SESSION	TITLE	LOCATION	DATE AND TIME	PAGE
<b>FRIDAY, JUNE 28, 2002</b>					
1.1.1	CONSORTIUM	JUNIOR FACULTY CONSORTIUM	Conference 10	FRIDAY - 7:30 A.M.-4:15 P.M.	
1.1.2	CONSORTIUM	DOCTORAL CONSORTIUM	Conference 6-7	FRIDAY - 7:30 A.M.-4:15 P.M.	
1.1.3	CONSORTIUM PANEL	MEET THE EDITORS	Auditorium	FRIDAY - 2:45-4:15 P.M.	
1.2.1	SESSION CHAIRS MEETING	SESSION CHAIRS' INSTRUCTIONS AND DISCUSSION	San Cristobal B	FRIDAY - 4:00-4:20 P.M.	
1.2.2	OPENING PLENARY PANEL	GEOGRAPHY, TRADING BLOCS AND INVESTMENT IN THE CARIBBEAN SPACE	San Geronimo	FRIDAY - 4:30-6:00 P.M.	17
<b>SATURDAY, JUNE 29, 2002</b>					
1.3.1	OPENING RECEPTION	AIB PRESIDENTIAL RECEPTION	Atlantic Garden	FRIDAY - 6:30-8:30 P.M.	
2.1.1	THEME PLENARY PANEL	GEOGRAPHIES AND INTERNATIONAL BUSINESS	San Geronimo	SATURDAY - 8:30-10:00 A.M.	17
2.2.1	COMPETITIVE	THE NEW POLITICAL ECONOMY	San Cristobal B	SATURDAY - 10:30-12:00 P.M.	19
2.2.2	BALAS WORKSHOP	LATIN AMERICAN BUSINESS STRATEGIES	Tropical A	SATURDAY - 10:30-12:00 P.M.	21
2.2.3	THEME WORKSHOP	CLUSTERING IN HIGH-TECH SECTORS	San Cristobal D	SATURDAY - 10:30-12:00 P.M.	23
2.2.4	COMPETITIVE	INTERNATIONAL JOINT VENTURES: CREATION AND EVOLUTION	San Cristobal E	SATURDAY - 10:30-12:00 P.M.	24
2.2.5	WORKSHOP	TECHNOLOGY, MARKETING AND NETWORKS	Tropical B	SATURDAY - 10:30-12:00 P.M.	25

SLOT	SESSION	TITLE	LOCATION	DATE AND TIME	PAGE
2.2.6	PANEL	THE FUTURE OF THE MULTINATIONAL ENTERPRISE	Auditorium	SATURDAY - 10:30-12:00 P.M.	17
2.2.7	PANEL	CROSSING CULTURAL DISTANCE: EXPLORING THE CAPACITY FOR WORKING GLOBALLY	San Cristobal G	SATURDAY - 10:30-12:00 P.M.	29
2.2.8	PANEL	MEET THE JIBS TEAM	Tropical C	SATURDAY - 10:30-12:00 P.M.	31
2.3.1	POSTER SESSION	POSTER SESSION 1 (with light refreshments)	Las Olas	SATURDAY - 12:00-1:30 P.M.	32
2.4.1	WORKSHOP	NETWORKS: EVOLUTION AND EFFECTS	San Cristobal B	SATURDAY - 1:30-3:00 P.M.	36
2.4.2	COMPETITIVE	GLOBALIZATION OF MULTINATIONALS	San Cristobal D	SATURDAY - 1:30-3:00 P.M.	38
2.4.3	COMPETITIVE	TRADE & FDI: DRIVING FACTORS	Auditorium	SATURDAY - 1:30-3:00 P.M.	39
2.4.4	WORKSHOP	INTERNATIONAL FINANCE	Tropical B	SATURDAY - 1:30-3:00 P.M.	41
2.4.5	WORKSHOP	EMERGING MARKET FIRMS	Tropical A	SATURDAY - 1:30-3:00 P.M.	42
2.4.6	WORKSHOP	INTERNATIONALIZATION & MARKET REFORM IN TRANSITION ECONOMIES	Tropical C	SATURDAY - 1:30-3:00 P.M.	44
2.4.7	COMPETITIVE	PERSPECTIVES ON MNE RESEARCH: THEORY AND PRACTICE	San Cristobal E	SATURDAY - 1:30-3:00 P.M.	45
2.4.8	COMPETITIVE	REGULATION AND STRATEGIC CHOICE	San Cristobal G	SATURDAY - 1:30-3:00 P.M.	46
2.5.1	THEME PANEL	INNOVATION GEOGRAPHIES: NETWORKS, CLUSTERS & GLOBALIZATION	San Cristobal B	SATURDAY - 3:30-5:00 P.M.	47
2.5.2	COMPETITIVE	FDI & PERFORMANCE	San Cristobal D	SATURDAY - 3:30-5:00 P.M.	50
2.5.3	PANEL ROUNDTABLE	DATA: WHAT'S IN, WHAT'S OUT, WHAT'S HOT, WHAT'S NOT	San Cristobal E	SATURDAY - 3:30-5:00 P.M.	52
2.5.4	COMPETITIVE	CORPORATE GOVERNANCE: COMPARATIVE AND CROSS-BORDER PERSPECTIVES	Tropical A	SATURDAY - 3:30-5:00 P.M.	52
2.5.5	COMPETITIVE	GLOBAL SOURCING & CHANNEL ISSUES	Tropical B	SATURDAY - 3:30-5:00 P.M.	53

SLOT	SESSION	TITLE	LOCATION	DATE AND TIME	PAGE
2.5.6	COMPETITIVE	INTERCULTURAL RELATIONSHIPS: ATTRIBUTION, TRUST, CONFLICT AND COOPERATION	Tropical C	SATURDAY - 3:30-5:00 P.M.	55
2.5.7	PANEL	MULTINATIONAL-GOVERNMENT RELATIONS	San Cristobal G	SATURDAY - 3:30-5:00 P.M.	56
2.5.8	PANEL ROUNDTABLE	POLITICAL RISK AND TERRORISM: ASSESSMENT FOR FDI IN THE POST 9/11 ERA	Auditorium	SATURDAY - 3:30-5:00 P.M.	59
2.6.1	WAIB MEETING & RECEPTION	WOMEN IN THE ACADEMY OF INTERNATIONAL BUSINESS MEETING AND RECEPTION (hosted by Texas A&M University)	Las Olas	SATURDAY - 5:00-6:00 P.M.	
2.7.1	UNIVERSITY OF PUERTO RICO DINNER & GALA	AIB GALA AND DINNER HOSTED BY THE UNIVERSITY OF PUERTO RICO	San Geronimo	SATURDAY - 6:30-9:30 P.M.	
<b>SUNDAY, JUNE 30, 2002</b>					
3.0.1	WORLD CUP SOCCER	TELEVISED ENGLAND VS. USA MATCH	Flamingo	SUNDAY - 6:30-8:30 A.M.	
3.0.2	MEETING	AIB CHAPTER CHAIR'S BREAKFAST	Executive Boardroom	SUNDAY - 7:30-8:30 A.M.	
3.1.1	BALAS WORKSHOP	LATIN AMERICAN FINANCIAL ISSUES	San Cristobal B	SUNDAY - 8:30-10:00 A.M.	59
3.1.2	THEME WORKSHOP	SMALL IS BEAUTIFUL: COMPETITIVE ADVANTAGE AND SMALL COUNTRIES	San Cristobal D	SUNDAY - 8:30-10:00 A.M.	61
3.1.3	THEME WORKSHOP	INTERNATIONALIZING E-BUSINESS	Tropical A	SUNDAY - 8:30-10:00 A.M.	63
3.1.4	COMPETITIVE	KNOWLEDGE FLOWS AND VALUE CREATION	Auditorium	SUNDAY - 8:30-10:00 A.M.	65
3.1.5	COMPETITIVE	EMERGING MARKETS	San Cristobal E	SUNDAY - 8:30-10:00 A.M.	66

SLOT	SESSION	TITLE	LOCATION	DATE AND TIME	PAGE
3.1.6	WORKSHOP	INTERNATIONAL MARKETING	Tropical B	SUNDAY - 8:30-10:00 A.M.	67
3.1.7	PANEL	THE ION PROJECT ON INTERNATIONAL ORGANIZING AND MANAGING	San Cristobal G	SUNDAY - 8:30-10:00 A.M.	69
3.1.8	COMPETITIVE	BARGAINING, RESOURCES AND POLITICAL STRATEGIES	Tropical C	SUNDAY - 8:30-10:00 A.M.	72
3.2.1	THEME PANEL	GEOGRAPHY AND SUBSIDIARY EVOLUTION	San Cristobal B	SUNDAY - 10:30-12:00 P.M.	74
3.2.2	COMPETITIVE	EXPERIENCE AND KNOWLEDGE TRANSFERS	San Cristobal D	SUNDAY - 10:30-12:00 P.M.	76
3.2.3	WORKSHOP	THE INTERNATIONALIZATION PROCESS	San Cristobal E	SUNDAY - 10:30-12:00 P.M.	77
3.2.4	THEME WORKSHOP	TRADE, FDI & SMALL COUNTRIES	San Cristobal G	SUNDAY - 10:30-12:00 P.M.	79
3.2.5	WORKSHOP	FDI IN SERVICES	Tropical A	SUNDAY - 10:30-12:00 P.M.	81
3.2.6	INTERACTIVE PANEL	RESTRUCTURING LARGE, DIVERSIFIED BUSINESS GROUPS	Auditorium	SUNDAY - 10:30-12:00 P.M.	82
3.2.7	WORKSHOP	GLOBAL EXPORTING & SOURCING STRATEGY	Tropical B	SUNDAY - 10:30-12:00 P.M.	84
3.2.8	COMPETITIVE	EXPATRIATES	Tropical C	SUNDAY - 10:30-12:00 P.M.	86
3.3.1	POSTER SESSION	POSTER SESSION 2 (with light refreshments)	Las Olas	SUNDAY - 12:00-1:30 P.M.	
3.4.1	THEME PANEL	LOCATING COMPETITIVE ADVANTAGE: PERSPECTIVES ON GLOBALIZATION FROM THE SLOAN INDUSTRY STUDIES	Auditorium	SUNDAY - 1:30-3:00 P.M.	97
3.4.2	WORKSHOP	ALLIANCE STRATEGIES: THE ROLES OF TRUST, COMMITMENT AND FIT	San Cristobal B	SUNDAY - 1:30-3:00 P.M.	99

SLOT	SESSION	TITLE	LOCATION	DATE AND TIME	PAGE
3.4.3	WORKSHOP	MODES OF ENTRY/INTERNATIONAL ACQUISITIONS	San Cristobal D	SUNDAY - 1:30-3:00 P.M.	101
3.4.4	WORKSHOP	INTERNATIONAL FINANCE & REGIONAL INTEGRATION	Tropical A	SUNDAY - 1:30-3:00 P.M.	102
3.4.5	PANEL	CENTRAL AND EASTERN EUROPE: LESSONS FROM THE 1990S	San Cristobal E	SUNDAY - 1:30-3:00 P.M.	104
3.4.6	WORKSHOP	BUSINESS ENVIRONMENTS & THE MNE	Tropical B	SUNDAY - 1:30-3:00 P.M.	106
3.4.7	COMPETITIVE	GLOBAL BRANDING CONSIDERATIONS	Tropical C	SUNDAY - 1:30-3:00 P.M.	108
3.4.8	COMPETITIVE	INTERNATIONAL HRM: CULTURE, CONTINGENCY AND TRANSACTION COST PERSPECTIVES	San Cristobal G	SUNDAY - 1:30-3:00 P.M.	109
3.5.1	JIBS DECADE AWARD	HONORING THE MOST INFLUENTIAL ARTICLE FROM THE 1992 VOLUME OF THE JOURNAL OF INTERNATIONAL BUSINESS STUDIES	Auditorium	SUNDAY - 3:30-4:30 P.M.	110
3.5.2	PANEL	FARMER DISSERTATION AWARD	San Cristobal D	SUNDAY - 3:30-4:30 P.M.	110
3.6.1	PLENARY PANEL HONORING JOHN STOPFORD AND LOUIS T. WELLS JR. (SPONSORED BY THE AIB FELLOWS)	STRATEGY AND STRUCTURE IN THE MNE: LOOKING FORWARD, LOOKING BACK	San Geronimo	SUNDAY - 4:30-6:30 P.M.	111
3.7.1	ENTERTAINMENT BY THE PUERTO RICO NATIONAL BAND	ENTERTAINMENT BY THE PUERTO RICO NATIONAL BAND (sponsored by Temple University and Bacardi)	Las Olas	SUNDAY - 6:15-7:30 P.M.	
<b>MONDAY, JULY 1, 2002</b>					
4.0.1	MEETING	AIB ANNUAL MEMBERS' MEETING (with light refreshments)	Auditorium	MONDAY - 7:30-8:30 A.M.	

SLOT	SESSION	TITLE	LOCATION	DATE AND TIME	PAGE
4.1.1	PLENARY PANEL HONORING PETER J. BUCKLEY AND MARK CASSON	BUCKLEY & CASSON'S THESIS IN THE FUTURE OF THE MULTINATIONAL ENTERPRISE AND BEYOND	San Geronimo	MONDAY - 8:30-10:00 A.M.	113
4.2.1	THEME PANEL	GEOGRAPHIC STRATEGIES IN KNOWLEDGE INTENSIVE INDUSTRIES	San Cristobal B	MONDAY - 10:30-12:00 P.M.	115
4.2.2	PANEL	INTEGRATING OPTION THINKING INTO INTERNATIONAL BUSINESS THEORIES	Auditorium	MONDAY - 10:30-12:00 P.M.	118
4.2.3	THEME WORKSHOP	LOCATION, LOCATION, LOCATION	San Cristobal D	MONDAY - 10:30-12:00 P.M.	120
4.2.4	WORKSHOP	BUSINESS TRANSFORMATION IN CENTRAL & EASTERN EUROPE	Tropical A	MONDAY - 10:30-12:00 P.M.	121
4.2.5	COMPETITIVE	EXPORT PERFORMANCE	San Cristobal E	MONDAY - 10:30-12:00 P.M.	123
4.2.6	PANEL	NEW DIRECTIONS FOR CROSS-CULTURAL OB/HRM RESEARCH	San Cristobal G	MONDAY - 10:30-12:00 P.M.	124
4.2.7	PANEL ROUNDTABLE	ORGANIZING AND BARGAINING UNDER HOSTILE, ERRATIC AND WEAK GOVERNMENTS	Tropical B	MONDAY - 10:30-12:00 P.M.	127
4.2.8	PANEL ROUNDTABLE	MCGRAW-HILL IRWIN LATIN AMERICAN SCHOLARS	Tropical C	MONDAY - 10:30-12:00 P.M.	127
4.3.1	BANQUET	AIB AWARDS & APPRECIATION BANQUET	San Geronimo	MONDAY - 1:30-3:00 P.M.	
4.4.1	BALAS PANEL ROUNDTABLE	LESSONS & CONSEQUENCES OF THE CRISIS IN ARGENTINA	San Cristobal B	MONDAY - 1:30-3:00 P.M.	128
4.4.2	THEME PANEL	KNOWLEDGE AND GEOGRAPHY	San Cristobal D	MONDAY - 1:30-3:00 P.M.	129
4.4.3	WORKSHOP	INTERNATIONAL JOINT VENTURES: MODE, LOCATION, PERFORMANCE AND CHOICE	Tropical A	MONDAY - 1:30-3:00 P.M.	131

SLOT	SESSION	TITLE	LOCATION	DATE AND TIME	PAGE
4.4.4	PANEL IN MEMORY OF STEPHEN GUISINGER	MULTINATIONALITY, EFFICIENCY AND FIRM VALUE	San Cristobal E	MONDAY - 1:30-3:00 P.M.	132
4.4.5	THEME WORKSHOP	REGIONAL INTEGRATION	Tropical B	MONDAY - 1:30-3:00 P.M.	134
4.4.6	PANEL	COMPETING IN EMERGING ECONOMIES: GOVERNANCE, ACQUISITION AND ENTREPRENEURIAL STRATEGIES	San Cristobal G	MONDAY - 1:30-3:00 P.M.	136
4.4.7	COMPETITIVE	ORGANIZATIONAL CHANGE & INFORMATION IN TRANSITION ECONOMIES	Tropical C	MONDAY - 1:30-3:00 P.M.	138
4.5.1	THEME PANEL	ECONOMIC AND GEOGRAPHIC INTEGRATION IN THE AMERICAS	San Cristobal B	MONDAY - 3:30-5:00 P.M.	140
4.5.2	THEME PANEL ROUNDTABLE	THE MYTH & REALITY OF GLOBAL E-COMMERCE	San Cristobal D	MONDAY - 3:30-5:00 P.M.	142
4.5.3	PANEL	LEARNING IN THE INTERNATIONALIZATION PROCESS	San Cristobal E	MONDAY - 3:30-5:00 P.M.	142
4.5.4	WORKSHOP	BUSINESS TRANSFORMATION IN ASIA	Tropical A	MONDAY - 3:30-5:00 P.M.	144
4.5.5	COMPETITIVE	THE EXPORTER-IMPORTER RELATIONSHIP	Tropical B	MONDAY - 3:30-5:00 P.M.	145
4.5.6	COMPETITIVE	CROSS-CULTURAL TEAMS	San Cristobal G	MONDAY - 3:30-5:00 P.M.	146
4.5.7	COMPETITIVE	GOVERNANCE, HISTORY & INSTITUTIONS	Tropical C	MONDAY - 3:30-5:00 P.M.	148
4.6.1	POSTER SESSION	POSTER SESSION 3 (with wine & cheese)	Las Olas	MONDAY - 5:00-6:30 P.M.	149

# Paper and Panel Abstracts

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## Friday – June 28, 2002

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### **1.2.2 - OPENING PLENARY PANEL**

#### ***GEOGRAPHY, TRADING BLOCS AND INVESTMENT IN THE CARIBBEAN SPACE***

**Room: San Geronimo**

**Time: FRIDAY - 4:30-6:00 P.M.**

Chair: Paul LaTortue, University of Puerto Rico, Prlatortue@aol.com

Panelists:

Edward (Monty) Graham, Institute for International Economics, EMGraham@IIE.com

Orsalia Kalantzopoulos, World Bank, okalantzopoulos@worldbank.org

Eric Miller, Inter-American Development Bank, ericm@iadb.org

David Lewis, Manchester Trade Ltd., davidlewis@manchesterttrade.com

Ulrich Konig, European Caribbean Center, ecpr@caribe.net

Foreign trade and investment matter, particularly for small economies. From time immemorial, trade and investment have mattered for the Caribbean, in part due to its location on transportation and trade routes linking the larger economies of South and North America. The Caribbean islands also have trade and financing agreements with the United States (through the Caribbean Basin Initiative) as well as with Europe (through the Lomé conventions), and negotiations are now under way for the establishment of the Free Trade Area of the Americas (FTAA). Is there a potential window of opportunity for development of the Caribbean basin countries? This session brings together senior scholars and policy makers from key US and international organizations to discuss the future prospects for trade and investment in the Caribbean.

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## Saturday – June 29, 2002

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### **2.1.1 - THEME PLENARY PANEL**

#### ***GEOGRAPHIES AND INTERNATIONAL BUSINESS***

**Room: San Geronimo**

**Time: SATURDAY - 8:30-10:00A.M.**

Chair: Lorraine Eden, Texas A&M University, leden@tamu.edu

The interaction of geographies and international business provides two clear dimensions for analysis: the firm and the location. The present paper suggests that there is a third dimension that brings together what often are separate views on economic and business performance.

The paper reports empirical findings that that firm location decisions across economies vary activity by activity and depend on the resources and knowledge. It also reports findings that indicate that multinational firms can play a variety of roles in regional clusters (localized sets of firms in the same or similar industries) and that clusters themselves can be dependent on, independent of, or interdependent with multinational firms. These findings are consistent with two clear trends in what are usually distinct literatures: 1) a business literature that increasingly sees the sources of competitive advantage for the firm as including its relationships or linkages as well as its activities, resources, and knowledge; and 2) a regional literature that increasingly sees the sources of competitive advantage for a region as including its relationships or linkages as well as its activities, resources, and knowledge. This overlap suggests that there are certain “primitives” that are at the core of both firm-based and region-based business success and that provide a “third dimension” linking the firm-based and region-based perspectives. As the interaction between locations and firms becomes increasingly complex, the paper suggests that these linkages will continue to provide a fruitful arena for international business research.

*The Interactions between Geography and International Business*

John H. Dunning, University of Reading, j.m.turner@reading.ac.uk

This study explores the relation between institutional variation across countries and the variation of entry modes chosen by foreign direct investors. The focus is in particular on two modes identified in earlier studies in emerging markets, but less common in mature market economies: brownfield investment and staggered acquisitions. The merits of alternative strategies from investors’ perspective as well as the impact on the host economy are to be investigated. For this purpose, investment strategies in four important emerging markets, India, Egypt, South Africa, and Vietnam are compared.

*Geographies and International Business: A Three Dimensional Approach*

Michael Enright, University of Hong Kong, menright@business.hku.hk

The interaction of geographies and international business provides two clear dimensions for analysis: the firm and the location. The present paper suggests that there is a third dimension that brings together what often are separate views on economic and business performance. The paper reports empirical findings that that firm location decisions across economies vary activity by activity and depend on the resources and knowledge. It also reports findings that indicate that multinational firms can play a variety of roles in regional clusters (localized sets of firms in the same or similar industries) and that clusters themselves can be dependent on, independent of, or interdependent with multinational firms. These findings are consistent with two clear trends in what are usually distinct literatures: 1) a business literature that increasingly sees the sources of competitive advantage for the firm as including its relationships or linkages as well as its activities, resources, and knowledge; and 2) a regional literature that increasingly sees the sources of competitive advantage for a region as including its relationships or linkages as well as its activities, resources, and knowledge. This overlap suggests that there are certain “primitives” that are at the core of both firm-based and region-based business success and that provide a “third dimension” linking the firm-based and region-based perspectives. As the interaction between locations and firms becomes more and more complex, the paper suggests that these linkages will continue to provide a fruitful arena for international business research.

*A New Map of Hollywood and the World*

Allen Scott, UCLA, ajscott@ucla.edu

In this paper, I offer a reinterpretation of the economic geography of the so-called new Hollywood. The argument proceeds in six main stages. First, I briefly examine the debate on industrial organization in Hollywood that has gone on in the literature since the mid-1980s, and I conclude that the debate has become unnecessarily polarized. Second, I attempt to show how an approach that invokes both flexible specialization and systems-house forms of production is necessary to any reasonably complete analysis of the organization of production in the new Hollywood. Third, and on this basis, I argue that the Hollywood production system is deeply bifurcated into two segments comprising (a) the majors and their cohorts of allied firms on the one hand, and (b) the mass of independent production companies on the other. Fourth, I reaffirm the continuing tremendous agglomerative attraction of Hollywood as a locale for motion-picture production, but I also describe in analytical and empirical terms how selected kinds of activities seek out satellite production locations in other parts of the world. Fifth, I show how the majors continue to extend their global reach by means of their ever more aggressive marketing and distribution divisions, and I discuss how that this state of affairs depends on and amplifies the competitive advantages of Hollywood. Sixth and finally, I reflect upon some of the challenges that Hollywood must face up to as new cultural-products agglomerations arise all over the globe, offering potential challenges to its hegemony.

*Safe Harbors are Hard to Find: The Trans-Atlantic Privacy Dispute, Democratic Legitimacy and Global Governance*

Steve Kobrin, University of Pennsylvania, [kobrin@wharton.upenn.edu](mailto:kobrin@wharton.upenn.edu)

Globalization is an uneven process: while markets are global, social and political institutions are local and national. As a result, economic space no longer coincides with national borders. This paper looks at the EU-U.S. dispute over data privacy as an example of the problems posed by geographic incongruence between the reach and domain of the Westphalian state – as legal jurisdiction, political authority and self-governing democratic community -- and the deep and dense network of transnational economic relations. It argues that the Safe Harbor compromise will not work and that a true multilateral solution to the problem of protection of data privacy, under the auspices of an effective international institution, is necessary.

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### **2.2.1 - COMPETITIVE THE NEW POLITICAL ECONOMY**

**Room: San Cristobal B**

**Time: SATURDAY - 10:30 A.M.-12:00 P.M.**

Chair: Robert Kudrle, University of Minnesota, [bkudrle@hhh.umn.edu](mailto:bkudrle@hhh.umn.edu)

Discussant: Steve Kobrin, University of Pennsylvania, [kobrin@wharton.upenn.edu](mailto:kobrin@wharton.upenn.edu)

*Subsidiary Research and Development and the Local Environment*

Klaus Meyer, Copenhagen Business School, [km.cees@cbs.dk](mailto:km.cees@cbs.dk)

Lee Davis, Copenhagen Business School, [lda.ivs@cbs.dk](mailto:lda.ivs@cbs.dk)

In the knowledge-based economy, multinational enterprises (MNEs) increasingly seek to optimize their global innovative capabilities by incorporating subsidiary-specific advantages in different countries. In the literature on international R&D, a range of host country advantages is discussed. But how important are various location advantages for the incidence and intensity of subsidiary investments in research and development? This paper adds to the literature on

international R&D by taking a subsidiary perspective. Based on an empirical survey of MNE affiliates in seven countries in Europe, we investigate the effects of five aspects of the local business environment: market conditions, supply conditions, the availability of business professionals, scientific institutions, and government support. We found, first, that only the presence of scientific institutions has a consistent and positive effect on both the incidence and intensity of subsidiary R&D. Second, government support has a positive effect on the incidence of subsidiary R&D especially in greenfield projects - but not on R&D intensity. Third, demanding market environments have a negative effect on subsidiary R&D.

*Sovereignty@Bay? Yes, but Whose? A Case Study of the Proposed EU VAT Policy on Downloadable Products and Services*

James Nebus, University of South Carolina, jnebus@sc.rr.com

The purpose of this paper is to examine the issues that surround the tension between internet commerce and nation-states. These issues range from the ideal, as in sovereignty, to the practical, such as bargaining power. In the case of downloadable products and services, the internet is a threat to a nation's economic autonomy as it has entirely eliminated the barriers of distance and borders. The nation state's bargaining power is negligible for internet businesses located outside the state, as there is no longer a need for the seller to access the nation's territory. This paper addresses these issues in the context of the proposed EU policy regarding compliance of non-EU internet businesses in the collection of Value Added Tax (VAT). This case study, still unfolding, was chosen because of the subtle turnaround in sovereignty infringement that the law would impose on non-EU countries. The proposed EU rules have noteworthy implications for sovereignty as they would require, by law, for internet sellers, with no EU physical presence, to collect VAT from the buyer and remit it to the EU. This case also manifests the underlying tension caused by the nation-state's territorial, geographic orientation, versus the internet's borderless, geography absent perspective.

*How Governments Matter to New Industry Creation*

Jennifer Spencer, George Washington University, jspencer@gwu.edu

Stefanie A. Lenway, University of Minnesota, slenway@csom.umn.edu

Thomas P. Murtha, University of Minnesota, tmurtha@csom.umn.edu

Multinational firms and their global supply networks have are facing increasing pressures for environmental responsibility from non-governmental actors. Reasons for these increasing pressures include concerns about the ability of national governments to regulate firms' environmental conduct in the global economy and the increasing influence of non-governmental organizations that are extending their reach into supply chains. International voluntary environmental initiatives (VEIs) are emerging as an important tool for corporate environmental self-regulation in the global economy. In the past decade, the number of national and international VEIs has grown from a handful to hundreds of initiatives. These initiatives are not mandated by government regulations, but firms can decide to adopt international VEIs and to adhere to their requirements.

This paper analyzes reasons for the emergence of international VEIs, explains the importance of this development for business and then develops a framework that helps firms to use a strategic approach to manage their involvement in VEIs. The framework suggests that a firm's capabilities to address each particular environmental issue and the strategic importance of each environmental issue are key factors to consider in selecting a strategy. We use case studies to illustrate five different strategies. We conclude with a discussion of the impact of international VEIs on the role of government regulation in the global economy.

*Determinants of Multimedia, Entertainment and Business Software Copyright Piracy Rates and Losses: A Cross-national Study*

Hans van Kranenburg, University of Maastricht, H.vankranenburg@MW.unimaas.nl  
A.E. Hogenbirk, University of Maastricht, A.E.Hogenbirk@rn.rabobank.nl

This article examines cross-national variations in piracy of U.S. copyright related products in the multimedia, entertainment, and software industry. The copyright piracy rates and losses exhibit considerable fluctuations between countries. To determine which economic and social factors cause the differences in the piracy rates and losses suffered by U.S. copyright industries in individual countries, we tested four industry models. One unique aspect of the present study is that we separately account for differences in piracy rates and actual estimated financial losses in US dollars. We find that for most industries piracy can be explained by the creditworthiness of the country involved (signaling economic stability and growth potential). Piracy losses are positively correlated with the size of the domestic market. In case of the motion picture video industry, we find that country's level of technology –expressed by the share of high-technology products in total exports - and a high penetration of TV-sets strongly influence the piracy level. The results furthermore suggest considerable variation among regions in piracy in particular industries.

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**2.2.2 - BALAS WORKSHOP**  
***LATIN AMERICAN BUSINESS STRATEGIES***

**Room: Tropical A**

**Time: SATURDAY 10:30 A.M.-12:00 P.M.**

Chair: Paul Esqueda, IESA, pesqueda@iesa.edu.ve

Discussant: Hildy J. Teegen, George Washington University, teegen@gwu.edu

*Large Firms and Business Groups in Latin America*

John Sargent, University of Texas Pan American, jsargent@panam.edu

In both industrialized and developing countries, large firms play an essential role in economic development. While scholars have spent considerable time and effort studying large firms in industrialized countries and in parts of Asia, our knowledge of Latin America's largest corporations is far from complete. To begin to address this deficiency, in this paper we bring together literature from a variety of disciplinary perspectives including business history, industrial sociology, economic development, corporate finance, and international management in order to develop a better understanding of Latin American firms. As has been the case since at least the end of the 19th century, studies consistently find that Latin American firms are organized into larger business groups and to be owned and controlled by families. We probe into the strengths and weaknesses of the Latin American version of personal capitalism including how firms are financed, their efforts to partner and/or compete with industrialized country multinationals (MNCs), and their chances of success in a global economy. Limited by an inability to finance growth and to engage in self-sustaining cycles of technological innovation, we conclude that many Latin American groups have little hope of competing against industrialized country MNCs given their current capabilities and widespread free market policies.

*Regional Strategies in Latin American Consumer Markets: Integrators, Specialists and*

*National Champions*

Fernando Robles, George Washington University, Roblesf@aol.com

The Latin American consumer market sector is a mosaic of different market cultures, competitive structures and players with different strategies. Success for international companies rests on the ability to decide whether they pursue mass-market appeal or become regional specialists. Regional appeal requires economies of scale and scope, full control, and well-designed market strategies, and financial resources for expansion. Specialist strategies focus on offering the best consumer value to a given consumer segment. National companies have to find strategies to challenge integrators and specialists. This paper analyzes the performance of these strategies in the Latin American consumer market and finds that broad regional integrators seem to be outperforming firms using other strategies. In the long term, however, broad regional integrators may be better positioned to emerge as winners. National champions may be most vulnerable of all as they struggle to achieve scale of large integrators.

*Lessons from Four Successful Latin American Cases of Internationalization*

Humberto Serna, Universidad de los Andes-Bogota, hsg@adm.uniandes.edu.co

Harvey Arbeláez, Monterey Institute of International Studies, Harvey.arbelaez@miis.edu

This paper provides an in-depth consideration to the key factors of success leading to the internationalization of four Latin American firms in different industries. The internationalization process of these firms occurs at a period of time of increasing and fierce competition both at home and abroad, and of adverse economic-, political-, and social conditions of the domestic market. The appropriate design of an internal organizational structure and the effective execution of a strategic plan frame the internationalization process beyond the classic assumptions of knowledge and information implicit in the Uppsala model. These firms have followed a consistent pattern of internationalization in function of a true strategic process characterized by managerial commitment, networking and strategic alliances, risk management considerations, and an entrepreneurial act that expands their entrenchment in the international arena in scope and depth. The paper describes the internationalization process by capturing motives, events, episodes, entry modes, and adaptive measures as well as the barriers that were overcome to position these four firms as world-class competitors. The paper concludes with a comparison analysis amongst them to contrast their international involvement with models such as R2, H, W, M and U theoretically developed, and empirically tested, and found elsewhere in the literature.

*Do Caribbean Export Companies Benefit from their Nation's Membership in CARICOM?*

Lyn Amine, Saint Louis University, aminels@slu.edu

Christina Steck, Saint Louis University, umrslu@aol.com

Do all companies that participate in export activities within a regional market group benefit from their nation's membership in the group? This paper attempts to answer that question based on the testimonies of export companies operating in the Caribbean Community states (including Barbados, Antigua, Trinidad and Dominica). Data were collected through an initial Internet search and contact with local chambers of commerce, followed by attempts at direct email contact with the management of almost sixty individual companies. The paper presents qualitative vignettes of eight companies that were selected to illustrate typical concerns and export marketing practices. Our general conclusion was that the answer to the research question is "no." As a whole, CARICOM benefits its member states by giving these small developing nations a greater presence in world markets. However, within each nation,

individual company benefits vary markedly. Similarities among product offerings of CARICOM member states are a key problem rendering effective export marketing differentiation between companies and countries a major challenge.

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### **2.2.3 - THEME WORKSHOP CLUSTERING IN HIGH-TECH SECTORS**

**Room: San Cristobal D**

**Time: SATURDAY 10:30 A.M.-12:00 P.M.**

Chair: John Cantwell, University of Reading, j.a.cantwell@reading.ac.uk

Discussant: Michael Enright, University of Hong Kong, menright@business.hku.hk

#### *Entrepreneurs and the Formation of Industrial Clusters*

Johanna Francis, Johns Hopkins University

Maryann Feldman, Johns Hopkins University, maryann.Feldman@jhu.edu

This paper outlines the development of a high-tech industrial cluster through the efforts of entrepreneurs who adapted to both constructive crises and new opportunities, creating the factors and conditions that facilitated their business interests. We examine the initial factors influencing individual decisions to become entrepreneurs and how external factors influence the formation and location of high technology clusters. The perspective taken is that entrepreneurs are a critical element in the formation of clusters and their actions are important in the analysis of clusters as complex adaptive systems.

#### *The Effects of Regional Clusters on Knowledge Stocks and Flows: Evidence from the Biotechnology Industry*

Anupama Phene, University of Utah, mgta@business.utah.edu

Steve Tallman, University of Utah, mgtsbt@business.utah.edu

This paper examines when and how component knowledge flows across geographic boundaries in the biotechnology industry. We define such knowledge flows in three geographic contexts – within a region, between regions and between countries. We hypothesize that these flows are characterized by various factors: technological closeness, articulation and value of knowledge, time lag effects and firm reputation, based on differential architectural knowledge at the various levels. Our results support the importance of these characteristics for between region flows compared to within region flows. However, between country flows demonstrate contrary patterns. We interpret these differences as evidence for architectural knowledge differences across geographical boundaries.

#### *Balancing Localization and Globalization: Exploring the Impact of Globalization on the Rochester Optics/photonics Cluster*

Richard DeMartino, Rochester Institute of Technology, rxdbbu@rit.edu

David McHardy Reid, Rochester Institute of Technology, dmrbbu@rit.edu

Stelios C. Zyglidopoulos, Rochester Institute of Technology, sczbbu@rit.edu

This paper seeks to understand the impact of globalization on regional industrial clusters. The past decade has witnessed the popularization of two somewhat contradictory trends in geographic competitiveness: the importance of localization and globalization. This paper

reports the preliminary findings of research conducted on the internationalization of the optics/photonics clusters based in Rochester, NY. Twenty CEOs were interviewed, face to face. Using content analysis combined with a grounded theory influenced approach the texts of these interviews were appraised. Some salient findings emerged related to the influence of globalization on local clusters.

*On the Crest of a Wave: Evolution of the New Zealand Marine Cluster*  
Sylvie Chetty, Massey University, s.chetty@massey.ac.nz

This paper uses qualitative research to study how the New Zealand marine cluster evolved and how world-class competitive capabilities developed within this cluster. Porter's (2000) clusters theory is used as a framework. The findings show that the cluster evolved through a combination of organic growth as well as a structured approach. Organic growth occurred through inspirational industry leaders who initiated it and acted as catalysts. Supporting institutions then took over by facilitating and being catalysts in a planned and structured way. Various forces shaped this cluster which included, a passion for sailing, entrepreneurial leaders, supporting institutions, winning international yacht races, drive for internationalization, common problems and learning within the cluster.

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#### **2.2.4 - COMPETITIVE INTERNATIONAL JOINT VENTURES: CREATION AND EVOLUTION**

**Room: San Cristobal E**

**Time: SATURDAY 10:30 A.M.-12:00 P.M.**

Chair: Shih-Fen Chen, Brandeis University, shihfen@brandeis.edu

Discussant: Benjamin Gomes-Casseres, Brandeis University, bgc@brandeis.edu

*The Shadow of the Environment and the Past: The Effect of Embeddedness on the Probability of Inter-firm Partnership Formation*

John Hagedoorn, Maastricht University, j.hagedoorn@mw.unimaas.nl

Since the collapse of communism, restructuring is a constant organizational activity in Central and Eastern Europe. I will focus on the recent wave of market-driven restructuring and corporate entrepreneurship. In particular, I will examine how firms in transition economies can and have developed resources that improve their capability to develop strategic action and entrepreneurial behaviors. Antecedents to these capability developments are capital generation via downscoping, learning from partners outside the traditional networks, and environmental scanning. However, firms in transition economies are being challenged by a weak institutional environment, including underdeveloped capital, factor and product markets. The resourcefulness required from managers of these firms likens them to entrepreneurs in search of resource and know-how providers in developed economies. My paper will build on previous research to develop theory predicting entrepreneurial behavior of privatized firms in the transition economies of Central and Eastern Europe.

*Influence of CEO Successor Characteristics on the Choice Between Cross-Border Acquisitions and Joint Ventures*

Deepak K. Datta, University of Kansas

Pol Herrman, Iowa State University, pol@iastate.edu

This study examines relationships between successor CEO characteristics and entry-mode choice using a sample of 195 foreign market entry events involving acquisitions and joint ventures. The underlying assumption is that CEO characteristics (indicative of cognitive orientations and knowledge base) influence the selection of entry mode. Our results indicate that after controlling for firm, industry, and country factors, CEO throughput functional background and international experience are associated with the choice of acquisitions over joint ventures. On the other hand, findings suggest that CEO age is positively related to the selection of the joint venture mode of entry.

**🏆 Haynes Prize Finalist**

*Why Do International Joint Ventures Fail? A Strategic Mismatch Explanation*

Bo Nielsen, Copenhagen Business School, bn.int@cbs.dk

Why do so many international joint ventures fail? This paper aims at answering this question and contribute to the research concerning alliance dynamics by combining elements from research considering alliance formation and alliance outcomes. This paper draws on the widely accepted exploitation/exploration dichotomy, suggesting the existence of continuum of choices related to strategic motivation for alliance formation. However, by integrating the exploitation/exploration arguments into a set of knowledge-related strategic motives for IJV formation, the main arguments focus on the relationship between initial strategic motivation for alliance formation and outcome in terms of knowledge. Essentially, it is argued that IJVs fail due to mismatches between strategic motives and rationales among the partners. Ultimately, a series of testable propositions are derived to guide future empirical investigation. Finally, the paper provides suggestions for future theoretical development and empirical exploration.

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**2.2.5 - WORKSHOP**  
***TECHNOLOGY, MARKETING AND NETWORKS***

**Room: Tropical B**

**Time: SATURDAY 10:30 A.M.-12:00 P.M.**

Chair: Bernard Wolf, York University, bwolf@yorku.ca

Discussant: John Clarry, The College of New Jersey, clarry@tcnj.edu

*The Detail of Drugs: Horizontal Distribution Alliances in the International Pharmaceutical Industry*

Ursula Alvarado, University of Illinois-Urbana Champaign, ualvarado@tamu.edu  
Anne Coughlan, Northwestern University

The use of horizontal distribution alliances (HDAs) to enter international markets has grown in popularity, yet the mechanisms for implementing and managing them are not well understood. HDAs are characterized by the joining of two firms--from the same industry--to distribute a product owned by one of the firms into a new market. Because these firms ultimately serve similar markets, they tend to be in competition at some level of the business. Nevertheless, many firms manage to successfully introduce the new product. The primary contribution from this research lies in the uncovering of the factors that predict the formation of horizontal distribution alliances as well as their success. Resource Dependence and Transaction Cost Analysis are the two organization theories integrated with firm-specific strategic concerns to formulate predictions on how these alliances are formed and structured to achieve success. Empirical, dyadic research is conducted in the global pharmaceutical industry. Findings suggest that certain environmental constraints as well as strategic motivations will affect the entrant firm's choice to form an alliance. Results also indicate that a certain level of dependence is required to achieve a successful alliance for both partners; however, too much dependency can negatively affect alliance satisfaction.

*International Technology Alliances and Firm Value Creation: A Knowledge-Based Approach*

Byung H. (Brian) Lee, California State University, Fullerton, blee@fullerton.edu  
Arvind Parkhe, Indiana University, aparkhe@indiana.edu  
Marjorie A. Lyles, Indiana University, mlyles@iupui.edu

International technology alliances have emerged as a strong corporate response to increasing global competition and internal resource limitations. Despite their strategic significance and proliferation, existing literature on strategic alliances has failed to clearly explicate how firms enhance their firm value by forming international alliances. Hence, this study attempts to identify factors contributing to the creation of firm value through interfirm cooperation in high tech industries. First, this study examines whether international technology alliance formations lead to increases in firm value. Then, based on the knowledge-based perspective, it identifies factors that are considered to affect alliance performance and measures the extent to which the factors account for the variation in partnering firm's value. The factors include foreign alliance experience, R&D investment, direct linkages with the same partner and the degree of technology overlap between partnering firms. Empirical results suggest that firms engaged in international technology alliances significantly increased their firm value. Alliance experience and R&D investment were found to significantly influence firm value in international technology alliances. In contrast, past direct linkages between partners and technology overlap did not have substantial impact on firm value creation. These findings provide new insights for managers to develop alliance management capabilities.

*R&D Activity in Biotech Joint Ventures*

Malika Richards, Drexel University, mr26@drexel.edu  
Donna M. De Carolis, Drexel University

The research question we investigate is under what conditions will joint ventures engage in research and development (R&D) activity within the context of a global high-technology environment. To explore this question, we examine the collective impact of initial conditions

that influence the presence of R&D activity among joint ventures formed in the global biotechnology industry. Our investigation is driven by two streams of research in joint ventures: transaction costs and similar interests. Specifically, we examine whether business relatedness, cultural relatedness, country risk, and prior joint venture experience are related to R&D activity in joint ventures. Our results show that cultural relatedness and country risk factors do matter when it comes to R&D activity in biotech joint ventures. On the other hand, business similarities and prior JV experience between the parents do not seem to be as important as one might expect.

*Whether and When is Social Capital Valuable? A Longitudinal Study of the Global Pharmaceutical Industry*

Beiqing (Emery) Yao, University of Pittsburgh, bqyao@katz.pitt.edu

Dingkun Ge, University of Illinois at Urbana-Champaign, dge@uiuc.edu

Competitive advantage derives not solely from firm level resources but also from the difficult-to-imitate capabilities embedded in dyadic and network relationships. Social capital, a firm's position and relations with others in inter-organizational networks, has been viewed extensively as a source for competitive advantage. We propose that, under certain conditions, a firm's social capital helps generate strategic advantage over others in competing for resources. While the density of the network, in which the firm is embedded, affects how much competitive advantage it could obtain from its social capital. We particularly address how network density affects the reverted U shape relationship between social capital and organizational performance. We predict that high network density (1) decreases the level of over-embeddedness threshold, (2) makes the slope of upward part of the reverted U shape flatter, while (3) makes the slope of downward part steeper. We explored firms' alliance activities and their performances in global pharmaceutical industry from 1990 to 1996 to examine proposed relationship. Preliminary tests at organization level illustrated reasonable evidences.

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**2.2.6 - PANEL**

***THE FUTURE OF THE MULTINATIONAL ENTERPRISE***

**Room: Auditorium**

**Time: SATURDAY 10:30 A.M.-12:00 P.M.**

Chair: Anil Gupta, University of Maryland, agupta@rhsmith.umd.edu

Discussant: Susan Feinberg, University of Maryland, Feinberg@glue.umd.edu

Today, much economic activity (both in manufacturing and services) is location-bound, taking place in clusters. The geography of location has been summed up in the phrase "sticky places" and these rigidities influence the strategic management decisions of firms, including multinational enterprises (MNEs). In fact, the choice of entry mode and choice of location are complementary strategic management decisions of profound importance to MNEs. The key theoretical driver behind this paper is the insight that in most clusters of value-added activities the MNEs are embedded as leading participants. Rugman and D'Cruz argue that MNEs act as "flagships" to lead, direct, co-ordinate and manage strategically the value added activities of partner firms in a business network, including key suppliers, key customers, and the non-business infrastructure. The new thinking explored in this paper is the extent to which clusters are "regionally" based, i.e. operate across the national borders of nation states. Examples are examined from the U.S—Canadian context and from within the E.U. Coupled

with this regional focus on clusters will be analysis of the past, present and future role of MNEs in such regional/triad geographical spaces.

*Emerging Patterns of Knowledge Management in the MNE*

Julian Birkinshaw, London Business School, jbirkinshaw@london.edu

“Emerging Patterns Of Knowledge Management In The MNE” will examine why MNEs continue to suffer from severe “learning disabilities.” His research indicates that MNEs continue to do well on the more traditional tasks of diffusing knowledge from the center to the subsidiaries and of fostering local innovations within the subsidiaries. However, they continue to perform miserably in terms of ensuring the dispersion of subsidiary knowledge to the rest of the global network and/or ensuring the development of new knowledge through collaboration among peer subsidiaries. Birkinshaw will discuss some of the approaches that MNEs are beginning to use to remedy their poor knowledge flows - the creation of decentralised knowledge responsibilities (such as centres of excellence), more effective mapping of knowledge stocks and flows to figure out where the blockages are, the use of a common language that everyone can understand (obvious, but very critical), and various human resource policies for creating a more “holographic” approach (Hedlund, 1986).

*The Multinational Enterprise in the Digital Age*

Anil Gupta, University of Maryland, agupta@rhsmith.umd.edu

“The Multinational Enterprise In The Digital Age” will start with the premise that technological developments have always been among the principal drivers of mutations in the external as well as internal boundaries of organizations and the source of industry transformations and strategic innovations by companies. Focusing on the “digital revolution” and utilizing ideas from information processing theory, transaction cost economics, agency theory, and the resource based view of the firm, he will address the following set of questions: What is the likely impact of the “digital revolution” on (1) the geographical reach of MNEs’ market presence and the geographical dispersion of their upstream value chain activities, (2) the product diversity of MNEs, (3) the pressures for local responsiveness as well as for global integration, (4) the nature of organizational mechanisms (e.g., formal vs. informal, hierarchical vs. lateral) used by MNEs for coordination and control of the global network, and (5) the management of the MNE’s knowledge network e.g., what issues are likely to become most salient in a context where codified (although not tacit) information is abundantly available and efficiently transferable across the entire global network?

*Geography and the Future of Location-Bound Drives of Triad Strategy*

Alan M. Rugman, Indiana University, rugman@indiana.edu

Today, much economic activity (both in manufacturing and services) is location-bound, taking place in clusters. The geography of location has been summed up in the phrase “sticky places” and these rigidities influence the strategic management decisions of firms, including multinational enterprises (MNEs). In fact, the choice of entry mode and choice of location are complementary strategic management decisions of profound importance to MNEs. The key theoretical driver behind this paper is the insight that in most clusters of value-added activities the MNEs are embedded as leading participants. Rugman and D’Cruz argue that MNEs act as “flagships” to lead, direct, co-ordinate and manage strategically the value added activities of partner firms in a business network, including key suppliers, key customers, and the non-business infrastructure. The new thinking explored in this paper is the extent to

which clusters are “regionally” based, i.e. operate across the national borders of nation states. Examples are examined from the U.S—Canadian context and from within the E.U. Coupled with this regional focus on clusters will be analysis of the past, present and future role of MNEs in such regional/triad geographical spaces.

*MNE Legitimacy in a Globalizing World*

Srilata Zaheer, University of Minnesota, [szaheer@csom.umn.edu](mailto:szaheer@csom.umn.edu)

“MNE Legitimacy In A Globalizing World”) will start with the premise that anyone interested in the long-term viability and sustainability of complex organizations such as the multinational enterprise (MNE), as they shape and respond to the pressures of globalization, would have to appreciate the importance of the legitimacy of multinational corporations, and the attendant liability of foreignness faced by them, in a world where the MNE is not always viewed positively. Building on this premise, she will address the following set of questions: (1) How exactly do the greater interdependence across countries, the greater integration of markets and the freer flow of ideas entailed by globalization affect the legitimacy of MNEs, and of MNE subunits, and the liability of foreignness faced by them? (2) How fragile is legitimacy? To what extent does legitimacy in fact correlate with the profitability and survival of MNEs and of MNE subunits? (3) How has the relationship between the overall legitimacy of the MNE and the legitimacy of its subunits changed with globalization? (4) To what extent do the positive (from the point of view of the MNE) aspects of globalization counter the increased scrutiny and negative contagion effects? (5) From a substantive point of view, how well prepared are MNEs to deal with contagion effects? What mechanisms are effective in preventing or dealing with legitimacy spillovers? Srilata will map out current thinking on issues surrounding MNE legitimacy in a globalizing world, and raise questions for research.

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**2.2.7 - PANEL**

***CROSSING CULTURAL DISTANCE: EXPLORING THE CAPACITY FOR WORKING GLOBALLY***

**Room: San Cristobal G**

**Time: SATURDAY 10:30 A.M.-12:00 P.M.**

Chair: Cristina Gibson, University of Southern California, [cgibson@marshall.usc.edu](mailto:cgibson@marshall.usc.edu)

Discussant: Nakiye Boyacigiller, San Jose State University, [boyacigiller\\_n@cob.sjsu.edu](mailto:boyacigiller_n@cob.sjsu.edu)

In this panel, we extend the research on cross-cultural management to examine what we refer to as the capacity for working globally. We first prompt the audience to consider what they believe it means to have such a capacity. The papers in the panel then suggest that there are attitudes, mindsets, skills, and mechanisms, which collectively result in the capacity to work effectively globally, that may inhibit or aid in crossing cultural distances commonly found in global organizations. By emphasizing capacities that can be developed, nurtured, and trained, we highlight the potential for future success in these complex contexts characterized by multiple, often conflicting cultural values, norms and priorities. Both audience and panelists should come away from this session with a heightened awareness and understanding of the challenges and key success factors required for working and managing effectively in the global economy.

*Exploring a New Construct in Cross-Cultural OB: Cultural Intelligence*

Christopher Earley, Indiana University, pearley@indiana.edu

Clare Francis, Indiana University, francisc@indiana.edu

A key issue facing organizations as they globalize is employee effectiveness as they cross cultural boundaries. Managers differ in their capacity to adapt to new cultures for reasons including ways of thinking, personal motives and behavioral repertoire. We refer to this capacity as cultural intelligence, or a person's capacity to adapt to new cultural contexts. Cultural intelligence is composed of three basic elements including cognitive, motivational, and behavioral facets. The cognitive facet refers to features of cognition (e.g. memory storage and recall, reasoning) related to social interaction and information processing. The motivational facet captures personal and cultural values of individuals that influence their choice of preferred actions and their efficacy concerning cross-cultural interactions. Finally, the behavioral facet refers to a person's behavioral repertoire and capability to generate behaviors appropriate in a new culture. We argue that cultural adaptation requires a manager to exhibit meaningful levels of these three facets – knowing what to do (cognitive), wanting to respond and feeling confident to do so (motivation), and being able to do the right things (behavior). It is not sufficient for an expatriate to be motivated to succeed since he may not know what to do. Nor is it sufficient for an expatriate to know what is appropriate since her motivation may be lacking. Effective cross-cultural interaction requires that a person have significant levels of all three facets of cultural intelligence. This study presents preliminary assessments of the cultural intelligence construct and relates it to critical cross-cultural interactions. The results of grounded theory support the three facets of cultural intelligence.

*Building Bridges, Windows and Cultures: Mediating Mechanisms between Team Heterogeneity and Performance in Multinational Teams*

Mary Maloney, University of Minnesota, mmaloney@csom.umn.edu

Mary Zellmer-Bruhn, University of Minnesota, mzellmer-bruhn@csom.umn.edu

Multinational teams are one means by which organizations manage complexities faced in global business environments. Multinational teams are often made up of people from different functions, cultures and with varying global mind-sets. Previous research provides conflicting results about the impact on performance of the extreme heterogeneity typified in these teams, with evidence for both a positive and negative impact. This paper investigates ways multinational teams might overcome the barriers caused by multiple forms of heterogeneity in order to reap the benefits required from it. In our paper, we draw upon a variety of areas to develop three mediating mechanisms to the effect of heterogeneity on performance in multinational teams: thought world windows, fault line bridges and hybrid team cultures. Thought world windows are concrete activities that form a rallying point around which diverse members create understanding in multinational teams. Fault line bridges utilize the things team members have in common to bridge the fault lines caused by their heterogeneity. A hybrid team culture is a unique identity created and enacted by team members and has been shown to positively impact performance. The paper contributes to theoretical and practical discussion by integrating ideas from multiple streams of research and taking us step toward understanding more about the complexities of multinational teams.

*Mapping the Terrain of the Global Leadership Construct*

Mark Mendenhall, University of Tennessee, Chattanooga, mark-mendenhall@utc.edu  
Joyce Osland, University of Portland, osland@up.edu

A review of the nascent, extant literature on global leadership competencies revealed that global leadership is a multi-dimensional construct, with eight core dimensions of competencies, each with attendant sub-skills. The competency dimensions of global leadership, and their attendant sub-skills, conceptually overlap with determinants of expatriate adjustment. The implications of the findings of the review for global leadership development practices--especially through the use of expatriation--are discussed, along with suggestions for future research in this relatively new research area of international management.

*Global Mind-Set Heterogeneity: A Critical Multinational Team Attribute*

Mary Zellmer-Bruhn, University of Minnesota, mzellmer-bruhn@csom.umn.edu  
Cristina Gibson, University of Southern California, cgibson@marshall.usc.edu

Multinational teams (MNTs) are characterized by heterogeneity on many dimensions. In this paper we suggest that global mind-set (Murtha, Lenway, & Bagozzi, 1998) is an important source of heterogeneity in MNTs that is likely to influence their processes and performance. The strategy literature suggests that "global mind-sets" affect individuals' approaches to global business, and that cognitions concerning local responsiveness versus global integration affect managers' behaviors (Murtha, et al., 1998). Team members from disparate world regions are likely to vary in the way they think about the relative importance of local, regional, or global issues. We refer to this characteristic of MNT's as global mind-set heterogeneity (MSH). In multinational new product development teams, for example, this may mean that members from different regions of the world will vary in the degree to which they see product customization as necessary. We expect that global MSH will have particular implications for shared beliefs, conflict, and innovation. In this paper we develop the concept of MSH as a critical team-level attribute that can impact processes and outcomes. We test hypotheses about global mindset using a sample of over 100 teams from five organizations and four different world regions. This research sheds light on a particular type of difference that has direct implications for the effectiveness of multinational teams, and provides suggestions about how to bridge these differences to maximize the outcomes realized in such teams.

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**2.2.8 - PANEL**

***MEET THE JIBS EDITORIAL TEAM***

**Room: Tropical C**

**Time: SATURDAY - 10:30 A.M.-12:00 P.M.**

Chair: Arie Lewin, Duke University, aylewin@attglobal.net

Panelists:

S. Tamer Cavusgil, Michigan State University, cavusgil@msu.edu

Donald Lessard, Massachusetts Institute of Technology, dlessard@mit.edu

The purpose of this session is to introduce the new JIBS editorial team: Arie Lewin (Editor-in-Chief) and Associate Editors-in-Chief Tamer Cavusgil, Donald Lessard, Joan-Enric Ricart, Henk Volberda and Larry Farh. Changes to the editorial policy, editorial review process, editorial web site, role of consulting editors group, page length policy, submission fees, book review policy, and so on will be discussed. The editorial team will answer questions from the

audience.

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### **2.3.1 - POSTER SESSION**

#### ***POSTER SESSION 1 (WITH LIGHT LUNCH)***

**Room: Las Olas**

**Time: SATURDAY - 12:00-1:30 P.M.**

Chair: José de la Torre, UCLA, jose.de.la.torre@anderson.ucla.edu

*Location and International Business: Conceptualizing Clusterography*

Michèle Akoorie, University of Waikato, mema@waikato.ac.nz

This paper examines the growing interest in a field defined as clusterography – the geography of clusters. It suggests that in a global economy governments will become increasingly interested in agglomeration; clustering and industrial districts. The paper then examines the contributions from diverse schools of thought (economic geography, the new geographical turn in economics, the neo-Marshallian industrial districts and strategic management theorists) and suggests that they share many of the same antecedents. While agglomeration has received a great deal of attention in the literature – the Weberian concept of deglomeration has been all but ignored. The methodological approaches of some of the current literature are then critiqued, and the paper concludes that a process orientation, taking account of the institutional and social frameworks in which clusters develop is more consistent with the socioeconomic transformations occurring in advanced industrial countries.

*Opening the Black Box of Regional Culture: A Cross-section of 54 Regions*

Beugelsdijk Sjoerd, Tilburg University, S.Beugelsdijk@kub.nl

Niels Noorderhaven, Tilburg University, N.G.Noorderhaven@kub.nl

A.B.T. M. van Schaik, Tilburg University, Schaik@kub.nl

In the literature on regional clusters factors like entrepreneurial ability, regional innovative potential, and entrepreneurial human capital are increasingly stressed in explaining the economic success of regions. Using a unique dataset on norms and values in 54 European regions, we distinguish values that characterise self-employed, which enables us to construct a regional aggregate that reflects the average score on entrepreneurial attitude of the populations in these European regions. We show that regions differ in entrepreneurial attitude, and that a high score on entrepreneurial characteristics is correlated with a high rate of regional economic growth. In this way we empirically establish the link between culture and economy at the regional level.

*Cartography and International Business*

Peter J. Buckley, University of Leeds, pjb@lubs.leeds.ac.uk

This paper examines the relationship between cartography and international business. It analyses the role of maps in international business to date and suggests that the relationship between cartographers and international business specialists should become closer and more bilateral. It examines the conventional assumptions behind mapping and suggests that international business specialists have a role to play in influencing the choices which cartographers make. Cartography is presented as a discourse of power and its relationship with culture is examined. Technological developments are shown to influence cartography,

frontiers and environmental influences are examined and mapping of the past and the future (the internet) are considered. Mapping can help international business academics to formulate more realistic models of global business.

*The Transformation of Firm Scope with Market Liberalization*

Alvaro Cuervo-Cazurra, University of Minnesota, acuervo@csom.umn.edu  
Omar Toulan, McGill University, toulan@management.mcgill.ca

We analyze the transformation process of the firm's activity set, its scope, after radical changes in the environment induced by government-led market liberalization. We extend the resource-based view and argue that environmental changes impact the value of internal resources through changes in the availability of external resources and competitive pressures. This leads to the re-evaluation and transformation of scope in its three dimensions –vertical, horizontal, and geographical– in a theoretically explainable manner.

*Industry Competitiveness: The Role of Regional Distance-Sensitive Input Sharing (The Israeli – Arab Case)*

Niron Hashai, Bradford University, n.hashai@bradford.ac.uk

The study offers a methodology to estimate how distance-sensitive inputs affect the industrial performance of countries. The suggested methodology is examined by analyzing the impact of input sharing between former non-trading partners. The ability to replace imports of such inputs from distant origins (denoted as the “distance effect”) and the ability to replace inefficient local input suppliers with suppliers from neighboring countries (the “inefficiency effect”) enable industries that procure these inputs to reduce their manufacturing costs, hence improving their competitiveness. The increased competitiveness will result in both higher sales to the local market (as imports substitute) and greater exports to third countries. The impact is demonstrated for the case of Israel and its Arab neighbors (Egypt, Jordan and Syria), where as Israel's potential ability to procure inputs from its former enemies, is expected to increase Israeli industrial output and exports.

*Regional Network Strategies in the Latin American Telecommunications and Energy Sectors*

Fernando Robles, George Washington University, roblesf@aol.com

The Latin American infrastructure sector is a mosaic of different regulatory frameworks, competitive structures and players with different strategies. Success for international companies rests on the ability to sharpen their entry strategies after privatizations and reforms. Infrastructure industries are capital intensive and network strategies require economies of scale and scope, bundling of services, control of network operations, well-designed pricing strategies, and financial resources for expansion. These factors drive firms to aggregate assets and markets to achieve critical mass. This paper identifies several regional network strategies in the telecommunications and energy sectors in the region based on scope of business integration and geography. An analysis of a sample of the largest operators in these two sectors suggest that narrow regional integrators and specialists are outperforming broad regional operators and state owned enterprises. In the long term, however, broad regional integrators may be better positioned to emerge as winners.

*The Global Integration Process of a MNC: A Case of Information System Implementation*

Paivi Tossavainen, Nokia, paivi.tossavainen@nokia.com

The traditional methods and project organization for the information system implementation are not necessarily valid anymore in this dynamic world, and the emergence of possible new organizational designs needs to be studied. In a multinational company, an implementation of an integrated information system is a magnificent challenge while firm has operative units in various countries. The complexity of internal and external factors have a huge influence on the success of the implementation of the information system itself, as well as, how the personnel is organized and managed in order to achieve the desired results from the implementation project. The scope here is to define what the critical factors are in the deployment of an information system in a MNC. This paper aims primarily to achieve an understanding of the complexity of integrated logistics information system implementation in the context of a MNC. Research problem can be formulated as follows: How is the integration of various organizational units is achieved in a MNC especially, in the case of information system implementation? The traditional approaches are less applicable in the current turbulent and less predictable world MNCs are facing. Therefore the selection of theories in this study does not include the traditional approaches.

*An Empirical Examination of the Characteristics of the Integration-Responsiveness Pressures*

Sunil Venaik, Indian Institute of Management, svenaik@iimahd.ernet.in

David F. Midgley, INSEAD, david.midgley@insead.fr

Timothy M. Devinney, Australian Graduate School of Management, timdev@agsm.edu.au

Although the integration-responsiveness framework has been used extensively in the international business and strategy literature, the focus has largely been on the issues of MNC strategy and structure, rather than on the nature of the integration and responsiveness pressures confronted by multinational firms. In this study, we examine in detail the characteristics of the integration-responsiveness pressures along five dimensions, namely, depth, dimensionality, direction, distinctiveness and dynamic. Based on our empirical validation of the IR pressures, we propose an alternative representation of the IR framework that is more consistent with current managerial practice in multinational firms.

*Country, Firm and Product Level Influences in Standardization*

Pradeep A. Rau, George Washington University, prau@gwu.edu

A.N.M. Waheeduzzaman, Texas A & M University-Corpus Christi,  
waheed@mail.tamucc.edu

This study captures the influence of country, firm and product level influences on various elements of standardization in international marketing with the help of a Fortune 500 sample. Of the nine general linear models of the elements of standardization, seven were found to be significant. Models of brand name, product characteristics, product positioning, packaging, advertising theme, sales promotion, and distribution were significant. The range of R-square of these models varied from 20% to 40%. So far the influence of the independent variables is concerned, it is observed that the companies' decision to standardize was influenced by regional difference, internationalization of the company and stage of product life cycle in majority of the models. Other variables that show varying degree of influence include similarity of market segments, companies' concern for patent and proprietary rights and type of product. The study basically reiterates the findings of the previous studies in the area.

*Firm Geography, Economic Geography, and the Geography of Performance: The Case of International Joint Ventures*

Hemant Merchant, Simon Fraser University, hmerchan@sfu.ca

Empirical studies of the shareholder valuation impact of firms' international joint venture (IJV) participation have usually emphasized firm-specific factors, but rarely extended their analysis to location-specific factors. This is a crucial omission because the two sets of factors are inter-connected vis-à-vis their influence on firms' economic performance. Yet, previous work has neither identified how the two sets of factors complement each other nor investigated the effect of these complementarities on the shareholder value of firms who enter into IJVs. This study attempts to fill the noted gaps first by developing a typology of joint ventures and then conducting cluster analysis on a sample of more than 200 equity IJVs. Results indicate eight clusters in the data, including three clusters with positive shareholder value creation. In deriving support for its six hypotheses, this study highlights both shareholder value-creating and shareholder value-neutral configurations of firm- and location-specific variables. Thus, it lays a foundation for generating more refined predictions about the relationship between firms' IJV participation and their shareholder value.

*Spillovers to Foreign Market Participants: Assessing the Impact of Exporting and Export Strategies on Innovative Productivity*

Robert Salomon, New York University, rsalomon@stern.nyu.edu

Although a substantial body of research has investigated spillovers to foreign direct investment, we know very little about whether firms stand to benefit from spillovers without making such cross-border investments. In this study I investigate this issue by examining the ex post innovative benefits that accrue to exporting firms. I argue that exporters access diverse knowledge inputs not available in the domestic market. This knowledge spills back to the focal firm and results in increased innovation. Further, I explore how exporters derive such knowledge-based advantages by examining the relationship between particular exporting strategies and innovative productivity. Specifically, I contend that exporting firms that interact more intensely with foreign markets, export to more countries, and export to more innovative regions will experience increased innovative productivity. Similarly, exporters that reach the foreign market directly rather than relying on export brokers should innovate more as they maintain closer ties with their information conduits. The empirical analysis is conducted using a stratified representative sample of Spanish manufacturing firms from 1990-1997. The panel structure allows me to reasonably explore the causal links between exporting and innovation. The dependent variable (innovation) is measured using several widely employed proxies including patent counts and innovation counts. I find that exporting encourages innovation. Further, exporting strategies influence innovative productivity in complex ways. I discuss the relevance of these findings for research in international business, strategy, and innovation.

#### **DOCTORAL CONSORTIUM ROW PARTICIPANTS:**

*Individualism-Collectivism: Its Concept, Antecedents, and Impacts on Human Resource Practice Preferences*

Bongsoon Cho (with Kitae Kim and Oh Soo Park), SUNY-Buffalo, bcho@acsu.buffalo.edu

*United States Export Public Policy: Support, Coordination, and Control*

David B. Kuhleier, Florida State University, dbk9613@garnet.acns.fsu.edu

*The International Business Environment Through 1970 to 2000. A Content Analysis Using JIBS Online*

Manuel F. Ferreira (with Dan Li and Stephen Guisinger), University of Utah, pmgtmpf@business.utah.edu

*Dynamic Capabilities for Expansion in China: Evidence from the Case of Samsung*

Xiyou He, Seoul National University, hexiyou@hotmail.com

*The Impact of Electronic Disclosure on Invested Capital: A Case Study of South African Firms*

Shirley Hunter, Texas A&M University, shunter@cgsb.tamu.edu

*The Effect of Country of Origin Branding on Export Performance*

Andrea Insch, Griffith University, A.Insch@mailbox.gu.edu.au

*The Impact of Public Policy on the Performance of Multinational Enterprises*

Alina Kudina, University of Oxford, alina.kudina@sbs.ox.ac.uk

*The Role of Strategic Investors in Polish Companies: Catalysts for Organizational Change or Opportunists?*

Dorota Piaskowska (with Martyna Janowicz), Tilburg University, dorota@kub.nl

*Entry Mode Choice in the Context of Perceived Uncertainty*

Minnie Shroff, University of Vaasa, mish@uwasa.fi

*Can Foreign Firms Bond Themselves Effectively by Renting U.S. Securities Laws?*

Jordan Siegel, Massachusetts Institute of Technology, jsiegel@mit.edu

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#### **2.4.1 - WORKSHOP**

##### **NETWORKS: EVOLUTION AND EFFECTS**

**Room: San Cristobal B**

**Time: SATURDAY - 1:30-3:00 P.M.**

Chair: John Daniels, University of Miami, jdaniels@exchange.sba.miami.edu

Discussant: Lorna Wright, York University, lwright@schulich.yorku.ca

*The Japanese Keiretsu: Evolution or Stagnation?*

Sandra Dow, Université du Québec à Montréal, dow-anvari.sandra@uqam.ca

Jean McGuire, Concordia University

This paper examines two important research questions: 1) To what extent have recent economic and regulatory changes influenced the Japanese inter-corporate network, and 2) Have the patterns of firm performance fostered by the Japanese inter-corporate system remained stable, or has there been an evolution to more 'North American' performance profiles? Using logistic regression to compare patterns of networking and firm performance with data from 1987 through to 1996, our study finds some evidence of changes in the patterns and implications of Japanese industrial organization. Notably, we find little evidence to support weakening of keiretsu ties although there is some suggestion that the nature of these ties have changed over time. Furthermore, keiretsu ties do not appear to have been

effective in insulating firms from external pressures.

*The Impact of the Motives of the Smallest Firm in a Horizontal Alliance on the Firm Performance: A Network Perspective*

Eman El Shenawy, Washington State University, Emanelshenawy@hotmail.com

Strategic alliances have become a phenomenon of conducting business locally and internationally that reshaped many business practices and relations. Strategic alliances altered the nature of business relations among firms from competing to cooperating, which inspired a stream of research on the formation and outcome processes of alliances; while managing interfirm relations was fairly neglected (Spekman et. al., 1998). Particularly the effect of the firm size on its behavior and final performance did not get enough attention of the previous research. Therefore, this paper proposes to investigate the effect of the size and motives of the smallest firm on its behavior and final performance, in a horizontal equity alliance. The main argument of this paper is that: from a network perspective, the smallest firm in a horizontal equity alliance will have less risks and more benefits, in terms of enhancing performance and growth, than the larger partners as long as it keeps a cooperative motivation and behavior with other partners. If the smallest firm behaved motivated by competition, it will stimulate the larger partners to abuse their power and status in the alliance over it, which will leverage its risk and decrease its performance.

*Regional Learning Networks: Evidence from Japanese MNEs in Thailand and Australia*

Stephen Nicholas, University of Melbourne, s.nicholas@ecomfac.unimelb.edu.au

Elizabeth Maitland, University of Melbourne

William Purcell, University of New South Wales

This paper tests for regional learning networks using data on the B2B supplier-buyer practices between Japanese subsidiaries in Australia and Thailand and their indigenous suppliers. Surveys were undertaken of Japanese subsidiaries in Thai and Australian manufacturing and Japanese parent investment decisions in SE Asia, Australia, China and the EU. Our data show that Japanese parents regionalised their investment decisions, treating Australia and SE Asia as different investment regions. Further, regional networks were created. For both Australia and Thailand, Japanese buyers established regional networks when parent B2B know-how was transferred to their Thai and Australian subsidiaries, and when Australian and Thai-based subsidiaries implemented B2B pre and post-contractual practices with indigenous suppliers. Increased intensity in the use of B2B practices, especially transferring know-how, advising suppliers and training supplier staff, was used to measure regional network learning. We found no evidence that experienced and large size Japanese MNEs learned from these regional subcontracting networks.

*Contracting for Unplanned and Planned Termination Scenarios in International Joint Ventures*

Ursula F. Ott, Loughborough University, U.F.Ott@lboro.ac.uk

This paper studies a repeated game of contracting in International Joint Ventures (IJVs). Dependent on the termination scenarios of an IJV, the players (local firm, foreign firm and IJV itself) have various options to consider incentives and their impact on behavioral strategies such as hidden information and action and its revelation. The theoretical implications and the theoretical underpinning show that the problem is embedded in robust theoretical concepts. Repeated games, repeated moral hazard and common agency form the basis of an abstract

approach towards contracting over several periods or even over the life cycle of an IJV. Reputational effects, renegotiation and the cooperation between the players can be analyzed by using this formal tool. Unplanned and planned termination scenarios are, therefore, linked to the theoretical solution concepts of contract theory. In general, the parents have several options to take into account the private values of the agent and its impact on the durability of the IJV. The complexity of the repetition of multi-person decision-making can be anticipated and appropriate incentive schemes can be offered in the various stages of an IJV life-cycle.

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#### **2.4.2 - COMPETITIVE GLOBALIZATION OF MULTINATIONALS**

**Room: San Cristobal D**

**Time: SATURDAY - 1:30-3:00 P.M.**

Chair: Malika Richards, Drexel University, mr26@Drexel.edu

Discussant: Frank DuBois, American University, fdubois@american.edu

##### *Transaction Costs, Risk Behavior, and International Entry Mode Choice*

Keith D. Brothurs, University of East London, k.d.brothurs@uel.ac.uk

Lance Eliot Brothurs, University of Akron, Lance@uakron.edu

George Nakos, Clayton College and State University, Georgenakos@mail.clayton.edu

In this study, we extend transaction cost theory by relaxing the risk neutrality assumption. We hypothesize and find that the level of risk behavior moderates asset-specificity's influence on entry mode choice. Low risk behavior firms tend to switch to wholly owned modes of entry at a lower level of asset-specificity than do high risk behavior firms. Implications for transaction cost theory and entry mode decision-making are discussed.

##### **🏆 Haynes Prize Finalist**

*Bunched Foreign Market Entry: Competition and Imitation among Japanese Firms, 1980-1998*

Andrew Delios, National University of Singapore, andrew@nus.edu.sg

Shige Makino, Chinese University of Hong Kong, makino@baf.msmail.cuhk.edu.hk

We examine the timing of foreign market entry by extending neoinstitutional theory's predictions about imitative influences on market entry rates, to include elements of a firm's competitive environment. Our focal construct is a bunched entry, which we define as a foreign market entry made as a timely response to a rival's entry. We find that the likelihood of a bunched entry is influenced by the density of prior entry activity of other home country firms and by industry rivals. Bunched entry is also influenced by conditions in the home country in terms of seller concentration in a firm's industry, and the characteristics of the entering firm and the preceding entrant. These findings, which are based on 18 years of data collected for 2,572 foreign market entries of 608 Japanese firms in 64 countries, support the idea that home rivalry is an important aspect of international strategy.

*The Globalisation of French Multinationals' Strategies and Structures: International Dimensions and National Specificity*

Monia Mtar, University of Warwick, m.mtar@warwick.ac.ukr

The international management literature has claimed that a global model bereft of nationality, has emerged as a result of the globalisation of competition, and managers have been urged to adopt features of the 'global' firm. This paper aims to test this hypothesis through the case of French multinationals, which has been under-researched. The evolution of the international strategies and structures of eleven leading French companies is compared and contrasted. It is found that, whilst companies evolve towards an internationally integrated model, they retain distinctive features, which have many implications upon their behaviour. Although presenting some restrictions, the French model is found to be successful. The theoretical and managerial implications of our findings are discussed.

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**2.4.3 - COMPETITIVE  
TRADE AND FDI: DRIVING FACTORS**

**Room: Auditorium**

**Time: SATURDAY - 1:30-3:00 P.M.**

Chair: Katherine Terrell, University of Michigan, terrell@umich.edu

Discussant: Juan Alcacer, New York University, jalcacer@stern.nyu.edu

**🏆 Haynes Prize Finalist**

*A Model Formalizing Dunning's Eclectic Paradigm*

Guoqiang Li, National University of Singapore, fbap8755@nus.edu.sg

Based on a new classical framework, this paper has constructed a decision-making model to formalize and refine Dunning's eclectic paradigm from the perspective of saving transaction costs. Management specialists in home country can produce management service. We assume that individuals in host country cannot produce this kind of management skill, so the management specialist has technology advantage compared with those in host country. From the point of view of the management specialist, he has five possible choices: domestic production, domestic licensing, export, international licensing and international production. The management specialist's real incomes from the five possible choices are derived from a unifying analysis framework. If international production can generate more real income than any other choices, the management specialist will directly invest in host country and multinational enterprise emerges. Pursuing profit makes those with some kinds of technology advantage try to find the best business strategy from all the possible choices, not only in home country but also in other countries.

*A Unified Approach to Intra-Industry Trade and Foreign Direct Investment: Further Results*

Keith Maskus, University of Colorado-Boulder and the World Bank,

kmaskus@worldbank.org

James R. Markusen, University of Colorado-Boulder, james.markusen@colorado.edu

Economic interactions among the high-income developed countries are characterized by high degrees of both intra-industry trade and intra-industry affiliate production and sales. Similar high-income countries both heavily trade with and invest into each other. The purpose of this

paper is to show how the theory of direct investment can be integrated with the theory of international trade in goods, and to show how the two combine to determine the pattern of trade and foreign affiliate production. In an earlier paper we found that econometric estimation provided support to the predictions of the theory for intra-industry affiliate sales, with somewhat weaker results for intra-industry trade. Results also confirmed that the intra-industry affiliate sales index rises relative to the intra-industry trade index as countries become richer and more similar in size and in relative endowments. In this paper we substantially increase the data set in terms of years in the panel and country coverage to see if those results hold in broader settings. Results remain consistent with the basic theory but the addition of more developing country groups tends to reduce the power of the model in explaining intra-industry trade.

*Exporting and Capital Investment: On the Strategic Behavior of Exporters*

José Manuel Campa, IESE Business School, [jcampa@iese.edu](mailto:jcampa@iese.edu)

J. Myles Shaver, University of Minnesota, [mshaver@csom.umn.edu](mailto:mshaver@csom.umn.edu)

By exporting, firms sell in markets where the business cycles are not perfectly correlated and expectedly have more stable cash flows. If companies are liquidity constrained, this stability of cash flows can provide exporters with certain advantages versus firms that operate solely in a domestic market. For instance, under the existence of liquidity constraints, more stable cash flows should foster more stable capital investments. Moreover, the expectation of more stable future cash flows and the information signal from commencing exporting can lessen the severity of liquidity constraints for exporters compared to non-exporters. We test these arguments by examining a stratified representative sample of the Spanish manufacturing sector from 1990 to 1998. Our results suggest that exporters' cash flows and capital investments are more stable than non-exporters'. Moreover, we find that liquidity constraints are less binding for exporters compared to non-exporters. The richness of our data allows us to examine alternative explanations for the results we present. We conclude by discussing the strategic implications of our findings for firms.

*Strategic and Financial Determinants of Foreign Direct Investments*

Jongmoo Jay Choi, Temple University, [jjchoi@temple.edu](mailto:jjchoi@temple.edu)

Eric C. Tsai, Temple University, [erictsai@temple.edu](mailto:erictsai@temple.edu)

Conventional FDI theories regard FDIs as strategic moves. We introduce financial factors in addition to strategic variables in the FDI model. The estimation results for FDIs by U.S. firms in the 1990s indicate that both strategic and financial variables are important. Given imperfections and information asymmetry in international capital markets, corporate FDIs are influenced by such financial variables as changes in exchange rates, the pattern of internal and external financing, the profile of risk and diversification, and the agency problems of concerned parties. However, relative to strategic variables, there appears to be greater variability in the level of significance of financial variables depending on industry sectors and investment destinations. The integrated model that includes both strategic and financial factors is superior to either component model in explaining FDIs for total sample and for manufacturing industries.

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#### **2.4.4 - WORKSHOP** ***INTERNATIONAL FINANCE***

**Room: Tropical B**

**Time: SATURDAY - 1:30-3:00 P.M.**

Chair: Harvey Arbeláez, Monterey Institute of International Studies,  
harvey.arbelaez@miis.edu

Discussant: David Reeb, University of Alabama, dreeb@cba.ua.edu

*The Asian Crisis and Market Efficiency: A Different Perspective*

Raj Aroskar, University of Texas at Arlington, rajaroskar@yahoo.com

Peggy E. Swanson, University of Texas at Arlington, swanson@uta.edu

This paper investigates, in a multivariate context, the effects of the 1997 Asian financial market crisis on the efficiency of foreign exchange markets for the Japanese yen, Indonesian rupiah, Malaysian ringgit, Thai baht, and Korean won. Only one indication of inefficiency is found based upon cointegration results, and that inefficiency occurred during the crisis (as opposed to non-crisis) period and relates to the Korean won. This result may be partially explained by the fact that the won was the last of the included currencies to fall victim to the crisis. Additional support for the results is found in testing for the existence of a risk premium and in evaluating the forecasting performance of error correction models and random walk models.

*Closed-End Fund Puzzle Revisited: Comparing Information Content of Country Funds Versus U.S. Funds*

Marta Charron, University of Puerto Rico, mzecharron@centennialpr.net

The main objective of this paper is to compare the information content of premium/discounts for future net asset value of closed-end country funds and U.S. closed-end funds. Elements like investor sentiment using small cap index, the management effect using the ratio of expenses to average net assets and the turnover ratio of the fund, and the effect if any of the undistributed net realized gains which could affect the tax liability of the fund were also tested. After performing correlation and regression analysis for a sample of 30 U.S. funds and 30 country funds, a greater variability was observed for U.S. funds. There was no evidence that small cap index returns have any information content about the NAV in the U.S. sample. For country funds the information content of the small cap index was very small. The regression analysis determined a model where premium/discount, ratio of expenses, and undistributed net realized gains seemed to be the best predictors of the net asset value for both types of funds.

*The Role of Psychic Distance in Contagion: A Gravity Model for Contagious Financial Crisis*

Lili Zhu, George Washington University, llzhu@gwu.edu

Jiawen Yang, George Washington University, jwyang@gwu.edu

A financial crisis in one country may cause turbulence in financial markets in other countries, a phenomenon called "financial contagion". Although this has become highly topical in international finance since 1990s, there is no accordance on the channels through which shocks are accentuated and transmitted, and what determines the degree of contagion. The purpose of this paper is to systematically integrate the empirical works on this subject and construct a coherent structure based on the theoretical literature. In my hypothesis, Gravity

model from physics can provide such a structure to predict contagious financial crisis: The severity of the contagion effect is in direct proportion to the trade and financial linkages and inversely proportional to the psychic distance between the originating country and the country affected, when macroeconomic fundamentals and institutional factors are controlled. The significance of Psychic Distance, the only behavioral predictor in the model, is of key interest in this study. It is operationalized as a variable composed of various dimensions including geographic distance, cultural distance, development level, membership and neighborhood effects to account for the occurrence of so-called true contagion, presumably due to the changes in expectations that are not related to a country's macroeconomic fundamentals.

*Sector Integration and the Benefits of Global Diversification*

Mitchell Ratner, Rider University, Ratner@Rider.Edu

Ricardo P.C. Leal, Federal University of Rio de Janeiro, Rleal@coppead.ufrj.br

One of the main reasons that financial analysts recommend international investments is that foreign stocks are not highly correlated with U.S. stocks. As world economies become increasingly interrelated, it is becoming more difficult for investors to achieve effective diversification. This research investigates international stock price correlation, and assesses whether global diversification on a sector basis is beneficial to U.S. investors. This analysis includes 38 developed and emerging stock markets from 1981-2000. In addition to demonstrating a potential loss of diversification benefits, this paper utilizes an optimal global asset allocation model to illustrate the effects of sector diversification on portfolio performance over time. The results indicate that although the correlation between most foreign sectors and U.S. sectors is increasing over time, there are still substantial international diversification benefits. Further, the inclusion of emerging market sectors significantly enhances the return-to-risk performance of international portfolios.

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**2.4.5 - WORKSHOP**  
***EMERGING MARKET FIRMS***

**Room: Tropical A**

**Time: SATURDAY - 1:30-3:00 P.M.**

Chair: Susan Trussler, University of Scranton, trussler@scranton.edu

Discussant: Adam Cross, Leeds University, arc@labs.leeds.ac.uk

*Determinants of Foreign Financing in Emerging Markets*

Shannon Mudd, Thunderbird, mudds@t-bird.edu

Robert Grosse, Thunderbird, grosser@t-bird.edu

Four types of international capital flows into emerging markets, FDI, Portfolio Equity Investments, Portfolio Debt Investments and Bank Lending are sourced from generally different types of investors, each with specific motivations, institutional context and global goals. For this reason, factors that determine the quantities of flows across countries will differ by the type of capital flows. We postulate a set of variables that may impact flows. Using a panel data set of countries from Latin America, East Asia and the Transition Economies, we test whether the significance of variables and their signs differ across the four types of inward capital flows. The results indicate that the list of factors determining the flows vary and that, in some cases, such as inflation and international reserves, the signs differ.

*Hidden Messages in MBA Cases: A Narrative Analysis of Business School Cases Developed in China*

Neng Liang, China European International Business School, nliang@cceer.pku.edu.cn

Designed to represent the real business world to future managers, teaching cases serve an important function in management education. The achievement of this goal, however, depends, to a large extent, on the implicit frameworks within which the case materials are presented. Through narrative and content analysis, this research analyzes thirty of the most current Chinese cases that are used in one of China's most prestigious universities. The findings indicate that while providing a useful vehicle for discussing many of the current and pressing managerial issues in China, these cases also suffer some significant deficiencies and some even may be misleading. Managerial and research implications are discussed.

*Role of TNCs in the Evolution of a High-Tech Industry in a Developing Economy: The Case of India's Software Industry*

Murali Patibandla, Copenhagen Business School, mp.int@cbs.dk

Bent Petersen, Copenhagen Business School, bp.int@cbs.dk

India's software industry presents the case of an internationally competitive high-tech industry from a developing economy. This paper takes the evolution of the industry in terms of human capital accumulation. The initial stock of human capital leads to entry of TNCs, which triggers a cumulative process of further human capital accumulation through the market structure dynamics and spillovers. This paper develops a simple theory and tests the hypotheses empirically. The empirical analysis is based on both qualitative information collected through field interviews and econometric analysis of firm level panel data. There is significant evidence of the positive contribution of TNCs for the competitive evolution of the industry.

*Country Characteristics and Foreign Capital: FDI into Latin America during the 1990s*

Douglas A. Schuler, Rice University, schuler@rice.edu

Stefanie A. Lenway, University of Minnesota, slenway@csom.umn.edu

Scott Baggett, Rice University, baggett@rice.edu

For investors considering placing foreign direct investments in developing countries, what is the importance put on economic, social, and institutional factors on such a decision? We examine the relative importance of these three factors for attracting FDI for seventeen Latin American countries from 1990–1998. Our exploratory model demonstrated that foreign investors were not only attracted to favorable economic circumstances but also invested in countries with progressive social environments measured by education and health and strong political institutions measured by political risk and membership in formal international trade institutions. The results generally support the liberal ideology of foreign investment and suggest to policymakers that creating strong, transparent, and credible institutions leads to receiving FDI and subsequent economic development.

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## 2.4.6 - WORKSHOP

### *INTERNATIONALIZATION AND MARKET REFORM IN TRANSITION ECONOMIES*

**Room: Tropical C**

**Time: SATURDAY - 1:30-3:00 P.M.**

Chair: Klaus Uhlenbruck, Texas A&M University, kuhlenbruck@cgsb.tamu.edu

Discussant: Tatiana Kostova, University of South Carolina, kostova@sc.edu

*Managerial Legacies of Central Planning: An Organizing Framework and Comparative Typology*

Wade Danis, Marquette University, wade.danis@marquette.edu

Given that cooperative ventures are a popular strategy used by multinational firms in transition economies, researchers have a unique opportunity to examine the reconciliation of central planning legacies with recently introduced Western managerial methods. This exploratory paper examined this process in the context of international cooperative ventures (ICVs) between Hungarian and Western partners. Using data from 17 ICVs, I tested a series of hypothesis and inductively developed a typology that identifies key partner differences in managerial values, practices, and systems (VPSs). Differences were largely attributed to the contrasting political and economic systems under which managers were conditioned, though some differences were deemed cultural. I discuss the typology's generalizability to other transition and emerging economies, its implications for theory and practice, and suggest future research directions.

*Revisiting the Complex Relationship between Multinational Enterprises and Organizations in Transition Economies through the Logic of the Copenhagen Interpretation*

Paula Harveston, Berry College

Clay Dibrell, Oregon State University

Ben Kedia, University of Memphis, bkedia@memphis.edu

Recent trends toward greater globalization and the increasing number of transition economies are changing the nature of the relationships between multinational enterprises (MNEs) and organizations in transition economies (OTEs) from a traditional conflict-based perspective towards one based on cooperation and collaboration. This paper draws on the theory of cooperation that incorporates the concepts of substitutability (substitution of goals), cathexis (commitment to a specific goal) and inducibility (open to influence) to describe the emerging interactive relationship between MNEs and OTEs. We argue that, due to the changing competitive global trends, MNEs and OTEs act in their best interests through a mixture of cooperation and confrontation. We propose that the two theories of confrontation and cooperation are not in inconsistent with each other but are in effect "complementary." Drawing from quantum physics, we apply the logic of the Copenhagen Interpretation to MNE and OTE relationships.

*Cuba: An Economy in Transit*

Elizabeth Robles, University of Puerto Rico, erobles@upracd.upr.clu.edu

Cuba represents a potential market of 11.2 million people who are conveniently geographically located close to the United States. The need for dollars is changing the way of doing things in Cuba. The use of dollars is legal and tourism is developing in great extends, thus

improving Cuba's economic conditions. In addition, Cuba is allowing joint ventures with foreign countries to help them improve their economy developing and improving products and services, infrastructure (such as hotels for tourism), and telecommunications. Thus, Cuba has an economy in transit, one that is changing very fast. Companies that would like to invest in Cuba need to know what their economy is offering for the development of joint ventures and foreign investment. They, also, need to learn about the purchasing behavior and the consumer attitudes toward marketing practices of the Cuban consumer, if they decide to invest in that country when the appropriate conditions flourished.

*Investment Development Path of Small Transition Economies: Conceptual Background and Empirical Evidence*

Marjan Svetlicic, University of Ljubljana, marjan.svetlicic@uni-lj.si

*Foreign Direct Investment and Market Reform in Central and Eastern Europe: An Empirical Investigation*

Robert Grosse, Thunderbird, grosser@t-bird.edu

Len Trevino, University of Southern Mississippi, trevino@cba.usm.edu

In this paper, an analysis of the economic and regulatory environment in thirteen CEE countries is undertaken: Bulgaria, Croatia, Czech Republic, Estonia, Hungary, Latvia, Lithuania, Poland, Romania, Russia, Slovakia, Slovenia, and Ukraine. These countries were selected because they represent a wide range of diversity within the transitional economies of CEE, and because comparative data were available from 1990 to 1999. In addition to traditional economic variables, several aspects of the transition to market-based economies are assessed, and an attempt is made to explain inward FDI flows in the region. The transition from a command to a capitalist economy is complex, but categorization of broad areas of reform, the problem of corruption in government, and risk factors provide a means by which to comparatively assess the countries under study.

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**2.4.7 - COMPETITIVE**

***PERSPECTIVES ON MNE RESEARCH: THEORY AND PRACTICE***

**Room: San Cristobal E**

**Time: SATURDAY - 1:30-3:00 P.M.**

Chair: Paul W. Beamish, University of Western Ontario, pbeamish@admin.ivey.uwo.ca

Discussant: D. Eleanor Westney, MIT, ewestney@mit.edu

*The Effect of Strategic and Institutional Forces on Management Style in Subsidiaries of U.S. MNCs in Mexico*

Carolina Gómez, Florida International University, gomezc@fiu.edu

This paper seeks to explore the determinants of equity shares held by foreign investors and by Hungarian institutional investors, using a data set for 162 largest Hungarian firms during the period of 1994-1999. We find evidence for the post-privatisation evolution of equity structures and concentration of shares, where dominant categories of owners aim at achieving controlling stakes. The ownership of companies has been evolving towards a more homogeneous composition, with foreign investors and Hungarian institutional investors playing the major role. In addition, focusing on firm level characteristics we find that the exporting firms attract foreign owners, who acquire controlling stakes in equity. Similarly, the

indicators of firm size are positively associated with the presence of foreign investors, however negatively associated with 100% foreign ownership, as the marginal cost of acquiring additional equity is higher. We interpret the results in light of the existing theory. In particular, following Demsetz and Lehn (1985) and Demsetz and Villalonga (2001) we argue that equity should not be treated as an exogenous variable. As for specific determinants of equity levels, we focus on informational asymmetries and (unobserved) ownership specific characteristics of foreign investors and Hungarian investors.

*Edith Penrose and the Resource-based Theory of the Multinational Firm: Theory and Evidence*

Christos Pitelis, University of Cambridge, c.pitelis@jims.cam.ac.uk

We build on the work of Edith Penrose to develop a resource-based perspective to the theory of the transnational corporation (TNC). We suggest that trans-border geographical diversification is the result of endogenous growth processes, firms' "productive opportunity", limits to domestic expansion, failed or missing markets, perceived differential opportunities abroad, and oligopolistic interaction. The choice of institutional mode (foreign direct investment, subcontracting, licensing or exporting) is due to the same factors, but also the differential control and/or transaction cost attributes of different modes.

*Internalization Theory and the Functioning of the Multinational Enterprise*

Alain Verbeke, University of Calgary, averbeke@ucalgary.ca

Alan M. Rugman, Indiana University, rugman@indiana.edu

This paper assesses the continued relevance of Buckley and Casson's (1976) book on the future of the multinational enterprise (MNE), against a background of increasing criticism voiced against transaction cost related scholarly work by a number of international management scholars. The paper attempts to demonstrate that the "schism" which can presently be observed in the field between international business and international management is misguided, and that the transaction cost/internalization school may lead to useful insights to both management scholars and managers. For this to occur, however, it is necessary to extend the empirical scope of transaction cost based reasoning to include the functioning of differentiated network MNEs. The paper also suggests that even now Buckley and Casson (1976) still represents a beacon of clarity and a superb starting point for the study of the MNE even if the complexity of this governance structure has grown far beyond what any international business scholar or even international management scholar could have predicted 25 years ago.

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#### **2.4.8 - COMPETITIVE REGULATION AND STRATEGIC CHOICE**

**Room: San Cristobal G**

**Time: SATURDAY - 1:30-3:00 P.M.**

Chair: Sushil Vachani, Boston University, svachani@bu.edu

Discussant: Louis T. Wells, Jr., Harvard University, lwells@hbs.edu

*Tracing the Impact of Supranational Regulation on Corporate Strategy: Towards a Model of Causal Effect with Lessons from the U.S. Steel Industry*

Thomas C. Lawton, Imperial College Management School, t.lawton@ic.ac.uk

Steven McGuire, University of Bath, mnssmm@management.bath.ac.uk

This paper considers the indirect causal linkages between supranational regulation and corporate strategy choices and direction. The linkage is a multi-tiered process: supranational regulatory decisions have a direct impact upon trade policies and state aid allocations in specific nation states; these in turn affect industries being protected or in receipt of subsidies or other forms of assistance; as a consequence, firms within these sectors are required to reassess their resource deployments and market situations; this leads to a reconsideration of strategic choices for the organisation and may result in a change of strategic direction for the company. We test this model of causal affect by examining policy and strategy for the US steel industry. The emergent model will enable firms to make more sense of the non-market business environment and to factor such variables into their corporate strategy processes.

*MNC Subsidiary Evolution, Host Country Linkages and Inward Investment Policy: Two Tales from the European Periphery*

Ana Teresa Tavares, University of Strathclyde and University of Porto,  
Atavares@fep.up.pt

A principal-agent perspective has dominated corporate governance research, which focuses primarily on the modern corporation in developed economies with widespread ownership and no controlling shareholders. However, we argue that this perspective may have limited application in emerging economies, because most corporations in these countries are controlled by a family or the state with concentrated ownership. As a result, there is more potential for conflict between majority shareholders (principals) and minority shareholders (principals) than there is between shareholders (principals) and managers (agents). We term this variant of corporate governance problem the "principal-principal" problem, and draw on institutional theory, which focuses on the formal and informal constraints giving rise to this problem, to explore its underlying root causes. Overall, we suggest that a principal-principal perspective is a more fruitful approach to corporate governance in emerging economies, because prescriptions derived from the standard principal-agent model may be ineffective or may even exacerbate governance problems in these settings.

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**2.5.1 - THEME PANEL**

***INNOVATION GEOGRAPHIES: NETWORKS, CLUSTERS AND GLOBALIZATION***

**Room: San Cristobal B**

**Time: SATURDAY - 3:30-5:00 P.M.**

Chair: Sharmistha Bagchi-Sen, State University of New York-Buffalo,  
geosbs@acsu.buffalo.edu

Discussant: Maryann Feldman, Johns Hopkins University, maryann.feldman@jhu.edu

Knowledge-driven innovation is one of the main tools for economic advancement and human development. Advanced as well as emerging economies strive to retain international competitiveness in recent decades based on incremental innovation, as well as the development of new technologies (e.g., biotechnologies). The process of innovation, far from being linear, builds from the knowledge base to the final user, and involves interrelationships among a

variety of functional entities: the university, the firm, venture capitalists, regulatory agencies, governments, and NGOs. The geographic space, within which interactions among these functional entities take place to move an innovation forward, is increasingly limited to a few clusters across the world. Furthermore, in almost all levels of the innovation process, interregional (e.g., Silicon Valley and Boston versus other U.S. locations in biotechnology innovation) and international (e.g., advanced economies versus developing countries) differences exist. The papers in this session focus upon the analysis of: (i) relationships among universities, firms, venture capitalists, regulatory agencies and clusters in innovation, (ii) implications of knowledge spillover and the globalization of technology, and (iii) policy considerations in R&D management through an examination of firm-level R&D strategies and the role of regulation in university-industry interaction for technology development.

*Universities as Economic Agents: Globalization and Innovation*

Helen Lawton Smith, Coventry University, helen.lawtonsmith@geography.oxford.ac.uk

In the twenty-first century, universities are no longer viewed as a place in which research activities are directed towards the production of new knowledge per se. They are firmly established as economic agents and have a distinctive role in the geography of innovation. Their networks are both global and local. In this paper, the biotechnology industry is used as an exemplar of these realities. In particular it examines how the specifics of a locality affect the innovation process more generally, using the example of Oxfordshire, the UK's leading pioneer region in bioscience and one of Europe's leading clusters of biotech firms. It explains how universities are embedded in the innovation process in the biotech sector by examining the interdependence of three inter-related processes: entrepreneurship; localization of technological resources, human capital, finance and innovation support; and rule frameworks that underpin both. The literature on clustering underplays the complexity of the multi-jurisdictional body of rules, regulations and institutions that determine the rules of the game that regulate the process by universities balance their traditional roles of teaching and research with that of technology transfer. This combination of priorities is not unproblematic. The paper highlights a paradoxical situation. On the one hand, there is a genuine desire by the universities and national laboratories and individuals to engage with industry at local and globally. On the other, the huge pressures on academics to tailor their work to meet the demands of industry are curtailing academic freedom.

*Managing Knowledge Spillovers in Biotechnology: The Role of Geographic Proximity*

David Audretsch, Indiana University, daudrets@indiana.edu

In this presentation, I provide a synthesis of evidence on real options in the international business and strategy literatures. Several points emerge that may be helpful in thinking about research opportunities. For example, despite significant theoretical advances in recent years, there exists a considerable and persistent gap between theory and empiricism. Along related lines, real options are often invoked in a casual manner rather than relying on explicit criteria. The evidence is currently somewhat mixed, and there are a number of opportunities for researchers to examine why the "reality" firms experience often falls short of the "promise" held out by real options theory. Such efforts may prove useful in developing a contingent perspective on real options theory as it is applied to the multinational firm, in better specifying the boundary conditions of the theory, and in helping refine the normative dimensions of the theory. This suggests that the theory might be advanced in combination with other theories. One of the more important research opportunities that emerges is the need for work on how firms actually implement an options approach to managing the

multinational firm. This indicates room for valuable research across subfields within international business and strategy.

*The Role of R&D Alliances in Innovation: A Case of the U.S. Biotechnology Industry*

Sharmistha Bagchi-Sen, State University of New York - Buffalo, geosbs@acsu.buffalo.edu

Recent studies on the organization of innovation acknowledge alliances as one of the major mechanisms of knowledge transfer and product development in high technology industries, especially the biotechnology industry. Geographers enrich the above argument by showing that regional clusters of high technology industries provide firms with a competitive advantage to secure partners with complementary assets necessary to enhance innovation compared to their counterparts located elsewhere. The biotechnology industry, which is characterized by new products/processes of unusually high market value, differs from other high-tech industries because it is driven by hypercompetition, intellectual property issues that are arising faster than the laws to govern them, and high levels of uncertainty in the incubation and commercialization of new products and processes. These conditions allows for risk-balancing organizational arrangements, such as alliances with universities and other firms, to promote innovation. Furthermore, the success of human and plant genome projects have introduced endless possibilities of research and product/process development, which cannot be accomplished within the boundaries of a single firm or region.

*Adapting to Strange Environments: Venture Capital in Japan, Korea and Taiwan*

Martin Kenney, University of California at Davis, mfkenney@ucdavis.edu

Kyonghee Han, University of California at Davis and Yonsei University,  
khan@ucdavis.edu

Shoko Tanaka, University of California at Davis, stanaka@ucdavis.edu

In the immediate postwar period, earlier experiments in formalizing the investment in new ventures became institutionalized as venture capital. From the 1950s onwards, there were various, initially, unsuccessful efforts to implant the institution of venture capital in various nations around the world. This paper examines the creation of a venture capital industry in Japan, Korea, and Taiwan. We find that in each nation venture capital took on different institutional configurations that became isomorphic with the political-economic environment. For example, in each nation the role of the university and the ability of professors to become entrepreneurs differs as do labor market characteristics. In Japan and Korea venture capitalists, in large measure, invested in existing small firms by using debt instruments rather than equity instruments. In contrast, Taiwanese venture capitalists invested in equity. We find the reasons for this are a combination of government policy, industrial structure, and social history. Further, we find that the development of Taiwanese venture capital benefited from a close relationship to the U.S., and the investment of a significant portion of its funds in the U.S. Thus Taiwanese venture capitalists benefited from a continual learning-by-doing effect that did not occur in the more autarchic Korean and Japanese venture capital industries. This paper will contribute to a greater understanding of how business institutions are affected by the institutional environment in which they become embedded.

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## 2.5.2 - COMPETITIVE FDI AND PERFORMANCE

**Room: San Cristobal D**

**Time: SATURDAY - 3:30-5:00 P.M.**

Chair: Adrian Tschoegl, University of Delaware, tschoega@be.udel.edu

Discussant: Walter Kuemmerle, Harvard University, wkuemmerle@hbs.harvard.edu

### ☞ Haynes Prize Finalist

*Multinational Conglomerate Diversification and the Interaction between Industrial and International Diversification*

Protiti Dastidar, George Washington University, dastidar@gwu.edu

A cross-country analysis shows that the industrial diversification discount is affected by multinational conglomerate diversification and the impact is valued differently by investors across the five countries in the sample. In the US, as expected, industrial diversification decreases firm value while international diversification increases it. Multinational conglomerates trade at a premium in Germany and Japan but not in France. The positive impact of multinational conglomerate diversification drives industrial diversification premium in Germany and continues to positively impact firm value after controlling for the endogeneity of the diversification

decision. The impact of the different types of diversification is also affected by the level of diversification and the international location of the firms' operations. It appears that successful firms from the smaller countries in the sample lack domestic opportunities for expansion and are therefore forced to diversify across product lines and/or across borders. Ignoring the impact of multinational conglomerate diversification, as is common in the literature, does not present an accurate picture.

*Multinationality, R&D Intensity and Firm Performance: Evidence from U.S. Industrial Firms*

Vinod Jain, Bowling Green State University, vjain@cba.bgsu.edu

Sung C. Bae, Bowling Green State University, bae@cba.bgsu.edu

We empirically examine the interrelationships among firms' R&D investments, the degree of multinationality of their operations, and performance. Drawing from the Internalization and Eclectic theories and the resource-based view of firms, we develop and test hypotheses on the interrelationships of these factors employing data on U.S. industrial firms over the period 1995-1998. Our results show that firms' R&D investments have the expected strong positive impact on firms' profitability, growth, and market value. The effect of R&D investments is, however, shown to vary significantly depending on the firm's degree of multinationality. While firms with high multinationality are able to produce good performance associated with their R&D investments, firms with low multinationality realize little benefit from their R&D investments. Hence, firms' R&D investments accentuate the impact of multinationality on firms' performance. These findings strongly suggest that more geographically diversified firms generate better firm performance by being able to allocate their R&D expenses across sales from different locations and achieving economies of scale to a greater extent than less geographically diversified firms. Our findings are robust to different measurements of a firm's performance and multinationality, and to different regression model specifications.

*Why Are Foreign Firms More Productive than Domestic Firms?*

Koen De Backer, Katholieke Universiteit Leuven,  
koenraad.debacker@econ.kuleuven.ac.be  
Leo Sleuwaegen, Katholieke Universiteit Leuven and Erasmus Universiteit Rotterdam,  
leo.sleuwaegen@econ.kuleuven.ac.be

In analyzing firm productivity and efficiency in Belgium, this paper empirically shows that foreign firms are significantly more productive than domestic firms. Large differences in productivity between foreign firms and domestic firms exist even after controlling for other firm characteristics put forward by theoretical models formalizing heterogeneity between firms. The productivity differential between foreign firms and domestic firms is explained by differences in scale and technical efficiency. Stochastic production frontiers using the translog form indicate that foreign firms exploit economies of scale more optimally through their large scale and capital intensive production processes. In addition foreign firms are found to be significantly more (technical) efficient than domestic firms in all industries. The differences are found to be largest between foreign firms and single-nation Belgian firms, while Belgian MNEs resemble strikingly well the foreign subsidiaries active in Belgium in terms of returns to scale and efficiency. Together these results confirm the importance of firm specific advantages by MNEs. Firms self select and only the most efficient firms become MNEs (foreign as well as Belgian owned) as they know have to compensate their liability of foreignness.

*Geographic Scope and Multinational Enterprise Performance*

Anthony Goerzen, Babson College, agoerzen@babson.edu

Paul W. Beamish, University of Western Ontario, pbeamish@ivey.uwo.ca

Firms are increasingly becoming involved in international markets and, therefore, research on the relationship between a firm's geographic scope and its economic performance is of central interest to both practitioners and scholars. Despite many years of study, a clear picture has not emerged: some researchers have found this relationship to be positive and linear, others nonlinear, whereas still others have found it to be negative. This paper adds to our understanding of this issue by examining whether the traditional concept of geographic scope can be clarified by separating it into the more precise, but related, elements of "international asset dispersion" and "country environment diversity." According to this approach, international asset dispersion is defined as the traditional view of the extent to which a firm's operations are located in foreign countries; in contrast, country environment diversity is defined as the extent to which these foreign operations are located in diverse local environments. Using a latent variable structural equation modeling approach on a total sample of 580 large Japanese multinational enterprises, it was found that international asset dispersion has a positive relationship with firm performance whereas the association between country environment diversity and performance is negative. Taken together, these empirical results bridge the mixed findings of prior research by disentangling the confounding effects of international asset dispersion and country environment diversity on firm performance. In addition, this paper responds to the frequent calls for research on non-Western samples and on very large multinational enterprises given that these organizations are influential in the international social, political, and economic arenas and yet are only dimly understood.

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### **2.5.3 - PANEL ROUNDTABLE**

#### ***DATA: WHAT'S IN, WHAT'S OUT, WHAT'S HOT, WHAT'S NOT***

**Room: San Cristobal E**

**Time: SATURDAY - 3:30-5:00 P.M.**

Chair: Edward (Monty) Graham, Institute for International Economics,  
EMGraham@IIE.com

**Panelists:**

Raymond Mataloni, U.S. Bureau of Economic Analysis, Raymond.Mataloni@bea.gov

Keith Maskus, the World Bank and the University of Colorado at Boulder,  
kmaskus@worldbank.org

Andrew Delios, National University of Singapore, andrew@nus.edu.sg

Susan Feinberg, University of Maryland, Feinberg@glue.umd.edu

Juan Alcacer, New York University, jalcacer@stern.nyu.edu

Abstract: This panel will examine issues of availability of data on foreign direct investment and adequacy of these data from the perspectives of both data suppliers and users. We would hope to resolve important questions such as: (1) Are there important research issues that are inadequately explored at an empirical level because of data inadequacies or limitations? (2) If so, is there any hope that data will be improved so that these inadequacies or limitations are corrected? (3) Are there important research issues that could be explored more extensively than they have using existing data, but have not been fully explored because of lack of attention by researchers?

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### **2.5.4 - COMPETITIVE**

#### ***CORPORATE GOVERNANCE: COMPARATIVE AND CROSS-BORDER PERSPECTIVES***

**Room: Tropical A**

**Time: SATURDAY - 3:30-5:00 P.M.**

Chair: Tatiana Kostova, University of South Carolina, kostova@sc.edu

Discussant: Ravi Ramamurti, Northeastern University, R.RAMAMURTI@neu.edu

*Organizational Configuration and Corporate Governance In Southeast Asia: A Framework for Analysis*

Frank L. Bartels, Nanyang Technical University, aflbartels@ntu.edu.sg

Two major business themes have dominated international management recently. First, the increasing internationalization of business and corporate organization; and second, alliance capitalism - the rapid transformation of international competition from atomistic to co-operative forms of engagement. The issue concerning co-operative forms of engagement - that is the configuration that an organization adopts to manage its internal and external transactions - provides the framework for our paper. Against this background, we examine the role and nature of corporate governance, with Southeast Asia as our focus. Our thesis is that a company's organizational configuration will have a significant moderating effect on its corporate governance behaviour. In this conceptual paper, we are primarily concerned with organizational spatial dynamics. That is, the relationship between business units within an organization; the organization's relationship with external market players; and the

implications of configuration for corporate governance. Our focus is on Southeast Asian business though, for comparison and completeness of our discussion, we include Western and Northeast Asian companies.

*Why Do Some Multinational Corporations Relocate their Corporate Headquarters Overseas?*

Julian Birkinshaw, London Business School, jbirkinshaw@london.edu  
Pontus Braunerhjelm, SNS  
Ulf Holm, Uppsala University  
Siri Terjesen, London Business School

This paper examines the decision by a multinational corporation (MNC) to relocate some or all of its corporate headquarters overseas. Examples include Ericsson moving parts of its HQ operations to London, and BHP-Billiton creating a split HQ between Sydney and London. While prior studies have looked at the movement of business unit HQ overseas, this is the first to systematically study the relocation of corporate HQ. Using questionnaire and secondary data on 35 Swedish MNCs, we examine the factors associated with the internationalisation of corporate HQ (i.e. the movement of all or part of the HQ overseas). No support is found for the traditional logic that HQ moves overseas to "follow" the internationalisation of other internal activities. Instead, we argue and find support for the idea that the location of corporate HQ is increasingly influenced by external entities such as shareholders, capital markets, customers and competitors.

*Liberalization, Corporate Governance and the Performance of Newly Privatized Firms*

Jean-Claude Cosset, Laval University, Jean-Claude.Cosset@fas.ulaval.ca  
Narjess Boubakri, Laval University, narjess.boubakri@fsa.ulaval.ca  
Omrane Guedhami, Laval University, omrane.guedhami@fsa.ulaval.ca

This paper seeks to provide an answer to the following question, namely when and how does privatization work? Using a sample of 201 firms headquartered in 32 developing countries, we document a significant increase in profitability, efficiency, investment and output. Next, using univariate tests, we show that corporate governance mechanisms and economic reforms and environment have an effect on the changes in operating performance. For example, we find that privatization yields better results when stock market and trade liberalizations precede it. The results of a regression analysis, across a number of specifications, indicate that economic reforms and environment as well as corporate governance variables explain the post-privatization performance changes. In particular, economic growth, control relinquishment by the government and foreign ownership are key determinants of profitability changes. We also find higher improvements in efficiency and output for firms in countries in which stock markets are more developed and where property rights are better protected and enforced. Finally, our results suggest that trade openness is an important determinant of the post-privatization increase in investment.

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**2.5.5 - COMPETITIVE  
GLOBAL SOURCING AND CHANNEL ISSUES**

**Room: Tropical B**

**Time: SATURDAY - 3:30-5:00 P.M.**

Chair: Tomas Hult, Michigan State University, hult@msu.edu

Discussant: Constantine Katsikeas, Cardiff University, katsikeas@cardiff.ac.uk

*Practices and Performance of Retail Stores in a Developing Economy: Contrasting Two Worlds*

Sridhar Balasubramanian, University of North Carolina-Chapel Hill

Tomasz Lenartowicz, University of Texas-Austin, tomasz.lenartowicz@bus.utexas.edu

This paper analyzes the decision-making processes and the operational performance of retail stores in a developing economy, and establishes comparisons between two groups of stores existing there: the small, traditional-type stores and the modern retail institutions. The empirical findings are based on a data set collected in Brazil, and are bolstered by in-depth interviews with a sample of the studied retailers. The authors investigate the use of informal methods of management (i.e. heuristics) in retail ordering decisions, and examine how the use of heuristics mediates the effects of supply side factors (i.e., sales force influences, credit terms) and operational factors (i.e., scale of operations, size of the carried brand portfolio) on store performance. Using taxonomy procedure, the authors divide the stores in two groups according to the level of sophistication of the store management (high and low) and demonstrate that this level moderates the mediating role of heuristics. The findings yield several managerial and policy implications.

*Performance Implications of Global Sourcing Strategy in Mainland China: An Empirical Study of Foreign-Invested Enterprises from the Triad*

Janet Murray, Cleveland State University, j.murray@popmail.csuohio.edu

Masaaki (Mike) Kotabe, Temple University

Joe Nan Zhou, City University of Hong Kong

This study enhances our understanding of global sourcing strategy used by foreign multinational firms from the Triad that are manufacturing products in mainland China. The moderating effects of product- and market-related variables on the relationship between strategic-alliance based global sourcing of major components and product performance are examined. Empirical results show that product innovativeness, technological uncertainty, and demand uncertainty weaken the positive relationship between strategic-alliance based global sourcing of major components and product performance. Although not formally examined in this study, the result shows that nationality significantly affects product performance, with Japanese firms having lower performance than western European and American firms.

*An Industry Explanation of Global Account Management*

George Yip, London Business School, gyip@london.edu

David B. Montgomery, Stanford University

Belen Villalonga, Harvard University

Using globalization and contingency theory, this paper develops a model of global account management (GAM). The model comprises the multinational supplier's industry globalization drivers, the multinational customers' extent of globally coordinated buying, such customers' demand for GAM services, the supplier's response in terms of using various aspects of GAM, and resulting possible improvement in the supplier's performance. The paper develops six hypotheses linking these variables. Data on various aspects of these variables were collected in a survey of 191 executives in multinational companies. Two related models are estimated from these data using a structural equations method. The results support the arguments that the supplier's industry globalization drivers play a key role in affecting customers' demand for GAM services, that customers' demand affects what suppliers provide, and that supplier's

implementation of GAM leads to significant performance improvements. The results also support both globalization and contingency theory.

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### **2.5.6 - COMPETITIVE**

#### ***INTERCULTURAL RELATIONSHIPS: ATTRIBUTION, TRUST, CONFLICT AND COOPERATION***

**Room: Tropical C**

**Time: SATURDAY - 3:30-5:00 P.M.**

Chair: Davina Vora, University of South Carolina, voradap2@moore.sc.edu

Discussant: Xiao-Ping Chen, University of Washington, xpchen@u.washington.edu

#### *A Multilevel Model of Organizational Effectiveness across Cultures*

Mourad Dakhli, Georgia State University, iibmdd@langate.gsu.edu

Research on organizational effectiveness has often focused on macro-level strategic factors that underlie an organization's ability to achieve its goals. However, due to the complexity of the effectiveness concept, many argue that in the conceptualization and investigation of organizational effectiveness, it is often imperative to incorporate paradoxical criteria. Extending previous research in this field, we develop a multi-level model of organizational effectiveness that includes both cooperation and conflict as underlying processes. In this model, trust and organizational commitment are advanced as critical factors that determine the nature and degree of cooperative and/or conflictual exchange in organizations. Furthermore, we recognize the important role of culture in shaping interpersonal processes and describe how culture determines the context in which these processes take place.

#### *Cultural Attribution in Intercultural Work Relationships*

Donald Ferrin, State University of New York at Buffalo, dlfeerrin@buffalo.edu

Bongsoon Cho, State University of New York at Buffalo, bcho@acsu.buffalo.edu

Managerial effectiveness is largely dependent on attributional processes. For example, managers must diagnose whether a subordinate's good or poor performance is attributable to internal factors (e.g., the subordinate's ability) or external factors (e.g., rewards or task characteristics). This is also crucial in the intercultural context, but is more challenging for two reasons. First, the phenomena to be diagnosed are less familiar. Second, a manager has the option of attributing events and occurrences to "culture" rather than to internal or external factors. Very little research has focused on attribution processes in intercultural work relationships. We introduce and define cultural attribution, distinguish it from internal and external attributions, and note that it can take one of two forms: an attribution to "culture," or an attribution to a "cultural difference." We then develop a theory of the factors that increase individuals' level of cultural attribution, and the effects of cultural attributions on managerial effectiveness, cross-cultural adjustment, relationship quality, and attributional conflict. Our theory suggests that cultural attributions have negative as well as positive influences on work outcomes, and these influences change over the course of an international assignment. Overall, our theory suggests that managers may benefit from cultural attribution early in an intercultural assignment, but should reduce cultural attributions as the assignment progresses.

*Collectivist Values and Open-Mindedness for Chinese Employees Trust of their Japanese Leaders*

Dean Tjosvold, Lingnan University, tjosvold@ln.edu.hk

May Wong, Lingnan University, wongml@ln.edu.hk

Chuhong Liu, Dong Hua University, teacherlll@sina.com

Chinese employees may be suspicious of their Japanese managers because of their historical rivalry. Based on social psychological research that enhancing interaction can reduce bias, collectivist and individualist values were hypothesized to promote open-mindedness and thereby result in strong leader relationships between Chinese employees and their Japanese and Chinese managers. Working in Japanese enterprises in Shanghai, China, 100 employees indicated the values in their relationship, interaction, trust in leader, and the effectiveness of their leader relationship. Structural equation analysis suggested that collectivist values reinforce an open-minded discussion of views that in turn results in strong relationships. These findings, coupled with previous research, were interpreted as suggesting that collectivist values and open-minded interaction provide an important foundation for productive leader relationships.

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**2.5.7 - PANEL**

***MULTINATIONAL-GOVERNMENT RELATIONS***

**Room: San Cristobal G**

**Time: SATURDAY - 3:30-5:00 P.M.**

Chair: Sushil Vachani, Boston University, Svachani@Bu.Edu

Discussant: Stefanie A. Lenway, University of Minnesota, slenway@csom.umn.edu

Geographic variation across countries and regions affects multinational-government relations and has important implications for firms and nations. For example, stakeholders and their needs, perspectives and objectives can vary across national regions adding to the complexity of the political landscape and creating opportunities and threats for multinationals. Similarly, factors that cut across countries may present opportunities for creating international mechanisms for dealing with multinationals. It is imperative, therefore, that multinationals be prepared to deal with stakeholders at not just the country level, but at levels narrower and broader. Researchers have long stressed that the success of multinationals' international operations is critically dependent on relations with governments. With changes in hosts' attitudes toward FDI, and the increasing prominence of multilateral institutions, it is important to understand how multinational-government relations have changed, and what implications that has for multinational strategy. This panel will focus on the following broad themes: (1) Multinational-government bargaining remains important for determining entry and operating conditions for multinationals. (2) Multinationals and governments must deal with a broader set of stakeholders; e.g., international institutions, NGOs. (3) Role of international institutions in helping governments address challenges stemming from globalization. (4) Risks and opportunities associated with international institutions, and multinationals' role in molding institutions. (5) Non-market strategies are critical for shaping international institutions and the competitive landscape, enhancing operating conditions and managing risk. Salient industries like cellular service present special conditions. (6) Governments must make difficult tradeoffs – especially in salient industries like pharmaceuticals.

*Globalization and the Environment: Regulatory Failure and the Emergence of International Voluntary Environmental Initiatives*

Petra Christmann, University of Virginia, Christmannp@Virginia.edu

Glen Taylor, University of Hawaii-Manoa, Glen@Busadm.cba.Hawaii.edu

Globalization poses a serious challenge to the ability of national governments to regulate the behavior of firms participating in the global economy. When firms can easily cross national borders in pursuit of new business opportunities national regulatory frameworks intended to affect firm behavior may not be effective. One of the primary concerns in the ongoing debate over the costs and benefits of globalization is the apparent failure of national governments to regulate environmental pollution in the global economy. This paper discusses the reasons for the failure of environmental regulations in the global economy, and describes the emergence of voluntary environmental initiatives as new tools for firm self-regulation that are trying to fill the void left by the shortfall of government regulations. The paper then uses case study evidence to develop a classification of firm strategies for dealing with voluntary environmental initiatives.

*Exploring the Relationship between National Governments and Multinational Pharmaceutical Firms*

Jeffrey Furman, Boston University, Furman@Bu.Edu

Margaret Kyle, Massachusetts Institute of Technology, Mkkyle@Mit.Edu

This paper examines the entry of drugs into national markets in order to explore the relationship between multinational pharmaceutical firms and developed country governments. When negotiating with and regulating the entry and pricing of pharmaceutical products, host country governments are faced with multiple, potentially conflicting goals. While aiming to ensure the health and well-being of its nation's citizens, authorities are increasingly concerned with managing health care expenditures. On one hand, governments that negotiate vigorously can achieve stronger bargaining positions, negotiating correspondingly lower prices, and can be accordingly more secure about the safety risks posed by new products. On the other hand, however, a country adopting a "tough" bargaining position runs the risk that pharmaceutical companies will not enter into its markets or decrease investments in cures for maladies idiosyncratic to their populations. In light of national price regulation strategies, pharmaceutical firms with existing products face a range of potential markets to enter. Firms' incentives to enter any particular country with a particular product will depend on static considerations, such as expected revenues, as well as some dynamic considerations, such as their relationships with host governments and with their competitors. This paper investigates the outcomes of this dynamic game by exploring pharmaceutical product entry among OECD firms, bringing brings both qualitative and quantitative evidence to bear on these issues.

*The Political Spectrum*

Witold Henisz, University of Pennsylvania, Henisz@Wharton.Upenn.Edu

Bennet Zelner, Georgetown University, Zelnerb@Georgetown.Edu

In this paper we extend the framework for non-market strategy originally developed in Henisz and Zelner (2001) using evidence from over 30 interviews with participants in the cellular telephone service sector in five Asian countries. We focus on three main factors that affect a firm's success in lobbying for asymmetric policies that enhance its probability of success in the marketplace relative to its competitors. The first factor is the existing market structure, which ranges from a dominant incumbent competing against numerous smaller "fringe" firms

to a roughly symmetric oligopoly. In less balanced markets, fringe firms lobby the government intensely to promote policies that will "level the playing field" and thereby increase their market share. Dominant firms lobby just as intensely to protect their turf. In contrast, firms in more balanced markets pursue considerably less aggressive non-market strategies as such appeals lack credibility. The second factor is the level of non-market influence held either directly (through close family contacts, privileged connections and the like) or indirectly by a cellular firm's allies including allied interest groups. The third factor that affects a firm's success in lobbying for asymmetric policies is the structure of political and regulatory institutions. Where political and regulatory institutions make such change more difficult, more pressure is necessary to secure a given policy change.

*A Bargaining Approach to International Governance: Multinational Corporations and the Climate Change Issue*

David Levy, University of Massachusetts, David.Levy@Umb.Edu

From regional trade agreements to international environmental treaties, emerging multilateral institutions and sources of authority are increasingly impinging on the operations of multinational corporations. MNCs play a key role in molding these emerging institutions of international governance, but their preferences and their influence vary from issue to issue. Due to the varying preferences of the actors, their degree of bargaining power, and the different types of issues, the international system of governance is a fragmented patchwork of untidy, and somewhat contradictory institutions. This paper develops a framework for understanding MNCs in international governance that builds on the bargaining model of foreign direct investment. Evolving global political and economic conditions have rendered the bargaining framework obsolete, as countries have increasingly sought to attract MNCs and collaborative dimensions of state-MNC relations have largely displaced earlier antagonisms. This trend has, however, been accompanied by the emergence of contestation over the very structures and processes of international governance. Negotiations over the creation of international governance regimes are more complex than those over FDI because of the multi-party nature of the bargaining, the importance of discursive and organizational forms of power, and the dynamic, non zero-sum nature of the process. MNCs' competitive positioning and perceptions of interest influence their interactions with other actors, including NGOs, states, and supranational bodies. In turn, these interactions and the emerging governance regime reshape the competitive environment and can shift MNCs' perceptions. This new bargaining framework is illustrated by reference to research on responses by MNCs in the oil and automobile industries to the climate change issue.

*Non-market Strategies in the Context of Multinational-Government Bargaining*

Sushil Vachani, Boston University, Svachani@Bu.Edu

Pankaj Ghemawat, Harvard University, Pghemawat@Hbs.Edu

With the wave of economic liberalization programs that has swept the globe since the late 80s, host governments have become more welcoming of foreign direct investment (FDI) and there has been a significant rise in global FDI (United Nations, 2000). Given this change, is the multinational-host government bargaining perspective irrelevant today? Can multinationals rest easy that the obsolescing bargain is no longer a risk to their global operations? Or, given the rising opposition to globalization, are multinationals more likely to encounter bargaining pressures from governments and other stakeholders that erode the value of their foreign ventures? This paper will begin by reviewing the perspectives presented on this question in recent international business research (e.g., Eden and Lenway, 2001; Luo, 2001; Ramamurti,

2001). It will go on to report on cases of multinational-host government relations in the 90s from Asia, Europe and Latin America, that suggest that multinational-host government bargaining remains critically important for multinationals' entry and operations in a host country. It will discuss the non-market strategies deployed by multinationals to secure favorable bargains as they enter countries, and that help them preserve, and even enhance, the bargain over time.

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### **2.5.8 - PANEL ROUNDTABLE**

#### ***POLITICAL RISK AND TERRORISM: ASSESSMENT FOR FDI IN THE POST 9/11 ERA***

**Room: Auditorium**

**Time: SATURDAY - 3:30-5:00 P.M.**

Chair: Llewellyn Howell, University of Hawaii, lhowell@cba.hawaii.edu

Panelists:

Harvey Arbeláez, Monterey Institute of International Studies, harvey.arbelaez@miis.edu  
Douglas Bond, Harvard University, Doug.Bond@vranet.com  
Terry Hallmark, IHS Energy Group, terry.hallmark@ihsenergy.com  
John Mathis, Thunderbird, mathisj@t-bird.edu  
John O'Connell, Thunderbird, oconnelj@t-bird.edu  
Karim Pakravan, BankOne, karim\_pakravan@bankone.com

Invited papers/presentations from a mix of academicians and practitioners, reflecting assessment forecasting, management, and insurance perspectives. Discussion of implications of terrorist actions in both the developed world and in developing countries and markets, for direct foreign investment, finance, and trade. Focus on how risk models and management practices have dealt with terrorism in the past and how they need to be adapted to accommodate the changes in global politics since September 11.

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## **Sunday - June 30, 2002**

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### **3.1.1 - BALAS WORKSHOP**

#### ***LATIN AMERICAN FINANCIAL ISSUES***

**Room: San Cristobal B**

**Time: SUNDAY - 8:30-10:00 A.M.**

Chair: Jorge L. Urrutia, Loyola University Chicago, jurruti@wpo.it.luc.edu  
Discussant: Mitch Ratner, Rider University, ratner@genius.rider.edu

*Estimating the Liquidity Effect in Post-reform Chile: Do Inflationary Expectations Matter?*

Claudia Halabí, Escuela de Ingeniería Comercial Chile, chalabi@ust.cl

William D. Lastrapes, University of Georgia, last@terry.uga.edu

In this paper we estimate the dynamic effects of a domestic money supply shock in Chile over its post-reform period. We analyze Chile since inflationary expectations could be very sensitive to changes in the money supply, given the past inflationary experience. In the context of a VAR model containing both Chilean and US variables, we identify money supply shocks using long-run monetary neutrality and block exogeneity restrictions. Our findings suggest that in Chile over the period from 1977 to 1998, unexpected domestic money supply shocks have had a positive impact on interest rates, in the short run, and a negative impact on real money balances. This differs markedly from estimated responses of the US. The findings are consistent with the notion that, at least in Chile, inflationary expectations are very sensitive to news about the nominal money supply, possibly due to high inflationary uncertainty and the lack of credibility of monetary reforms. Our results are generally robust to alternative model specification and identifying restrictions.

*Time Varying Expected Returns in Latin American Brady Bonds*

Franco Parisi, Universidad de Chile, fparisi@negocios.uchile.cl

This article studies the predictability of the Brady Bond exceeding returns from Argentina, Brazil, Mexico and Venezuela. We found that a reduced set of variables explain the Brady Bond excess returns. Local and US variables were used in our models. The US variables are better predictors than local variables, and the coefficients of the parameters are similar among the bonds. Our results are similar for Par and Discount bonds. Also, we studied the possible comovements of these excess Brady Bonds returns using a Singular Latent Variable Model (SLVM), finding that they are highly correlated. The correlations of the forecasts are also high and statistically significant (always above 0,95), for Par and Discount bonds. Those comovements are mainly due to the risk aversion of international investors and to the herd behavior that leads them to make their investment decisions in a synchronized way, especially in periods of crisis.

*Explaining the Inward and Outward Internationalization of Emerging Market Firms: A Focus on Mexico*

Douglas E. Thomas, University of New Mexico, thomas@mgt.unm.edu

Robert Grosse, Thunderbird, grosser@t-bird.edu

This paper examines the inward and outward internationalization of emerging market firms. Using a sample of Mexican firms, it finds that size, technology intensity, state-ownership and maquiladora activity are positive predictors, and past profitability is a negative predictor, of outward internationalization. In contrast with previous research, low-cost advantage was not a significant predictor of the outward internationalization of emerging market firms. On the other hand, technology intensity, low-cost advantage, past profitability, state-ownership, and maquiladora activity are positive predictors of inward internationalization of emerging market firms. The two phenomena are clearly linked, and the distinguishing characteristics are that profitability is positively linked to imports but negatively linked to exports; labor intensity is only important in explaining imports; and firm size is only important in explaining exports. Future research should recognize the two-directional nature of internationalization, for emerging market firms and for industrial-country firms as well.

*Analysis of the Time Series Properties of ADR Portfolio Returns*

Jorge L. Urrutia, Loyola University Chicago, jurruti@wpo.it.luc.edu  
Joseph Vu, DePaul University, jvu@condor.depaul.edu

This paper examines the time series properties of American Depositary Receipts, ADRs. We postulate that because of the unique characteristics of these financial instruments, the ADRs returns exhibit a time series behavior that is different from that of the equity market as a whole. Furthermore, we claim that the ADRs sector is segmented from the equity market as a whole. Variance ratio tests of linear dependence reject the null of random walk for the ADR returns. Tests based on the correlation dimension and the BDS statistic indicate the presence of non-linearity in the ADR data. The BDS statistics applied to the standardized residuals of the EGARCH model rejects the null of IID, suggesting that conditional heteroscedasticity is not the cause of the nonlinear structure in the data. On the other hand, tests of chaos, based on the locally weighted regression, indicate that ADR returns exhibit chaotic behavior. This finding differs from previous research, which has failed to report evidence of chaos in the time series of stock returns. Important contributions of this paper are the application of tests of non-linearity and chaos to a more desegregated data set, and the findings of statistically significant evidence of non-linearity and low deterministic chaotic behavior in ADR returns. Knowing that returns of some sectors of the capital market exhibit chaotic behavior can help us to understand the market better and find simpler ways of describing it. Our results also suggest that pricing forecasting models for ADRs should include some nonlinear terms.

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**3.1.2 - THEME WORKSHOP**

***SMALL IS BEAUTIFUL: COMPETITIVE ADVANTAGE AND SMALL COUNTRIES***

**Room: San Cristobal D**

**Time: SUNDAY - 8:30-10:00 A.M.**

Chair: Douglas van den Berghe, Erasmus University Rotterdam, dberghe@fbk.eur.nl  
Discussant: Danny van den Bulcke, University of Antwerp, daniel.vandenbulcke@ua.ac.be

*How to Enhance National Competitiveness: A Case Study of Korea*

Dong-Sung Cho, Seoul National University, cho@ips.or.kr  
Hwy-Chang Moon, Seoul National University, cmoon@snu.ac.kr

According to traditional trade theories, national wealth is set by endowments. Michael Porter argued that national wealth is created by strategic choice and developed a new competitiveness theory. This paper introduces a nine-factor model, which is an extended Porter theory, and conducts an in-depth case study on how to enhance Korea's competitiveness, by using statistical techniques such as cluster analysis and sensitivity analysis. Several policy implications are provided, and the roles of government and internationalization are highlighted.

*Towards a Theory of MNEs from Small Open Economies: Static and Dynamic Perspectives*

Niron Hashai, Bradford University, n.hashai@bradford.ac.uk

Under the assumption that the world is divided into a large developed destination market, a small-developed home country and a developing country, criteria for the international organization of MNEs from small open economies may be defined. A discrete choice model that compares the cost of different value activities (namely R&D, production and Marketing), the cost of information flows between these value activities and the cost of product flows to prospected customers, exhibits a rigorous perception of the location and control dilemmas of such MNEs. The model identifies superior international operation modes as well as criteria to compare between various modes according to the MNE characteristics (e.g. distance sensitivity, knowledge intensity and tangibility of the MNE's products). Later, a dynamic perspective regarding the changes in control and location preferences along to the Product Life Cycle (PLC) is offered.

*Internationalisation of Australian Firms: How Much Does Geography Matter?*

Tatiana Minchev, Flinders University of South Australia, tminchev@iweb.net.au  
Geoff Lewis, University of Virginia, LewisG@darden.virginia.edu

Although social ties embodied in interlocking directorates have been found to affect a number of corporate behaviors, the micro-macro link connecting board interlocks and firm performance has remained ambiguous. Taking advantage of a relationship-intensive context whereby such a micro-macro link is likely to be especially important, this article explores the interlock-performance relationship among mainland Chinese firms listed in Hong Kong. By doing so, we also shed considerable light on the corporate governance of firms whose shares are listed abroad, which have been under-studied despite their rising importance around the world. Empirically, we find (1) that good performance in an earlier period helps draw outside directors in a later period, and (2) that network centrality and certain types of interlocks help improve these firms' performance, albeit with varying degrees. Overall, our results answer the question whether interlocks matter for performance with a qualified "yes."

*The Competitive Advantage of Small Economies*

Alvin Wint, University of the West Indies, alwint@uwimona.edu.jm

This paper relies on statistical analysis to test several hypotheses about the factors that differentiate small economies in terms of their economic performance. The most significant factors are political/country risk and infrastructure. In this regard, small economies exhibit different features from their larger counterparts, where, as also shown in this paper, the most significant factors are political/country risk and education. Closer investigation of these issues was facilitated by a statistical examination of the sectors that drive economic performance in the small economies of the Caribbean. The most important of these sectors, tourism and international financial services, place a premium on stability and infrastructural quality. The paper concludes that small economies that are integrated into world markets are the more economically successful, even while recognising that this integration brings with it exogenous risks.

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### 3.1.3 - THEME WORKSHOP *INTERNATIONALIZING E-BUSINESS*

**Room: Tropical A**

**Time: SUNDAY - 8:30-10:00 A.M.**

Chair: Timothy M. Devinney, Australian Graduate School of Management,  
t.devinney@unsw.edu.au

Discussant: Dan Rosetti, Stetson University, drosetti@stetson.edu

*Economics and Geographies of E-Commerce in International Markets*  
Ilgaz Arıkan, Ohio State University, arıkan.2@osu.edu

How has e-commerce affected interfirm relations and competitiveness of firms in international markets? I answer this central question by examining the circumstances under which these theories are better predictors of interfirm relations and competition. When we consider different types of competition (based on price, quality, innovativeness, service, etc), some firms might find it more advantageous to form close long-term relations to sustain their competitiveness. In others, firms might find it absolutely necessary to compete based on price. Juxtaposing transaction cost based and network-based approaches, I compare their theoretical predictions in factor markets. The network approach focuses on inter-firm relationships and building “ties that bind”. These ties are fruits of long-term interpersonal relations based on trust and mutual forbearance. Contract theory will be more sensible when competition focuses on price, but fails to support firm behavior when the focus shifts to more complex levels of competition. My arguments are based on a specific form of such e-commerce exchanges in business-to-business (B2B) markets: online auctions. While new economic geographers would argue that agglomeration economies would explain the network approach of interfirm relations in a social context, e-commerce might eradicate the territoriality of firms.

#### *E-Commerce in Russia*

Carl Fey, Stockholm School of Economics, Carl.Fey@hhs.se

Rachel Doern, Stockholm School of Economics-St. Petersburg

This paper develops a model for eCommerce value creation in Russia. The model identifies seven key drivers of eBusiness value (ease of use, availability of products/services, ease of search, complementarity, uniqueness, lock-in, and efficiency). Further, the model reminds us that it is essential to keep in mind the eBusiness environment in which the firm operates. The model then describes the eBusiness environment in terms of ten key characteristics: financial resources, computer and internet availability, telecommunications infrastructure, trust, computer programming resources, information security, customs and delivery, laws and regulation, support institutions, and payment systems. Finally, once the model has been developed, examples from 18 firms using eCommerce and four mini-case studies of firms successfully using eCommerce firms in Russia are presented and the model is applied to each of them to demonstrate its utility.

*The Critical Roles of Experience, Proclivity, and Risk in the Likelihood of Internet-Based Purchasing: A Multinational Study*

Gary Knight, Florida State University

David B. Kuhlmeier, Florida State University, dbk9613@garnet.acns.fsu.edu

This study analyzes multi-cultural consumer behavior in the context of electronic commerce. It considers the effects of risk, experience, and cultural effects on Internet purchasing. Factor analysis and multiple regression techniques were used on a sample of 398 Internet users from the United States, France, and Singapore. A positive association was discovered between a consumer's use of the Internet, both in terms of hours per week and number of years, and their likelihood to purchase over the Internet. However, a negative association was discovered between the consumer's perceived risk of the Internet and their likelihood to make Internet purchases. In addition, perceived risk was found to have a mediating effect on the relationship between Internet use in terms of hours per week and Internet purchasing and also on the relationship between the length of Internet use in number of years and Internet purchasing. Individual country effects and models are also analyzed.

*Searching for a Dynamic Theory of E-Commerce Corporations (ECCs): A Re-interpretation of the Eclectic Paradigm*

Nitish Singh, Saint Louis University, singhn2@slu.edu

Sumit K. Kundu, Saint Louis University, kundusk@SLU.EDU

The emergence of Internet has created a dynamic electronic marketplace, where a new species of e-commerce corporations are taking roots. However, the growth and internationalization of these e-commerce companies is a relatively unexplored area in International Business. The study contributes to the International Business literature in two significant ways. Firstly, it attempts to critically evaluate the major International Business theories in context of e-commerce. Secondly, the proposed framework in the study extends the explanatory power of eclectic paradigm not only by interpreting the paradigm in context of e-business, but also by including an element of network-based advantages to the OLI-configuration.

*Latemover's Catching-up Under E-business Environment: The Case of Haier in China*

Dongkee Rhee, Seoul National University, rheedong@plaza.snu.ac.kr

Xiyu He, Seoul National University, hexiyu@hotmail.com

E-business is significantly changing firms' international competitiveness by affecting its transaction cost and innovation capability. The purpose of this research is to address the international competitiveness impacts of e-commerce, and to analysis late movers' catching-up under the E-business environment. We argue that effects of firm's transaction cost reduction and innovation capability improvement come from three dual-way real-time information sharings, virtual organization setting-up and global sourcing with consumer, related organizations and competitors. The speed of information getting and the quality of consumer's satisfaction will be core factors. By analyzing the case of Haier Group Company in China, we find that under E-business environment, a late mover may shorten time in catching-up than before. Existing high reputation, strong R&D capability and wide marketing network are three prerequisites for a late mover to make the possibility of transaction cost reduction and innovation capability improvement into reality. Meanwhile restructuring is also necessary for E-business implementation.

### **3.1.4 - COMPETITIVE KNOWLEDGE FLOWS AND VALUE CREATION**

**Room: Auditorium**

**Time: SUNDAY - 8:30-10:00 A.M.**

Chair: Sanjeev Agarwal, Iowa State University, [sagarwal@iastate.edu](mailto:sagarwal@iastate.edu)

Discussant: Jean-Luc Arregle, EDHEC School of Management, [jean-luc.arregle@edhec.edu](mailto:jean-luc.arregle@edhec.edu)

#### *Subsidiaries and Knowledge Networks: The Evolving Influences of the MNC and Host Country on Innovation*

Paul Almeida, Georgetown University, [almeidap@msb.edu](mailto:almeidap@msb.edu)

Anupama Phene, University of Utah, [ngtap@business.utah.edu](mailto:ngtap@business.utah.edu)

This paper views MNC subsidiaries as being embedded in two knowledge networks - (a) an internal network comprised of the subsidiaries and headquarters of the MNC and (b) an external network of host country firms. We hypothesize that the position (centrality) of the subsidiary in these networks and the characteristics (richness) of the networks will impact the extent of their influence on subsidiary innovation. The paper also suggests that the relative influences of these two networks change as the subsidiary evolves. The study uses patent citation data pertaining to innovations by foreign subsidiaries of U.S. semiconductor firms to analyze the influences on subsidiary innovation. The paper finds that for the host country network centrality matters, while for the MNC network richness matters to subsidiary innovation. The study also shows that as the subsidiary evolves the influence of the host country on innovation increases.

#### *Determinants of Foreign Market Entry Modes of International Franchisers: A Knowledge-Based Framework*

John H. Dunning, University of Reading, [j.m.turner@reading.ac.uk](mailto:j.m.turner@reading.ac.uk)

Yong Suhk Pak, Yonsei University

Sam Beldona, Wichita State University, [sam.beldona@wichita.edu](mailto:sam.beldona@wichita.edu)

In this paper we offer three distinct perspectives viz., knowledge-based framework, transaction cost economics, and internationalization theory to explain the determinants of foreign market entry modes by international franchisers. Three types of modal choices of international franchisers are examined with data collected from a survey of international franchisers from the US and UK. The results indicate that both firm-specific variables and managerial perceptions are significant in explaining the entry mode choices of international franchisers.

#### *Knowledge Flows in Alliances: Crossing Organizational and Geographic Boundaries*

Benjamin Gomes-Casseres, Brandeis University, [bgc@brandeis.edu](mailto:bgc@brandeis.edu)

John H. Hagedoorn, University of Maastricht, [j.hagedoorn@mw.unimaas.nl](mailto:j.hagedoorn@mw.unimaas.nl)

Adam Jaffe, Brandeis University

We explore the relationship between inter-firm linkages (alliances) and technology flows, measured as patent citations. We argue that two firms will be more likely to cite each other's patents when they have had one or more alliances with each other than if they are not organizationally linked, but less likely than each firm would be to cite its own patents. We will also examine the interaction between geographic and organizational boundaries in technology flow. We hypothesize that technologies are less likely to flow across geographic borders than within borders, but we have no expectation about whether flows are more likely across firms

within countries than across countries within firms. We use alliance data from the MERIT/CATI database and patent data from the U.S. Patent Office to test our arguments. In an earlier pilot study, we found support for the hypothesis that alliances facilitate the inter-firm transfer of technology. In the current project, we are expanding the sample by adding new data from 1995-2000, including new variables, and improving the specification of our tests. We are very close to getting results and fully expect to be able to report on the second phase at the Puerto Rico meeting of the AIB.

*When Should Firms Leverage Knowledge through Cooperative Entry Modes? Implications of Knowledge Tacitness and Transfer Capacity*

Xavier Martin, New York University, xmartin@stern.nyu.edu

Robert Salomon, New York University, rsalomon@stern.nyu.edu

This study updates and extends research on foreign entry modes by examining the impact of knowledge characteristics and firm heterogeneity in dealing with such knowledge. Research on international corporate expansion has long emphasized that intangible assets are required for successful international expansion. More recently, research from a “knowledge-based” perspective has addressed the role of tacitness in constraining foreign expansion. We revisit these arguments to describe how tacitness affects the relative suitability of cooperative (licensing and alliance) and single-firm (wholly-owned subsidiary) entry strategies. We then examine how a little-studied firm characteristic, the ability to transfer knowledge, affects entry mode choice. We offer predictions that describe the combined effects of knowledge tacitness and heterogeneous transfer capacity. We provide an overview of how the generalized model applies to knowledge-seeking as well as knowledge-exploiting expansion strategies. This study enriches mainstream internalization theory and reconciles it with more recent knowledge-based and asset-seeking views of the firm.

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**3.1.5 - COMPETITIVE  
EMERGING MARKETS**

**Room: San Cristobal E**

**Time: SUNDAY - 8:30-10:00 A.M.**

Chair: Duane Kujawa, University of Miami, dkujawa@miami.edu

Discussant: Anthony Goerzen, Babson College, agoerzen@babson.edu

*Collaboration across Borders: Benefits to Firms in an Emerging Economy*

Rekha Krishnan, Tilburg University, R.Krishnan@kub.nl

Niels Noorderhaven, Tilburg University, N.G.Noorderhaven@kub.nl

International collaboration between firms has been researched extensively, including collaboration between Western firms and firms from emerging economies. However, the costs and benefits of these collaborations to firms from emerging economies have received scant attention in the literature. Building on transaction cost theory and the knowledge-based theory of the firm, this paper develops hypotheses pertaining to the conditions under which international technical collaboration is beneficial to firms from an emerging economy. The hypotheses are tested on data from 1367 Indian manufacturing firms, 399 of which had one or more international collaborations. The findings show that international collaboration as such has no effect on the performance of local firms. However, more advertising-intensive firms benefited more, and more R&D-intensive firms less from international collaboration. The

cultural distance between the Indian and the foreign partners was found to have a weak negative effect on performance, this effect is due mainly to differences in uncertainty avoidance.

*The Price of Democracy: Sovereign Risk Ratings, Bond Spreads and Political Business Cycles in Developing Countries*

Steven Block, Tufts University, [steven.block@tufts.edu](mailto:steven.block@tufts.edu)

Paul Vaaler, Tufts University, [paul.vaaler@tufts.edu](mailto:paul.vaaler@tufts.edu)

In developing countries, political business cycles may have implications not only for incumbent governments and their electorates but also for foreign actors involved in allocating credit and pricing it appropriately for investment. We examine this proposition with data on major credit rating agency sovereign risk ratings and market-determined credit spreads on bond yields for developing countries holding presidential elections in the 1980s and 1990s. We find that agency sovereign risk ratings decrease and bond spreads increase for developing countries during election periods. Both agencies and bondholders appear to view elections in developing countries negatively, and impose additional credit costs.

*Are Emerging Economies Less Efficient? Comparing Performance Persistence in the U.S. and India*

Aya S. Chacer, London Business School, [achacar@london.edu](mailto:achacar@london.edu)

Balagopal Vissa, London Business School, [bvissa@london.edu](mailto:bvissa@london.edu)

To bridge the gap between the revisionist and accepted views on the persistence of performance in emerging economies, we distinguish between the drivers of persistence of superior and poor firm performance. Consistent with the accepted view we find that poor firm performance persists longer in emerging economies, whereas superior firm performance in emerging economies persists only as much as developed economies, supporting the revisionist view that competitive forces are just as strong in emerging economies.

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**3.1.6 - WORKSHOP**  
***INTERNATIONAL MARKETING***

**Room: Tropical B**

**Time: SUNDAY - 8:30-10:00 A.M.**

Chair: Preet S. Aulakh, Temple University, [apreet@sbm.temple.edu](mailto:apreet@sbm.temple.edu)

Discussant: A.N.M. Waheeduzzaman, Texas A&M University-Corpus Christi,  
[waheed@iris.tamucc.edu](mailto:waheed@iris.tamucc.edu)

Discussant: Gladys M. Torres-Baumgarten, Hofstra University, [mktgtb@mail1.hofstra.edu](mailto:mktgtb@mail1.hofstra.edu)

*International Innovation Diffusion and Peripheral Economies: An Empirical Analysis within International Buyer-Supplier Relationships in Iberia*

Celeste Amorim, University of Reading, C.M.D.Amorim@reading.ac.uk

The enthusiasm for innovation diffusion and knowledge transfer within automotive buyer-supplier relationships is at odds with the contradictory reality it is not always neither a successful and homogeneous process, nor a positive phenomena from the perspective of small and medium automotive suppliers located in peripheral economies. Based on four case studies, this paper critically examines the diffusion of knowledge and management innovations from international automotive buyers to small and medium automotive suppliers located in two peripheral economies. Based on the different experiences, the paper argues that in addition to suppliers' internal capabilities to learn and implement the innovations, which have been clearly highlighted in past literature, relational and country specific effects are determinant to explain variation in knowledge diffusion and outcomes. Based on the analysis, the paper derives implications for strategic management and innovation policies.

*The Relationship-Marketing versus the Product-Differentiation Paradigms: Implications for Strategies of Alliances and Cooperation*

Attila Yaprak, Wayne State University, attila.yaprak@wayne.edu

Hugh Cannon, Wayne State University

Irene Mokra, Wayne State University

Most of the literature on strategic alliances grows out of what we might call the "product differentiation" paradigm, where the purpose of the alliance is to give companies a competitive market advantage over the competition. We suggest that marketers are now beginning to adopt an alternative, "relationship marketing," paradigm. In the "relationship marketing" paradigm, companies seek profits by selling more to existing customers. Hence, they seek alliances that are designed to help a company deliver customer value rather than market superiority. Since market superiority can be achieved by withholding capabilities from competitors as well as delivering greater value to one's customers, firms operating from the "product differentiation" paradigm often seek exclusive alliances and engage in other practices that decrease the value delivered to customers and, ultimately, decrease overall market efficiency. Marketers who adopt the "relationship marketing" paradigm develop alliances that are much more likely to involve collaboration with potentially competing firms.

*Global Account Management: A Logical Step in the Globalization of Organizations?*

Marina Dabic, Slavonski Brod-Croatia

Matthew B. Myers, University of Tennessee-Knoxville

Michael Harvey, University of Mississippi, mharvey@bus.olemiss.edu

The increase in cooperative global arrangements between suppliers and customers has grown precipitously in the last five years. These global account management (GAM) strategies frequently are brought about due to the initiative of the global customer, requiring their suppliers to manage their total global needs. In other cases, suppliers perceive GAM as a means to develop long-term relationships with key global customers and at the same time hinder competitive inroads. The managerial considerations in implementing and managing GAM teams are the focus of this paper. A step-by-step process for management to follow when implementing a GAM program is also discussed.

*Determinants of the Sales Focus of Foreign Affiliates in the Netherlands: Evidence from a*

*Survey*

Annelies Hogenbirk, Maastricht University, a.hogenbirk@mw.unimaas.nl

Given the fact that the Netherlands is a relatively small country, many foreign affiliates that are located there choose to supply not only the Dutch market with their goods and services, but rather to focus on the European market or even to supply customers all over the world from their establishment in the Netherlands. This paper analyses the most important determinants of the sales focus of foreign affiliates in the Dutch electronics industry. A sample of 85 affiliates provides evidence that firms that target more markets than just the Dutch, in general are younger, focus on local manufacturing activities, and have a European headquarters status. They are more likely to have a non-European parent and are usually accompanied by only a few sister-affiliates from the same parent located in other European countries.

*A Three-Nation Study of Children's Purchasing Behaviour*

Jayantha Wimalasiri, The University of the South Pacific - Fiji, wimalasiri\_j@usp.ac.fj

Children use various influencing tactics to persuade the parents to comply with their requests. Parents' responses vary from outright denial to total acceptance. A sample of 255 parents selected from the Fiji Islands, Tonga and the Cook Islands were interviewed using a structured questionnaire to measure the effects of children's influence on the parental decision making process. This preliminary investigation suggests that the children in the Pacific Islands have not moved from parent-centered family environment to the modern, mostly Western, child-centered family environment. The second part of the research was designed to identify the demonstrated influence tactics used by the children in the island nations. The findings indicate that the children are less demanding and more persuasive in their attempt to obtain parental approval. Details of statistical analysis of the study are given. The implications of the findings for marketing management are also discussed in the paper.

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**3.1.7 - PANEL**

***THE ION PROJECT ON INTERNATIONAL ORGANIZING AND MANAGING***

**Room: San Cristobal G**

**Time: SUNDAY - 8:30-10:00 A.M.**

Chair: Schon Beechler, Columbia Business School, slb7@columbia.edu

Discussant: Srilata Zaheer, University of Minnesota, szaheer@csom.umn.edu

Globalization is easy to talk about and aspire to, but difficult to achieve. Research is uncovering the fact that it is less a problem of strategy formulation and more a problem of strategy execution. This panel addresses the complex issues around International Organizing and Managing in a series of presentations that both summarize and synthesize what we know about the complex process of executing global strategies from a broad and diverse set of perspectives. The panelists and discussion facilitator are members from ION – the International Organizations Network – a group of scholars from around the world committed to increasing the quality and impact of research on people and their effectiveness in international organizations. They bring diverse perspectives to bear on issues that cross both national and AIB track “geographies” to summarize and synthesize the literature on international organizing and managing structures and processes in MNCs. This session should

be of interest to a large number of AIB members interested in alliances and networks, business strategy, emerging markets and transition economies, macro- and micro-organizational behavior and human resource management.

*The ION Project on International Organizing and Managing*

Harry Lane, Northeastern University, ha.lane@neu.edu

In this paper, I explore how economic integration affects firm-level vertical, horizontal, and geographic scope. I focus on the large industrial groups of Latin America because market liberalization is likely to have disproportionately large impacts on them as compared to smaller firms. It is expected that as the environment changes as a result of market liberalization, so will the value of firm resources as applied to each of the three types of scope. This will encourage a re-evaluation of existing investments and a subsequent redeployment of resources. As such, I expect to witness changes in all three of the aspects of scope. These changes are clearly evident in the large industrial groups of Latin America that in the 1980s during the era of protectionism were able to leverage their power domestically to expand into other businesses. The opening of the market has had a disproportionately large impact on them as compared to smaller firms. I analyze the historical evolution of the business scope of four of Argentina's largest grupos: Techint, Perez Companc, IMPSA, and SOCMA.

*Understanding the Global Context*

Mary Yoko Brannen, San Jose State University, brannen\_m@cob.sjsu.edu

The objective of the presentation is to introduce and describe global contexts that play a role in international organizing and managing. We use the metaphor and the emblem of the *Ouroboros* to represent the contextual dynamics of organizations. In particular we define and elaborate three major dimensions shaping and influencing the global contexts of today's organizations: business conditions, task environment, and individuals. In addition, the model details the structural conditions that determine and influence firm strategy and illustrates how this, in turn influences the various divergent reactions of firms to the Oroborous. Finally, this model unveils culture as present in each aspect of managing and organizing, from the context to the core of the organization; as such culture can be considered as a hampering or enhancing factor to firm strategy and success. For this reason, we develop a working definition of culture and present the extent to which culture is a manageable factor influencing the organization and its management. We conclude the section showing how the various aspects of the model, first presented independently, act interdependently using examples from overarching case studies. In sum, the presentation aims at providing a synthetic understanding of the various dimensions that will be developed further in the other presentations reiterate that these various aspects act interdependently.

*Global Competencies*

Nakiye Boyacigiller, San Jose State University, nakiye@boyacigiller.com

In the "Global Competencies" section of the Handbook of Research on International Organizing and Managing we seek to: (a) Distinguish between expert and novice global managers and describe a dynamic process model used by experts and (b) Define the specific attitudes, skills and behavioral repertoire necessary for effective global management. These competencies are meta-skills encapsulating many other skills necessary in the global context: (1) Global mindset (including cosmopolitanism, cognitive and behavioral complexity); (2) Intercultural communication (including self awareness and perceptual acuity); (3) Creating and

building trust; (4) Boundary spanning; (5) Managing change (including building community and managing learning); and (6) Ethical Decision making. In the book, for each of the six competencies we present the literature underlying the construct, a vignette illustrating the competency in an organizational context thus providing a link to business imperatives and draw implications for individuals and organizations. During our panel discussion we plan to discuss global mindset in detail and then, time permitting, discuss other competencies during the end of the session based on audience interest.

*Leading and Teaming*

Julia Gluesing, Wayne State University, [gluesing@teamcci.com](mailto:gluesing@teamcci.com)

Cristina Gibson, University of Southern California, [cgibson@marshall.usc.edu](mailto:cgibson@marshall.usc.edu)

*Leading and Teaming* (Julia Gluesing, Cristina Gibson, Sue Canney-Davison, Deanne den Hartog, Bjorn Ekelund, Efrat Elron, Brad Kirkman). Multinational teams are at the core of organizing on a global scale. These teams can have members who are collocated, but today multinational teams are most often globally distributed teams (GDTs) whose members link different geographical locations and cultural contexts together to accomplish work on a global scale, often mediated by technology. Their work flows directly from the global business strategy of a firm and involves activities such as coordinating multinational alliances and joint ventures, creating and marketing new products globally, and diffusing and managing information across the global enterprise. The diverse global context in which they operate means GDTs are by definition complex. Generally, these teams are intentionally created to match the complexity of their global business context and to reflect and take advantage of the diversity inherent in the different organizations, local business conditions and national and occupational cultures they represent. However, to be effective at managing and completing their tasks, the members of GDTs need to surface, manage and learn from their differences efficiently without losing the unique contribution each member brings to the team. This paper provides international managers with a framework for thinking about leading and teaming processes in a global context. The paper also identifies important contingencies that influence how these processes should best be implemented to increase the likelihood that teams will achieve their business objectives.

*Managing Strategic Initiatives*

Julian Birkinshaw, London Business School, [jbirkinshaw@london.edu](mailto:jbirkinshaw@london.edu)

Tatiana Kostova, University of South Carolina, [kostova@sc.edu](mailto:kostova@sc.edu)

This presentation focuses on strategic initiatives - specific programs or projects that help multinational firms get to grips with the changing realities of their business environment. The focus is particular on those strategic initiatives that allow firms to manage their cross-border activities in a more efficient or effective way. This includes such things as developing a global customer management program, transferring best practices across countries, and creating an e-business capability. This topic is more applied than some of the others covered in this panel. The identification of strategic initiatives was driven more by the ION group's observations of what multinational firms are currently doing rather than by the existing bodies of theory. Of course, for each strategic initiative there are relevant bodies of theory from which the chapters draw. But the starting point is the multinational firm itself, and the sorts of initiatives they are investing in to address new or emerging challenges. Many of these -such as global customer management, alliances, and global new product development - have been strategic challenge for decades, but they are becoming increasingly important as multinationals look for ways of becoming more globally integrated. Others, including e-business and social legitimation, have

just emerged, or at least re-emerged, as key challenges in the last few years. There are number of common themes to all of these strategic initiatives. First, they all involve cross-national coordination, so there is a strong link to the other panel presentations in terms of the creation of global leaders, global teams, and a global mindset. Second, they can all be undertaken either reactively or proactively. For example, global account management can be a response to the demands of the customer, or it can be a deliberate initiative to service global customers more effectively. Typically, a proactive approach is superior because it allows the multinational firm to structure the initiative according to its own agenda. As such, the ideas presented in this section should be of considerable practical value to many multinational firms. Third, while these strategic initiatives are all very applied or practical in nature, the approach taken in this work is to identify the theoretical underpinnings, and to review the relevant bodies of academic literature.

*Managing in the Developing/Emerging World*

Betty Jane Punnett, University of the West Indies – Cave Hill Campus,  
eureka@caribsurf.com

This presentation focuses on approximately 80% of the world's population - the people who live and work in countries described as developing or emerging. These people represent a large and growing market, and labor force. The countries are extremely diverse and produce a wide array of products and services, largely unknown, and potentially in high demand, in the developed world. This presentation will examine definitions of "developing/emerging" countries, and discuss characteristics of these countries, and how these characteristics relate to effective management in these countries. These countries are very diverse, nevertheless, they do share certain characteristics – these are the main focus of the presentation. Developing countries have received little attention from management writers, yet understanding management in these countries is particularly relevant for today's managers. Thomas noted "the evolution of a global marketplace is redefining the arena for international business" and "since prior examinations have focused primarily on locations in the industrialized regions of North America and Western Europe, our theories, models, and practices exhibit a significant 'Western' influence" - which means they may not be applicable in the rest of the world.

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**3.1.8 - COMPETITIVE  
BARGAINING, RESOURCES AND POLITICAL STRATEGIES**

**Room: Tropical C**

**Time: SUNDAY - 8:30-10:00 A.M.**

Chair: Thomas Brewer, Georgetown University, BREWERT@gunet.georgetown.edu  
Discussant: Douglas A. Schuler, Rice University, schuler@rice.edu

*Which Governments Matter for Merger-Reviews: Alternations between Home-Based and Foreign-Based Antitrust Holdup*

Joseph Clougherty, Tilburg University, J.A.Clougherty@kub.nl]

I respond to increasing managerial uncertainty over the source (home-nation or foreign-nation) of antitrust holdup for domestic mergers with international competitive effects, and argue that an industry's competitiveness balance determines the holdup source. Further, my conceptual framework sets conditions for the optimal location of limited political resources by merging firms. Finally, I relax the assumption of cross-national institutional

homogeneity—since institutions mediate the business-government interface—in order to yield more precise propositions.

*The Bargaining Relationship between MNEs and Governments: Incorporating the Value of Corporate Political Resources*

Eugene Kang, Texas A&M University, ekang@cgsb.tamu.edu

The ability of a multinational enterprise (MNE) to influence the public policies of home and host countries is a critical component of the MNE's internationalization process. The effectiveness of a MNE's political activities in the nonmarket environment determines the terms of initial entry into and continued presence in a host country. Although the success of corporate political activities hinges upon the value of political resources that may be exploited by the MNE, extant research has not developed a framework to identify the factors that affect the value of political resources. This paper contributes to the existing literature by developing a conceptual framework that integrates four levels of analysis to answer the following research question: what factors determine the value of political resources in the nonmarket environment? The framework emphasizes the importance of a contingency approach, and the need for MNEs to actively manage their stock of political resources. Key propositions highlight the importance of the appropriability and scope of a political resource, the MNE's political capability to integrate its stock of political resources, the MNE's alliance capability to coordinate political resources within a political group, and the influence of contextual factors in the MNE's nonmarket environment.

*Why Governments Renege: Insights from Infrastructure Projects in Emerging Economies*

Ravi Ramamurti, Northeastern University, r.ramamurti@neu.edu

Despite deregulation, liberalization, and privatization, governments continue to play an important economic role in emerging economies, thereby exposing private investors to the risk of government renege. The government's role as deal maker—and deal breaker—is especially critical in infrastructure investments, where federal, state, and local governments still play a vital role as financier, customer, supplier, competitor, or regulator. (The only role they have shed as a result of recent economic reforms is that of producer.) We assert that governments renege for three predictable reasons: (1) economic uncertainty, which necessitates contract re-negotiation; (2) the logic of the “obsolescing bargain,” which makes deals less attractive to governments ex post than they were ex ante; and (3) political change, which puts new leaders in charge with incentives to renege on old promises. We further argue that these risks can be contained, respectively, through contract design, investment strategy, and institutional design. However, as illustrated by the experience of companies like Enron in India, the residual risks of government renege are still high, especially for foreign investors, who are rightly becoming more selective in making such investments. We conclude with managerial guidelines on how best to assess and minimize the risks of government renege.

*Dynamic Bargaining Success of Multinational Corporations: Does the Theory of the Obsolescing Bargain Obsolete?*

Chiung-Hui Tseng, Washington State University, [ctseng@wsunix.wsu.edu](mailto:ctseng@wsunix.wsu.edu)

William Hallagan, Washington State University, [hallagan@wsu.edu](mailto:hallagan@wsu.edu)

This study explores the forces affecting the position of Multinational Corporations (MNCs) in their bargaining with host governments over the period of their foreign investments. Four forces are identified: the trend of international economic integration and liberalization, host country economic development, knowledge generation and sticky knowledge of MNCs, and enhanced bargaining skills of MNCs. Our purpose is to examine the validity of the theory of the obsolescing bargain under the circumstances of current foreign direct investment. We continue the theory's dynamic perspective and expand it to the dimensions that the theory has not considered. Propositions are provided on the relationships between the four factors and MNCs' dynamic bargaining success. Theoretical, managerial, and public policy implications are then suggested.

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**3.2.1 - THEME PANEL**

***GEOGRAPHY AND SUBSIDIARY EVOLUTION***

**Room: San Cristobal B**

**Time: SUNDAY - 10:30A.M.-12:00 P.M.**

Chair: Frank DuBois, American University, [fdubois@american.edu](mailto:fdubois@american.edu)

Discussant: Martin Kenney, University of California, Davis, [mfkenney@ucdavis.edu](mailto:mfkenney@ucdavis.edu)

The purpose of this panel session is to explore the notion of Geography and Subsidiary Evolution and the extent to which geography plays a role in influencing the development of parent and subsidiary strategies. Papers presented will discuss various assertions concerning the role of geography as a significant external influence on subsidiaries, particularly within the context of various efforts at the formation of regional trading blocks.

*An Approach for Management Geography: In the Case of Japanese Hybrid Factories in the Three Major Regions*

Tetsuo Abo, Teikyo University, [t-abo@abox8.so-net.ne.jp](mailto:t-abo@abox8.so-net.ne.jp)

In this work, we develop a transformative theory of "management geography", using comparative study of three different types of "hybrid factories" of Japanese firms in three major regions – East Asia, Europe, and the US. Hybrid factories here refer to the Japanese transplants in overseas regions, which use a set of management techniques that is a hybrid of application of Japanese know-how and adaptation to local know-how and cultural imperatives. The extant economics and management theories have not explicitly dealt with an important aspect of geography. The abstract dimension of economic theory does not incorporate differences in geographical distances. However, the literature does not actively address differences in socio-cultural aspect of geography. We suggest that cultural differences are closely connected to the historical contexts of the geography, and these historically differentiated cultures are one of the essential shapers of the comparative and competitive advantage of nations. Therefore, these cultural attributes can be thought of as transformative forces in the "management geography" and the "economic geography", which in turn explains the significant correlations between various business/management models, socio-cultural differences, and location distances. The proposed transformative theory of management

geography is illustrated using the findings of the Japanese Multinational Enterprise Study Group. The focal point of its works is to illuminate the different situations and patterns of “hybrid factories” which are the mixture between Japanese and local production systems. We investigate the transformative theory of “management geography,” and verify the theory by comparing three types of business models corresponding to three major regions.

*The Determinants of the Strategic Roles of Regional Headquarters and Offices in the Asia-Pacific*

Michael Enright, University of Hong Kong, menright@business.hku.hk

Among the major challenges facing multinational companies are those associated with managing geographically dispersed operations. Many MNCs are turning to regional management structures and regional management centers to achieve the right mix of local responsiveness and global integration. While there have been efforts to build typologies of the regional management centers of MNCs, to date there has been little large-scale empirical analysis of the types of regional management centers that have emerged. The present paper reports results from survey responses of 1,100 MNC managers on the nature of their firms’ regional management centers in the Asia-Pacific. Statistical cluster analysis shows that there are four main groups of regional management centers (COORDINATION CENTERS, FULL FUNCTIONAL CENTERS, PERIPHERAL CENTERS, and MARKETING AND CUSTOMER SERVICE CENTERS) depending on the roles that the centers play in the strategies of the MNCs. Categorical modeling of the resulting clusters shows that cluster membership varies significantly with the number of economies in which the company operates, the total number of management centers that the company has in the Asia-Pacific, the nationality of the company, and the city in which the regional center is located. The paper supports hypotheses concerning the influence of both firm-specific and location-specific factors on regional management centers and suggests future work that would test similar hypotheses in other parts of the world.

*The Changing Geographies of the North American Automotive Industry after NAFTA*

John Holmes, Queen’s University, holmesj@post.queensu.ca

This paper analyzes recent changes in the locational structure of the North American automobile industry. The 1965 Canada-United States Auto Pact provided the initial impetus for the automakers to rationalize their production operations between the two countries and to develop integrated cross-border production systems. During the 1990s, and especially under the NAFTA, rationalization and integration within the industry were significantly deepened and also broadened to include Mexico. The 1990s also witnessed significant changes in production organization as the automakers spread lean production methods throughout the industry. The North American automobile industry is now characterised by high levels of intra-industry and intra-firm trade. Complex networks of component supply chains bind together manufacturing facilities in the United States, Mexico and Canada. By the end of the 1990s the geography of the industry reflected elements of both continuity and change. Some of the traditional auto-making regions had experienced significant levels of new investment in both vehicle assembly and parts production while others had declined. At the same time, new auto-making complexes had begun to crystallize in the south-eastern U.S. and in both northern and central Mexico. These outcomes were shaped by a complex interplay between geography and corporate strategy. The paper analyzes these changes using manufacturing and trade data and makes inferences regarding the strategies deployed by the automakers.

*Testing the Drivers of Subsidiary Evolution: Internal and External Environment Determinants*  
Ana Teresa Tavares, University of Porto and University of Reading, atavares@fep.up.pt

The paper aims to test the relevance of several factors in explaining the process of multinational (MNC) subsidiary evolution. Drawing on an original large-scale cross-country survey of MNC subsidiaries in the EU, empirical evidence is presented regarding the main paths of subsidiary evolution, which occurred in the countries surveyed (Portugal, Spain, Ireland and the UK). Subsequently, the significance of distinct determinants of subsidiary evolution will be formally tested. These causal factors will be grouped into two categories: those that relate to the 'internal environment' of the MNC, and those that relate to its external environment. This is consistent with an advocated systems view of the MNC and of its environment(s). A particular link is made with economic integration, or the formation of regional trading blocs, seen as a key exogenous shock impacting on the strategic orientation of the MNC and its network of subsidiaries. Hence, major changes in the competitive environment (an important dimension of 'geography') are deemed to be likely to induce profound strategic changes at the subsidiary level. Economic integration is also deemed to have a significant impact as regards the overall MNE system, inducing strategic approaches consisting of more complex value chains and moving to more specialised activities. Among other significant influences on subsidiary strategic change, support was found for the importance of the parent driver, previous roles performed by the subsidiary, the existence of other subsidiaries in the same host country, and some of the motivations underlying initial investment. It also emerged that the economic integration impact was more pervasive at the level of the subsidiary than as regards MNC parent. Therefore, considerable changes in the external environment of subsidiaries do matter for their strategy and scope, yet this impact is mediated by the parent's strategy and by the relationships established within the boundaries of the MNC group.

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### **3.2.2 - COMPETITIVE EXPERIENCE AND KNOWLEDGE TRANSFERS**

**Room: San Cristobal D**

**Time: SUNDAY - 10:30A.M.-12:00 P.M.**

Chair: Pervez Ghauri, University of Manchester, pervez.ghauri@umist.ac.uk

Discussant: Jean Boddewyn, Baruch College (CUNY), jean\_boddewyn@baruch.cuny.edu

#### **🏆 Haynes Prize Finalist**

*Technology, Experience and Politics: Plant Location Decisions in the Global Semiconductor Industry, 1995-2000*

Witold Henisz, University of Pennsylvania, henisz@wharton.upenn.edu

Jeff Macher, Georgetown University, jtm4@georgetown.edu

This paper examines the impact of the firm-level technological environment and the country-level institutional environments on the international plant location decisions of 68 semiconductor firms from 1995-2000. We find that these firm- and country-level factors interact to influence the foreign location decisions of firms in a given country. More technologically advanced firms are more likely to make investments abroad but not in hazardous countries where they face greater expropriation risks. These findings leverage variation within the population of investing firms and across the set of potential markets to not only improve understanding of international plant location decisions but also to more

broadly inform strategic management by highlighting the importance of and connections between technological capabilities and the institutional environment.

*Knowledge Transfer in International Firms*

Deo Sharma, University of Copenhagen, ds.marketing@cbs.dk

Torben Pedersen, University of Copenhagen, tp.int@cbs.dk

Bent Petersen, University of Copenhagen, bp.int@cbs.dk

Knowledge is ascribed a key role when explaining the existence and the growth of multinational companies (MNCs). The effective dissemination throughout the MNC organization of valuable knowledge acquired by its local affiliates is seen as an important source of competitive advantage. As such, it is essential that the MNC employs the mechanism of transfer that suits the specific knowledge characteristics. The use of unsuitable transfer mechanisms may cause loss of knowledge in the process of transmission or may involve unnecessarily high communication costs both with potentially negative effects on the performance of the MNC. Focusing on internationalization knowledge this large-scale empirical study explores the incidence and the performance implications of 'misfits' between knowledge characteristics and transfer mechanisms as used by Danish MNCs. It is found that a substantial proportion of the observed MNC knowledge transfer transactions may be classified as 'misfits' and to some extent do these 'misfits' result in impaired performance of the MNCs.

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### **3.2.3 - WORKSHOP**

#### ***THE INTERNATIONALIZATION PROCESS***

**Room: San Cristobal E**

**Time: SUNDAY - 10:30A.M.-12:00 P.M.**

Chair: Hans Thorelli, Indiana University, thorelli@indiana.edu

Discussant: Stewart Miller, Michigan State University and University of Texas-Austin,  
mille878@pilot.msu.edu

*Difficulties in the Internationalization Process: The Liability of Foreignness and the Disadvantage of Foreignness*

Alvaro Cuervo-Cazurra, University of Minnesota, acuervo@csom.umn.edu

Mary M. Maloney, University of Minnesota, mmaloney@csom.umn.edu

Shalini Manrakhan, University of Minnesota, smanrakhan@csom.umn.edu

We study the difficulties faced by firms in their internationalization processes. We propose that these difficulties can be separated between those that are firm-specific –liabilities of foreignness, expansion, and newness– and those that are non firm-specific –disadvantage of foreignness–. We argue that the liability of foreignness is based on the foreign firm's lack of domestic “neutral” resources. We identify three types of liability of foreignness –exports, entry, and extension– that influence firm behavior differently.

*The Dual Nature of Product and Market Processes in the Internationalisation of the High-Tech Born Global Firm*

Gary Knight, Florida State University, gknight@cob.fsu.edu

Peter W. Liesch, The University of Queensland, P.Liesch@gsm.uq.edu.au

Born Global firms are emerging in large numbers as an important form of international enterprise. Despite significant research to date, little is known about how these firms internationalise or achieve performance goals in international markets. To address this gap, we describe the processes that underlie the foreign market activities of Born Globals at the early internationalisation phase. Our findings on 186 high technology Born Globals suggest that the product development process is critical to early internationalisation, and that both this process and the market development process, in combination, are critical to these firm's superior international performance.

*FDI and Internationalization: Evidence from U.S. Subsidiaries of Foreign Banks*

Adrian Tschoegl, University of Delaware, tschoegl@alum.mit.edu

The ten largest US subsidiaries or affiliates of foreign banks account for over 90 percent of the assets of all affiliates and subsidiaries. An examination of the histories of these ten suggests that most now represent an attempt by the parent firms to grow outside the confines of their home markets. Other motives have included pursuit of ethnic banking opportunities, locking in a source of dollar deposits and a search for some stability in operations stemming from geographical dispersion. There is one major instance of the acquisition of a US bank as a means of acquiring capabilities. The growth of the subsidiaries and affiliates has been the result of a process of reshuffling of assets among firms rather than one of incremental growth.

*The Internationalization and Growth of SMEs*

Jane Wenzhen Lu, National University of Singapore, fbaluj@nus.edu.sg

Paul W. Beamish, University of Western Ontario, pbeamish@ivey.uwo.ca

We examine the individual and joint effects of two internationalization strategies, exporting and foreign direct investment (FDI), on the growth of small and medium-sized enterprises (SMEs). Drawing from the literatures on entrepreneurship, strategy and international business, we develop and test four hypotheses using a sample of 164 Japanese SMEs. We find that FDI activity is a more effective growth strategy for SMEs than exporting. However, exporting activity has a positive moderating effect on the relationship between an SME's FDI activity and firm growth. A strategy of high exporting concurrent with high FDI leads to higher rates of firm growth, during the early stages of a firm's internationalization. Finally, we find that an SME's age when it starts to internationalize has a negative moderating impact on the relationship between internationalization and firm growth. Early internationalizers achieve higher rates of firm growth from internationalization activities than late internationalizers.

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### 3.2.4 - THEME WORKSHOP *TRADE, FDI AND SMALL COUNTRIES*

**Room: San Cristobal G**

**Time: SUNDAY - 10:30A.M.-12:00 P.M.**

Chair: Jan Svejnar, University of Michigan, svejnar@umich.edu  
Discussant: Paul Vaaler, Tufts University, paul.vaaler@tufts.edu

*FDI, Exports and Economic Growth in a Small Open Economy: The Case of Morocco*  
Mina N. Baliamoune, University of North Florida, mbaliamo@unf.edu

This paper uses annual data and a Granger-causality technique to examine the link between exports, foreign direct investment (FDI) and GDP growth in Morocco. The empirical results indicate that there is bi-directional causality between exports and FDI. These two variables tend to reinforce each other. The implications of these findings are important as policies that foster exports also enhance FDI and vice versa. This may reflect the success of the export oriented FDI promotion introduced by the Moroccan government in the early 1990s. It is also shown that exports have a weak influence on economic growth, while GDP growth may have a negative impact on FDI. Perhaps, export growth occurs at the expense of other GDP components such as investment and domestic consumption. Moreover, nominal devaluation of the domestic currency does not seem to affect growth, exports or FDI. The study does not find evidence to support the hypotheses of growth-driven FDI and FDI-led growth.

*Capital Structure Decisions of New Firms in an Emerging Economy*  
Ishtiaq P. Mahmood, National University of Singapore, bizpn@nus.edu.sg  
Maw-Der Foo, National University of Singapore

Studies on capital structure have mostly focused on large companies in developed countries. Using primary data on newly incorporated firms in Singapore, this study examines the determinants of capital structure, and the impact of financial leverage on firms' financial performance and survival. The findings pertaining to some determinants of capital structure, such as firm size and asset structure were similar to those observed in developed countries. However, firm growth had an opposite effect on the leverage decisions of new firms compared to studies in developed countries. Total debt and short-term debt ratios are negatively related with financial performance and firm survival, while long-term debt usage, on the other hand, shows significant positive correlation with both financial performance and firm survival.

*Performance of Foreign Direct Investment from Singapore*  
Nitin Pangarkar, National University of Singapore, bizpn@nus.edu.sg

This study was conducted with two broad aims: to assess performance levels attained by Foreign Direct Investment undertaken by Singapore firms and to identify the key determinants of performance levels. We employed a broad set of perceptual measures (as reported by the MNC parent managers) to assess the performance of foreign subsidiaries. The measures included: stability, profitability, overall success, market share and sales growth. We hypothesized that the performance of foreign subsidiaries will be influenced by the following factors: mode of entry, cultural distance, size of the subsidiary relative to the parent and host government attitudes. Based on an analysis of 128 responses to a survey, we found that Singapore firms' foreign subsidiaries achieve moderate levels of performance. The data analysis also revealed

partial support for our hypothesized relationships.

*The Impact of Income and Real Exchange Rate on the Competitiveness of Turkey*

Elif Sonmez, Michigan State University, sonmezel@msu.edu

Pinar Ozbay, Michigan State University, ozbaypin@msu.edu

Trade flows are a reflection of a country's competitiveness, which in turn is crucial for its overall economic well being. Domestic income, the income of trade partners, and real exchange rate are the main factors that determine the trade flows. In this study, this relationship is investigated within the context of an emerging economy, Turkey. The import demand and the export supply equations for Turkey using domestic income, foreign income, and five different types of real exchange rate are estimated. Using these different types of exchange rate enables us to evaluate their relative performance as competitiveness indicators in terms of their ability to explain trade flows. After the examination of the cointegration properties of the series used in the study, the long run analysis is carried out by leads-and-lags estimation while the short run dynamics are explored via an error correction model. The results suggest that it is income, not real exchange rate that determines the trade flows in Turkey.

*Competitiveness Concerns in Hong Kong: Business Fears and Government Incomprehension*

Edmund R. Thompson, Ritsumeikan Asia Pacific University, thompson@apu.ac.jp

International indices of competitiveness have recently seen Hong Kong downgraded from its former position as possibly the world's most competitive business environment. Such indices have cited government actions as the prime cause of Hong Kong's competitiveness decline. Hong Kong's government, however, has dismissed such conclusions as subjective and incorrect, thereby raising fears that it may not fully understand the nature of the problem and will therefore be unlikely to seek to effect any solution. Using quantitative data from 130 international firms operating in the city and from 98 LEGCO members and senior Hong Kong government officials, this research objectively examines the extent to which firms and government officials respectively (i) consider that Hong Kong's international competitiveness has diminished, and (ii) ascribe any such decline to government or other factors. Results show that firms do indeed consider Hong Kong's international competitiveness to have declined, whereas government officials do not. Moreover, government officials are found to consider that if there is any decline it can significantly be ascribed to cost and regional competition factors, whereas firms significantly ascribe competitiveness decline exclusively to government rather than to cost or competition factors.

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### 3.2.5 - WORKSHOP *FDI IN SERVICES*

**Room: Tropical A**

**Time: SUNDAY - 10:30A.M.-12:00 P.M.**

Chair: William Newburry, Rutgers University, newburry@andromeda.rutgers.edu  
Discussant: Doug Sanford, Towson University, dsanford@towson.edu

*Does the International Product Life Cycle Apply to Services? The Contribution of International Expansion Theories to Research in Trade and Investment in Services*

Jonathan Doh, Villanova University, jonathan.doh@villanova.edu

I evaluate a classic theory in international business (IB) – the international product life cycle (PLC) (Vernon, 1966, 1979) – for its potential applicability to international trade and investment in services. I argue that particular attributes of services, and the spatial and temporal constraints that result from them, require adaptations and modifications to the PLC and other IB theories to make them relevant for research in services. I develop a framework to describe and explain stages in the internationalization of services as defined by the country location of ownership, production, and consumption.

*Multinationality and Performance: New Evidence from the Service Sector.*

Sumit K. Kundu, Saint Louis University, kundusk@slu.edu

Farok J. Contractor, Rutgers University

Chin-Chun Hsu, Saint Louis University

What is the shape of the relationship between performance of MNEs and their degree of multinationality? The literature shows two shapes, linear (monotonic) and nonlinear (curvilinear), of which some findings have been U-shaped. This paper reconciles these seemingly contrary findings by proposing a three-stage theory of international expansion. It then tests this theory using data from eleven service sectors, highlights the difference between knowledge based and capital based service sectors.

*Crossing Geographic Boundaries: An Analysis of Call Center Foreign Direct Investment*

Susan Mudambi, Temple University, susan.mudambi@temple.edu

Ram Mudambi, Temple University, rmudambi@sbm.temple.edu

Companies in the call center industry are crossing geographic boundaries with their call centers in order to better serve their customers, seize new opportunities, and cut costs. In fact, the call center industry epitomizes and reflects all three dominant aspects of the current business environment: the service economy; the increasing role of information and digital technology; and globalization. This paper provides a background to the call center industry. This is followed by a review of the literature of FDI, with special attention paid to international services. To reflect the conference theme, the literature on FDI location decision making is reviewed in considerable depth. The paper concludes with implications of the literature review for future research on call center FDI decisions and internationalization.

*The International Competitiveness of Firms and Countries: Foreign- and British-owned Firms in the London Wholesale Insurance Market*

Lilach Nachum, Cambridge University, L.Nachum@cbr.cam.ac.uk

Based on a comparison between foreign and British-owned insurance firms, this study seeks to explain why the location advantages of the UK attract foreign MNEs to invest in London but only to a limited degree facilitate the development of internationally competitive British firms, as theory suggests. The findings show that foreign owned establishments make more and better use of British resources, and build on the advantages provided by other part of the MNEs, which are transferred to the affiliates. The implications of these findings for the theory of the origin of the international competitiveness of MNEs are examined.

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### **3.2.6 - INTERACTIVE PANEL** ***RESTRUCTURING LARGE, DIVERSIFIED BUSINESS GROUPS***

**Room: Auditorium**

**Time: SUNDAY - 10:30A.M.-12:00 P.M.**

Chair: Robert E. Hoskisson, University of Oklahoma, rhoskiss@ou.edu

Discussant/Overview: Mike Wright, University of Nottingham,  
mike.wright@nottingham.ac.uk

Large firms with portfolios of unrelated businesses throughout the world's emerging economies, as well as many developed economies, are seeking to restructure their business portfolios to a set of core businesses. This panel addresses how these diversified business groups are being restructured in different geographic locations and thus is related to the conference theme. The first paper by Filatotchev, Wright, Uhlenbruck, Tihanyi and Hoskisson discusses the restructuring process in Central and Eastern Europe. In particular it discusses how diversified business groups can both be a hindrance to effective restructuring as well as fostering learning to improve performance in a more market oriented economy. The arguments make contributions to both governance and learning theories in relationship to diversified business groups. The next paper by Kim, Hoskisson, and Tihanyi addresses the circumstance of South Korea. In particular, focuses on the post-1997 restructuring challenges confronting the diversified business groups or Korean Chaebols). Afterward, a paper by Hoskisson, Cannella, Tihanyi and Faraci focusing on restructuring of large business groups (grupos) of Latin American and Southern Europe are examined through an empirical paper on the topic. Finally, an overview paper by Hoskisson, Johnson, Yiu and Wan summarizes arguments regarding country institutional differences and how diversified business groups might have different challenges given their particular country transaction environment.

#### *Governance, Organizational Capabilities and Restructuring in the Transition Economies of Central Eastern Europe*

Igor Filatotchev, Birbeck College London, i.filatotchev@mbs.bbk.ac.uk

Mike Wright, University of Nottingham, mike.wright@nottingham.ac.uk

Klaus Uhlenbruck, Texas A&M University, kuhlenbruck@tamu.edu

Laszlo Tihanyi, University of Oklahoma, ltihanyi@ou.edu

Robert E. Hoskisson, University of Oklahoma, rhoskiss@ou.edu

Presenter/Discussant:

William P. Wan, Thunderbird, wanw@t-bird.edu

Corporate restructuring has become a common means for firms to maintain alignment with the changing external environment. Numerous studies have examined the relationship between

corporate governance and restructuring. This paper seeks to make a contribution to understanding of restructuring by contrasting agency theory approaches to governance and organization learning theory predictions in a highly turbulent environment, the transition economies of Central and Eastern Europe (CEE). Restructuring in transition economies has been motivated by political and institutional changes and less so by market forces. Accordingly, initial change is brought about by political processes that have resulted in political solutions such as “give-away” privatizations. These privatizations, in contrast to divestitures to outside owners, have realized less substantive restructuring because non-market incentives have created managerial entrenchment. This paper proposes a connection between governance and learning theory suggesting that learning is inhibited by excessive managerial ownership and lack of board knowledge regarding its oversight function. This entrenchment and poor board functioning may be perpetuated in financial groups, which have emerged as substitutes for market intermediaries in transition economies. We develop a conceptual model that differentiates between insider and outsider privatization modes and argue that corporate governance and learning are not mutually independent; in various contexts they may substitute or complement each other. Therefore, we extend previous research on governance and restructuring by suggesting that organizational outcomes may depend on the dynamic interplay between two sets of organizational context factors.

*Restructuring Korean Business Groups: An Evolutionary Perspective*

Hicheon Kim, Hanyang University, hkim01@email.hanyang.ac.kr

Robert E. Hoskisson, University of Oklahoma, rhoskiss@ou.edu

Laszlo Tihanyi, University of Oklahoma, ltihanyi@ou.edu

Presenter/Discussant:

Daphne Yiu, University of Oklahoma, dyiu@ou.edu

This paper examines the problems of business group restructuring in Korea. Underlying our analysis are two theoretical propositions: (1) the value-creation potential of business group diversification depends on the quality of the economic institutions supporting the economy; and (2) the strategy-structure fit is a key determinant of the performance of diversified business groups. As a consequence, we integrate institutional contexts and organizational arrangements in evaluating the restructuring strategies of chaebols. We suggest that the restructuring problems of Korean business groups lie not so much in the unrelatedness of business portfolios as in the strategy-structure misfit. Unrelated diversified firms can sustain competitive advantage if aligned with appropriate organization systems. There are multiple ways of creating value while pursuing a diversified business portfolio, a notion that should be considered during the restructuring of chaebols in Korea.

*The Effects of Business Group Affiliation on Asset Restructuring*

Robert E. Hoskisson, University of Oklahoma, rhoskiss@ou.edu

Albert A. Cannella Jr., Texas A&M University, acannella@cgsb.tamu.edu

Laszlo Tihanyi, University of Oklahoma, ltihanyi@ou.edu

Rosario Faraci, University of Catania, rosario.faraci@mail.gte.it

Presenter/Discussant:

Richard A. Johnson, University of Missouri-Columbia, Johnson@missouri.edu

In this paper, we use a resource-based perspective to examine the relationship of environmental antecedents to firm-level restructuring in the French civil law countries of Argentina, Brazil, Chile, Colombia, Mexico, Peru, and Venezuela in Latin America and Italy and Spain in Europe. In these countries, business group-affiliation helps member firms to

access resources, take advantage of environmental opportunities, and neutralize threats. Results from a mail survey indicated that a range of environmental antecedents not previously examined in the restructuring literature were associated with asset restructuring (defined as both divestment and acquisition activity). Specifically, we found that increases in competition and deregulation both led to increased firm-level restructuring. More importantly, however, we also found that the influence of these environmental factors was moderated by business group membership. The effects of competitive changes and deregulation on restructuring were weaker and the effects of country development were stronger for group-affiliated firms than for independent firms. Our study offers evidence that organizations may respond differently to environmental opportunities and threats depending on business group membership.

*Restructuring Strategies of Diversified Business Groups: Differences Associated with Country Institutional Environments*

Robert E. Hoskisson, University of Oklahoma, r hoskiss@ou.edu

Richard A. Johnson, University of Missouri-Columbia, Johnson@missouri.edu

Daphne Yiu, University of Oklahoma, dyiu@ou.edu

William P. Wan, Thunderbird, wanw@t-bird.edu

Presenter/Discussant:

Hicheon Kim, Hanyang University, hkim01@email.hanyang.ac.kr

This paper provides theory as to how large diversified businesses groups might profitably restructure given the their countries' stage of not only economic development (physical infrastructure), but more particularly on their countries' social infrastructure that determines a firm's transaction environment. The reason these diversified business groups evolved in many countries not only was due to underdeveloped capital markets, but also had to do with labor and management development opportunities as well. The existence of the "soft infrastructure" (laws, regulatory bodies, and financial intermediaries that facilitate the transactional environment) is as important as hard physical infrastructure such as roads, ports and telecommunications systems because this infrastructure reduces such transaction costs. In this paper, we first address the significance of why studying restructuring is important and also why focusing on differing institutional environments might suggest different diversification and restructuring approaches. We then address theoretical and practical approaches to restructuring that might be associated with emerging, partially developed and developed economic environments.

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**3.2.7 - WORKSHOP**

***GLOBAL EXPORTING AND SOURCING STRATEGY***

**Room: Tropical B**

**Time: SUNDAY - 10:30A.M.-12:00 P.M.**

Chair: Attila Yaprak, Wayne State University, attila.yaprak@wayne.edu

Discussant: Lyn Amine, Saint Louis University, aminels@slu.edu

*Rethinking the Determinants of Export Marketing Strategy: Empirical Evidence from SMEs*

Luis Filipe Lages, Nova University-Lisbon, lflages@fe.unl.pt

David B. Montgomery, Stanford University

When analyzing the relationship between export marketing strategy and performance, the literature tends to examine performance exclusively as a dependent variable. In this paper we defend that performance should also be investigated as an independent variable, i.e. as a key determinant of export marketing strategy. Using survey data of over 400 Portuguese SMEs (Small and Medium Enterprises), it is shown that past performance plays a crucial role in building SMEs' commitment to exporting and to the determination of their current marketing strategy. The findings also show that marketing strategy adaptation to the foreign market is particularly noted in firms exporting to the most developed markets, rather than in firms exporting to the most competitive environments. Future international business research is encouraged to develop a more in-depth understanding of why and how preceding performance affects a firm's commitment to exporting as well as understanding both the direct and indirect relationships between performance and marketing strategy.

*Global Sourcing: Fad or Fact?*

Michael Mol, Nijmegen University, m.mol@nsm.kun.nl

Rob J. M. van Tulder, Erasmus University

Paul R. Beije, Erasmus University

Geographic proximity has facilitated trade linkages between and among the nation states of the Americas through leveraging advantages such as a largely shared cultural heritage and language. Physical proximity has further offered opportunities for trade integration through short distribution times allowing for rationalization and specialization of production within the region. Geographic closeness, however, has created serious challenges to successful and sustainable integration, and has led to greater interest by civil society in the process of integration. In this paper, we argue that two important trends have facilitated the incorporation of NGOs in discussions of trade linkages: (1) technological forces associated with globalization itself, and (2) the changing concerns of institutions charged with promotion of trade such as the World Trade Organization (WTO) and the apparatus of the Free Trade Agreement of the Americas (FTAA).

*Supply Chain Management and Modular Strategies: The Case of Automakers in Brazil*

Ronaldo Parente, Temple University, ronaldo@parente.com

The present research is designed to examine how modular strategy is being implemented and how the adoption of modularity in production and the design of product affect the firm's supply chain management and performance. Our objective is to propose a conceptual framework with research propositions in our effort to build a strategic modularization theory in an attempt to better understand the dynamics of modular strategy in the automobile industry. The automobile industry in Brazil provides an interesting environment in which to examine the determinants and implications resulting from the adoption and implementation of modular strategies in design and production of automobiles. Global automakers and suppliers - from the United States, Europe, and Japan, - setting factories in Brazil have been emphasizing the concept of modularity in the design and production of their cars. These firms have been implementing different degrees of modularization in pursuit of competitive advantage in this very dynamic and uncertain market. In addition, the adoption of modularization in the automobile industry also influences the nature of relationships with major suppliers, further

blurring the boundaries of the firm. Moreover, issues leading to the adoption of modularization and its performance implications are of great significance.

*The Role of Relational Norms in International Channel Relationships*

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Anthony S. Roath, University of Oklahoma, asroath@ou.edu

Significant changes in the international competitive environment and an associated shift in the focus of channel research have emphasized the importance of relational norms in the effective governance of exchanges. This is particularly important in an international channel context where culture and country differences can prevent market incentives and authoritative control. The findings of this study supported a positive relationship between relational norms and export performance. Furthermore, support was found on both direct and indirect relationships between relational norms and performance. Trust was identified as a key mediating variable between relational norms and performance in the international channel context.

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3.2.8 - COMPETITIVE

***EXPATRIATES***

**Room: Tropical C**

**Time: SUNDAY - 10:30A.M.-12:00 P.M.**

Chair: Maritza Soto, University of Puerto Rico, msoto@tld.net

Discussants:

Marguerite Schneider, New Jersey Institute of Technology, mschneid@adm.njit.edu

Michele Akoorie, University of Waikato, mema@waikato.ac.nz

*The Adjustment of American Expatriate Spouses in Germany: A Qualitative and Quantitative Analysis*

Alexander Mohr, Bradford University, a.t.mohr@bradford.ac.uk

Simone Klein, Universitaet Erlangen-Nuernberg

The increase in international activities of companies has led to a growing number of people being sent on overseas assignment. However, anecdotal evidence as well as existing research implies that not all overseas assignments of managers are successful, and studies analysing the prerequisites for successful overseas assignments abound in literature (e.g. Arthur & Bennett, 1995; Briody & Chrisman, 1991). These studies have repeatedly shown that one of the most important factors for the success of overseas assignments is the adjustment of the expatriate's spouse (Caligiuri et al., 1998; Shaffer et al., 1999). Although the number of studies, which focused on the adjustment of expatriate spouses, has increased (Shaffer & Harrison, 2001; Black & Gregersen, 1991a; Black & Gregersen, 1991b; Fukuda & Chu, 1994; Harvey, 1985), there is still a lack of conceptual and empirical research on the adjustment of expatriate spouses (Caligiuri et al., 1998). Hence, this paper reconceptualises the adjustment of expatriate spouses and empirically analyses some of the factors influencing the level of spousal adjustment. It does so by using a combination of qualitative data collected through interviews/group discussions with expatriate spouses and quantitative data gathered through a questionnaire survey of American expatriate spouses in Germany.

*Expatriates vs. Host Country Nationals: Which Groups of Employees Do Multinationals Utilize?*

Riki Takeuchi, University of Maryland, rtakeuch@rhsmith.umd.edu

The concept of duality was incorporated into the model of HR architecture introduced by Lepak and Snell (1999) to examine the different use of employee groups for multinational firms. Specifically, global efficiency and local responsiveness were used as one of the key dualities that exist for multinational firms that influence the ways knowledge-based workers are managed. The proposed model of the use of knowledge-based employees for multinational firms expands on the model of HR architecture by focusing on knowledge-based workers in multinationals, namely, inpatriates, expatriates, host country nationals, and third country nationals. Depending on the combination of the importance placed on global efficiency and/or local responsiveness, the HR architecture that includes the types of employment mode, the kinds of employment relationships, and HR configurations used for each group of employees are postulated. Implications for managers and scholars are also discussed.

*Expatriate Women's Success: Evidence from the German Experience*

Sully Taylor, Portland State University, sullyt@sba.pdx.edu

Nancy K. Napier, Boise State University

In this paper, research on foreign women professionals working in Germany is examined to identify the similarities and differences in the factors that lead to successful adjustment and performance. While both survey and qualitative data was gathered, this paper largely examines the results of the interview data and finds that the women report high levels of success in their carrying out their jobs in Germany. The factors that seem to lead to greatest success are language fluency and flexibility in dealing with the infrastructure difficulties for working people. In addition, subtler forms of sexual harassment than found in previous research were reported. Factors that positively influence success are fewer than in some other countries, particularly the advantages of being 'unusual' and of being perceived as an expert from a 'developed' nation. The results are contrasted with those from earlier studies in Japan, China and Turkey, and implications for research and practice are offered.

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**3.3.1 - SESSION**

***POSTER SESSION 2 (WITH LIGHT LUNCH)***

**Room: Las Olas**

**Time: SUNDAY - 12:00-1:30 P.M.**

Chair: Dong-Sung Cho, Seoul National University, cho@ips.or.kr

*Contextual Influences on Newcomer Information Seeking and Socialization Outcomes: A study in Singapore*

N. Rao Kowtha, National University of Singapore, kowtha@nus.edu.sg

Recent research on organizational socialization has shown that organizational context and proactive information seeking by newcomers influence the socialization outcomes. However, few studies have investigated how organizational context influences newcomer information-seeking and subsequent adjustment. This study investigated the effects of three contextual variables on newcomer information seeking strategies and adjustment in an Asian setting. The contextual variables are task uncertainty, formal orientation programs, and access to

information sources within the organization. 248 recent graduates of a university in Singapore participated in a longitudinal study. It was found that newcomers deploy the three information-seeking strategies of direct inquiry, monitoring and self-learning. Results show that contextual variables affect the newcomers' direct inquiry for information and self-learning. The contextual variables also showed significant effects on role ambiguity, role conflict, and organizational commitment. Information seeking strategies did not have any appreciable effects on socialization outcomes, with the exception of role orientation. The patterns of information seeking and socialization outcomes are similar to the results from studies conducted in North America. Implications for research and practice are discussed.

*Intellectual Property Protection and the Formation of International Technology Alliances*

Christopher Baughn, Boise State University, cbaughn@boisestate.edu

Johannes G. Denekamp, Indiana University, jdenekam@indiana.edu

Richard N. Osborn, Wayne State University

The extensive use of alliances between firms from different nations for the purpose of developing, transferring or sharing technology has elevated concerns about intellectual property rights and their international protection. Such concerns may be reflected in the form (joint venture vs. non-equity alliance) of the collaboration. This study examines over 1300 interorganizational alliances between U.S. firms and companies in 33 nations. The study links alliance form to the strength of the patent laws and their enforcement in the host country, the overall level of foreign direct investment by U.S. firms in that country, and the cultural distance between that country and the U.S.

*When Does Location Matter? Accounting for Location Savings in MNE's*

John Clarry, The College of New Jersey, clarry@tcnj.edu

Margaretha C. Haeussler, Haeussler Analytics LLC, mhaeussler@hanalytics.com

Geographic locations affect the conduct of international business, but multinational enterprises (MNE's) try to capture potential location benefits by internalizing resource transfers and cost savings. When related entities of MNE's operate across multiple locations, their resource bundles and cost savings must be accounted for in inter-company transfer prices. Yet MNE tax payers and national tax authorities often disagree over the correct allocation of location savings that occur in "arm's length" cross-border transfers between related parties. This paper reviews transfer pricing issues within MNE's, but contends that transfer prices are influenced by corporate strategies as much as income tax laws. We argue that the salience of location savings within transfer prices will also be driven by the type of multinational strategy implemented by MNE's. Global and trans-national strategies are likely to foster more integrative cost savings to allocate in transfer prices than multi-domestic strategies. However, MNE's must also adapt to and comply with the institutional environment of national tax regulations. We discuss current tax court cases to illustrate the complex accounting analysis of location savings, then conclude with research questions on the impact of tax regulations on MNE transfers in an increasingly integrated world economy.

*Private Infrastructure Investment in Emerging Economies: Comparing the Latin American and Asian Experience*

Jonathan Doh, Villanova University, jonathan.doh@villanova.edu

Hildy J. Teegen, George Washington University, teegen@gwu.edu

Foreign direct investment (FDI) in emerging markets has grown rapidly throughout the 1990s. Driven both by investment in newly privatized state-owned enterprises and new, greenfield projects, infrastructure investment has grown even faster than overall FDI. Using a database of telecommunications projects in emerging markets, we compare key characteristics of private infrastructure projects in Latin America and Asia. We also identify economic, political, cultural, and geographic differences between these regions that may serve as possible explanations for the project differences. We develop propositions that incorporate the apparent and latent explanations for the project differences in order to provide a richer theoretical base for examination of regional differences and how such differences may affect international investment in emerging markets.

*Strong Institutions? Weak Institutions? “Japanese-Style” Supplier Relationships as a Source of Competitive Disadvantage in the Notebook Computer Industry*

Glenn Hoetker, University of Illinois at Urbana-Champaign, ghoetker@uiuc.edu

In the 1980s, relations with long-term suppliers, often part of the same keiretsu, were seen as a key Japanese competitive advantage. As Japan’s economy soured, however, these same close buyer-supplier ties were seen as limiting the flexibility of Japanese manufacturers to respond to changing market conditions, leading to efforts to “rationalize” supplier relations. Whether blessing or curse, these ties have been studied primarily in one industry—automobiles. This concentration has allowed in-depth exploration and rich insights, but has provided an incomplete or even biased understanding of the role played by the Japanese institutional environment. By studying a different set of buyers and suppliers—notebook computer manufactures and their display suppliers—I find evidence that the Japanese institutional environment frustrates efforts to cooperate with unrelated suppliers. This has three immediate implications. First, Japanese supplier relationships should be understood at least partially as a response to this weakness. Second, by narrowing the set of suppliers with which it is efficient to cooperate, these institutions may create a competitive disadvantage for Japanese firms, particularly in industries with rapid technical progress. Third, attempts to “rationalize” Japanese buyer-supplier relationships will be complicated by the lack of institutions to support complex transactions outside of these institutions.

*Gaining International Competitiveness for Firms from Emerging Economies*

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Doren Chadee, University of Auckland, dchadee@auckland.ac.nz

Traditional government protectionist policies have been argued to lead to increased industry inefficiency, higher prices, decreased consumer choice and less motivation for the protected firms to innovate. Because of the financial crisis that swept through the East Asia economies during the 1990’s, there have been renewed interests regarding the role of governments in reviving the international competitive advantage of firms in those countries. This article suggests that emerging country host governments can play a proactive role in stimulating its firms’ international competitiveness. Drawing from industrial economics, the resource-based view of the firm, and strategic management literature, we develop an integrated conceptual model to suggest that when there is market failure, or where markets do not exist, the

government can play a critical role in helping firms to regain and sustain their international competitive advantage.

*Internationalization Process of Small and Medium-sized Enterprises: Towards a Hybrid Framework of Experiential Learning and Planning*

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Dan Li, University of Texas at Dallas, lydiali@utdallas.edu

Lei Li, University of Texas at Dallas, lileic@utdallas.edu

Three theoretical perspectives on internationalization processes of firms have emerged over the past three decades: 1) Experiential learning; 2) Systematic planning; 3) Contingency perspective. This study suggests that a cogent framework is particularly needed for examining the internationalization processes of small and medium sized enterprises (SMEs), which have become increasingly important in the international arena. Based on an up-to-date review of existing literature and an empirical illustration, this paper proposes a hybrid framework integrating experiential learning and systematic planning as well as incorporating the contingency perspective. The specific relevance of the framework is explored in the context of SMEs given their lack of prowess in resources, capabilities and international experience as well as their wide variety of motivations for expanding abroad. We conclude that this framework has the potential to help both researchers and managers to review and analyze the internationalization process strategies from a more comprehensive and realistic perspective.

*More “American” than Americans? An Empirical Study of Upward Influence Strategies of Chinese Managers with American MBAs*

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Prior research on upward influence has a distinct developed-country-particularly North America-bias, and our knowledge of upward influence behavior of non-American managers is rather limited. This research contrasts the upward influence behaviors of three groups of middle managers: Chinese managers working in traditional, state-owned Chinese enterprises, Chinese managers with American MBA degrees, and American managers. Findings indicate that Chinese managers with American MBA education appear to have been acculturated by their American MBA education and behave more like Americans in their use of reason, bargain and assertiveness tactics. However, at the same time, they appear to have retained their traditional Chinese values in relationship-based tactics. Research implications are discussed.

*Retail Service Quality: The Case of Multicultural Malaysia*

Terri Lituchy, Cal Poly State University, terrilituchy@yahoo.com

Rashid Md Zabid Abdul, Universiti Putra Malaysia, mzar@mgsm.upm.edu.my

This paper examined the multicultural Malaysian consumers' assessment of service quality in a hypermarket, and the consumer's criteria in selecting shopping outlets. Using Dabholkar et al. (1996) service quality model, a structured questionnaire was developed. Two hundred and sixty-nine respondents participated in the survey. The results showed that there were differences between actual service quality and expected service quality. There were significant differences among the Malays, Chinese and Indian consumers' perceptions of the retail service quality. There were also significant differences on the criteria of store choice among the Malays, Chinese and Indian consumers. Implications of the study for theory and practice are also discussed.

*Tax Structures and FDI: The Deterrent Effects of Complexity and Uncertainty*

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In this study we examine the connection between the varied experiences of the transition economies in attracting FDI and their diverse experiences in transforming their tax structures to be consistent with a market economy. In particular, we study whether tax complexity has deterred foreign direct investment by increasing transactions costs, the compliance burden and tax uncertainty. Our results indicate that complexity, in the sense of multiple tax rates and, in some specifications, indeterminate language in the tax law, has a significant negative effect on inward foreign direct investment.

*An Empirical Analysis of the Relationship Between Multinationality and Performance: A New Internationalization Cycle Theory*

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The widely accepted view of the relationship between multinationality and performance suggests that the benefits of global expansion are realized immediately by multinational enterprises (MNEs). While such a view acknowledges the advantages that foreign markets and resources offer to firms, it disregards certain costs firms operating in unfamiliar environments may inevitably incur. Equally as distressing are the many theoretical and empirical arguments that suggest that the returns realized by MNEs increase at a constant positive rate with each successive foreign direct investment. Such a claim ignores the costs of excessive coordination and increasing cultural distance. In light of these concerns, we argue that the relationship between multinationality and performance may be more complex than the current literature suggests. Therefore, we propose that in its initial expansion abroad, the firm may encounter the liability of foreignness and incur learning and other costs of initial international expansion. Thereafter, benefits of scale, scope and diversification would apply. However, at a final stage, diminishing or even negative returns may set in. Unlike linear or quadratic models, we propose that a more complete three-stage theory with an S-shaped curve may more accurately reflect the link between multinationality and performance.

*The Evolution of U.S. Outward Foreign Direct Investment in the Pacific Rim: A Cross-Time and Country Analysis*

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Robert Pearce, University of Reading  
Marina Papanastassiou, Athens University of Economics and Business, marinap@aueb.gr

In this paper we analyse the location determinants of US FDI in the Pacific region of the OECD, i.e. Australia, New Zealand, Japan, and Korea, for 1982-1997. The data set allowed us to distinguish between two time periods i.e. the 1980s and the 1990s, and two different sub-groups, i.e. Australia and New Zealand, and Japan and Korea. Statistical evidence indicates a heterogeneous response of US FDI towards different countries and for different time periods. Factors such as market size, income level and qualified and productive labour exert a significant impact on both the timing and the locational choice of US investors in the region.

*Cross-country Variation in Productivity: The Impact of Geographic Diversification on U.S. Foreign Direct Investment*

Harri Ramcharan, University of Akron, ramchar@uakron.edu

Despite economies of scale is well documented as motive for FDI, the current literature shows a lack of empirical work on the verification of this theory. This neglect has important policy implications, since MNCs could misallocate resources in a global competitive economy. This paper estimates a production function to measure factor productivity and returns to scale (RST) of US FDI. Cross-sectional (yearly and regional) and pooled data estimates are obtained using data on 57 countries for the period 1995-98. The plausibility of this approach is that the results provide information with far reaching policy implications on the operations of US MNCs. The main findings are: (i) US MNCs operate at near constant return to scale; (ii) capital productivity is higher in the higher-wage countries (Europe and Asia) and labor productivity is higher in the lower-wage countries (Asia, Latin America and Pacific). These results suggest that MNCs exploit international differences in factor prices in location decisions; they also lend support to the vertical integration theory of FDI; and (iii) geographical diversification improves efficiency; returns to scale in all the 57 countries is higher (0.91) than that of the 20 countries of Europe and Asia (0.89), and of the 37 countries of Latin America, Asia and Pacific (0.83). This paper has extensively broadened the existing empirical work on location decisions of MNCs.

*Export Promotion Organization Emergence and Development in Istanbul's Clothing Cluster: The Importance of the Social-Cultural Environment*

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Most research concerning export promotion organizations (EPOs) examines the impact of EPO service awareness/use on firm-level export sales. Little is known about how and why EPOs are formed, develop, coexist or compete. EPOs in the Istanbul clothing industry provide a prime laboratory for the study of these issues. The cluster of firms located in this city comprise the bulk of one of Turkey's major export industries. In Istanbul, three EPOs—one public, another private, and a third semi-private—provide services to current/potential exporters in this industrial cluster. This paper examines the applicability of competing theoretical propositions concerning organizational emergence and development to the Istanbul EPO environment. A survey of 250 Istanbul clothing exporters, over 30 in-depth interviews with EPO and government officials, a focus group of EPO founders, and a content analysis of 50+ Turkish newspaper articles are employed in this analysis. Findings suggest that EPO emergence and development are embedded in Turkey's social-cultural fabric. Subgroup social capital and social networks are demonstrated as key determinants of EPO emergence and development in this cluster. EPO emergence and development, in turn, shape exporters' perceptions regarding service access as well as service awareness, and use.

*Technology Sourcing Through Acquisitions: Evidence from the U.S. Drug Industry*

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There were a large number of U.S. drug company take-overs in the 1990s by both foreign and domestic acquirers. An estimation of the acquisition decision reveals that foreign acquirers choose targets with high research intensity more as their own intensity decreases while domestic acquirers choose targets with high research intensity more as their own intensity increases. An analysis of the post-acquisition R&D and patent intensities of the acquirers indicates that domestic acquirers' post-acquisition innovative productivity increases mostly due

to efficiency of knowledge synthesis because the targets usually have familiar product lines. Foreign acquirers' innovative productivity does not increase after acquisition because they tend to take over firms in unfamiliar research areas that are usually highly technical and require a long-term commitment of R&D.

*The Industrious Tailors of International Investment and Transnational Corporations: An In-depth Assessment of the World Investment Reports*

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This essay contains an analytical account of one – and arguably the most seminal – of UNCTAD's publications, namely the World Investment Report (WIR) series. Commenced in 1991 and published annually, the reports collectively form the core of the massive storehouse of knowledge that this division has spawned. The essay places the series at the center of this galaxy of work. In addition to examining the common features of all the WIRs, this article will relate the series to the other clusters of activities ongoing at UNCTAD. An overall review of the entire series is followed by a more detailed examination of each annual publication, and concludes with an assessment of how the series has contributed to our state of knowledge (through conceptualization, measurement, and tracking of regional and global trends) and to the policy gambit in the relationship between TNCs and FDI. The article closes with examining emerging future challenges.

*Examining the Role of Culture and Acculturation in Information Sharing*

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In the current knowledge-based environment, a large portion of a firm's assets is its information and knowledge. The source of this knowledge is the database of "best practices" and past failures that accumulate among employees. The key to releasing such information is the willingness of managers to share information about prior failures and successes (see for example Chenhall, 1992; Nanni, Dixon & Vollman, 1992; Peters, 1994; Smith, 1994; Levinthal and March, 1993). Chow et al. (1999) suggest that the propensity to share information may be related to cultural forces. Both Chow, Deng, & Ho (2000) and Tinsley and Pillutla (1998), in a different context (negotiations), find evidence of specific differences in information sharing behavior between managers from China and the U.S. Using Australian and Hong Kong subjects, our study re-examines the propensity of managers to share information about prior mistakes. We find that there are differences in propensity to share information between subjects. The differences in propensity can be explained by the presence/absence of a supervisor, cultural origin and the degree of acculturation of the subjects.

*Actor-Network Theory as a Theoretical Lens and Research Strategy for Investigating Firm Internationalisation*

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Totally generalisable theories of firm internationalisation in the post-industrial era of international business, where national barriers are becoming less significant and technology becoming more influential, appear to be illusory. Stepwise or evolutionary models that predict gradual internationalisation are under challenge from empirical evidence of rapid internationalisation such as the phenomenon of the "born global" firm. Similarly, equilibrium

models such as the eclectic paradigm have been criticised for being static and unable to account for process and path dependency. In this paper, the information and knowledge assumptions implied in theories of firm internationalisation are outlined and discussed. From this discussion, we suggest that actor-network theory, with its balance between description and explanation, may be a useful theoretical and empirical tool for investigating the complex and heterogeneous process of firm internationalisation whilst creating opportunities for further theory building.

*Are U.S.-based Turnover Models Applicable Abroad? A Qualitative Investigation in the Mexican Maquiladoras*

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U.S.-based multivariate turnover models have been developed and tested almost exclusively in English-speaking countries and there is reason to question whether these models are applicable in other cultures. In our study, we address this question and strive to facilitate understanding of voluntary turnover in Mexico among maquiladora workers. We conducted interviews with maquiladora workers and analyzed responses using a variation of grounded theory building. Based on these analyses we inductively created a broad-based model of voluntary turnover with research propositions. We then compared the turnover models, concluding that antecedents and mechanisms in the U.S.-based literatures do seem relevant in the maquiladoras. However, adjustment for cultural and economic environments helps determine the precise nature of these antecedents and the strength of their linkages with voluntary turnover. Finally, we suggest how turnover-modeling research might be extended to better apply across cultures.

*Determinants of Ownership Structure Choices of Nordic Firms in Asian Countries*

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The focus of this paper is on the ownership strategies – whether the foreign affiliate will be a wholly owned unit or a joint venture. The paper tests the impact of various ownership, location and internalization factors on ownership structure decisions in an Asian context. There are very few studies so far where the ownership strategy decisions of Western companies in Asian markets have been analyzed, especially in more detail. Thus the knowledge of whether the impact of various ownership, location and internalization specific factors on the ownership structure has been the same in Asian countries as in Western Europe and in the USA is very limited. The empirical part of this study will be based on the ownership strategy behavior of Nordic firms in their 376 FDIs made in various Asian countries in the period 1960-2000. The results indicated that over 70 per cent of the FDIs were joint ventures and less than 30 per cent wholly owned subsidiaries. The main influential factor in the decision-making had been GNP per capita, i.e. level of economic welfare in the target country. The other significant factors were parent size and parent's international experience. Although joint ventures had been the chosen alternative in a majority of cases in all four Nordic sub-samples there had existed several differences between sub-samples in the impact of various factors on the ownership strategies.

*The Influence of Organizational Learning on Strategic Flexibility for Managing Economic Crisis*

Patriya Tansuhaj, Washington State University, tansuhaj@wsu.edu  
Supara Kapasuwan, Washington State University, supara@mail.wsu.edu

Recent economic crises around the world have led to an even stronger need for firms to develop strategic flexibility to deal with such situations effectively. This calls for more attention to organizational learning, which plays an important role for enabling firms to gain knowledge for achieving the needed strategic flexibility. Two types of organizational learning (adaptive learning and generative learning) are examined, with different effects on the ability of firms to adapt strategies in managing economic crisis and sustaining performance. Generative learning should be more useful for managers amidst crises because it helps them anticipate problems and be more flexible in implementing strategies. Perceived environmental turbulence and corporate culture are conceptualized as moderators of the relationship between organizational learning and strategic flexibility. Contributions for research and practice are also discussed.

*The Effectiveness of Objective Knowledge Acquisition in Promoting Exports*

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Lance Eliot Brouthers, University of Akron, lance@uakron.edu  
Keith D. Brouthers, University of East London, k.d.brouthers@uel.ac.uk

Export promotion programs can be segmented into activities designed to produce these two types of knowledge. Experiential knowledge is acquired personally through customers and other actors in the market environment. Examples of activities which provide hands-on knowledge include trade missions and trade shows. In contrast, objective knowledge can be taught and is most useful in structured and predictable activities. It is acquired through primary or secondary sources but is not acquired through personal experience. Two state sponsored programs designed to help exporters acquire objective knowledge are examined: export training activities and market activities. We hypothesize and find that for small and experienced firms, the use of market programs is positively associated with export performance while for small and inexperienced firms, export training is negatively associated with export performance. Implications for export managers are discussed.

*Urbanization, Globalization, and National Economic Integration: The Case of China*

Jiawen Yang, George Washington University, jwyang@gwu.edu

Anecdotal evidence suggests that the Chinese market is not a highly integrated one. Regional market segmentation and urban-rural disparity are an undeniable indication of disintegration of a national economy. This paper provides a measure of national and international economic integration from a firm's perspective. It analyzes the importance of urbanization in national economic integration in the context of the current globalization trend. It argues, among other policy recommendations, that urbanization through free labor mobility is both necessary and urgent for an economy to survive and prosper in an increasingly competitive international environment.

*Failure in International Joint Ventures and Cross-Border Mergers and Acquisitions: The Institutional Perspective*

Chiung-Hui Tseng, Washington State University, [ctseng@wsunix.wsu.edu](mailto:ctseng@wsunix.wsu.edu)

Patriya Tansuhaj, Washington State University, [tansuhaj@wsu.edu](mailto:tansuhaj@wsu.edu)

This study investigates critical factors which may lead to failure in international joint ventures (IJVs) and cross-border mergers and acquisitions (M&As) from the institutional perspective. Three determinants are identified: structural instability, asymmetric information, and cultural distance. We aim at highlighting the importance of behavior-oriented variables in FDI. Propositions are provided on the relationships between these determinants and MNCs' likelihood of failure in IJVs and M&As. Theoretical and managerial implications are then suggested along with conclusion.

*Vodafone vs. NTT DoCoMo: Internationalization Issues and Global Strategies*

Syed Tariq Anwar, West Texas A&M University, [sanwar@mail.wtamu.edu](mailto:sanwar@mail.wtamu.edu)

This paper analyzes two dominant global wireless companies, Vodafone Group from the UK and NTT DoCoMo from Japan, and compares and discusses their internationalization, growth and global strategies in world markets. The work evaluates all the current issues of this debate within the perspectives of changing geographies and location issues. The paper evaluates both companies' growth and entry-mode strategies in an industry which is considered to be highly competitive at the global level because of the introduction of new technologies and the arrival of a third generation (3G) wireless standard. It is expected that Vodafone and NTT DoCoMo along with a few other companies will become leading global players in the wireless and mobile phone industry. On the other hand, both Vodafone and NTT DoCoMo may face a heightened competition and will be challenged by newcomers from Japan, Europe, and North America. The significance of this paper lies in its timeliness and relevance to the ongoing debate of internationalization in the wireless/telecommunications industry.

*Role of the State and the Changing Value Dynamics: Lessons from the Electricity Industry in Brazil, China, and India*

Carlos Rufin, Babson College, [crufin@babson.edu](mailto:crufin@babson.edu)

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Subsiding ideological conflicts, rapid technological changes, globalization, and advances in economic thought have led to a redefinition of the role of the state from producer to arbiter among private interests. Still, the details of such a redefinition vary among countries. We aim to understand the reasons for such differences and draw their policy implications, through the case of the electricity industry in Brazil, China, and India. Ideology, institutional arrangements, and the behavior of interest groups lie at the heart of such differences. Over the past decade, the three countries have sought to restructure their state owned electric utilities. Though often bracketed together, the three differ significantly. Alternating between authoritarianism and democracy, Brazil has grown to be middle income country. China's move from communism to what it calls socialism with Chinese characteristics has led to twenty years of rapid growth. India takes pride in its democracy but remains mired in poverty.

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### 3.4.1 - THEME PANEL

#### ***LOCATING COMPETITIVE ADVANTAGE: PERSPECTIVES ON GLOBALIZATION FROM THE SLOAN INDUSTRY STUDIES***

**Room: Auditorium**

**Time: SUNDAY - 1:30-3:00 P.M.**

Chair: Stefanie A. Lenway, University of Minnesota, slenway@csom.umn.edu

Discussant: Gail Pesyna, The Alfred P. Sloan Foundation, pesyna@sloan.org

This session presents three papers and an overview from a forthcoming book entitled *Locating Competitive Advantage*. The research in the book examines the strategies firms have adopted in seven industries to respond to globalization. The objective of this session is to show that globalization cannot be comprehended as an aggregate phenomenon, but rather is a complicated, path-dependent evolutionary process that is industry specific and in which managers shape and are shaped by the industrial forces. The managerial task is to create competitive advantage, both organizationally in terms of deciding where the firm's boundaries are and spatially in terms of choosing locations for various activities. The papers examine three different, but interconnected, industries, hard disk drives, flat panel displays, and personal computers to understand globalization. Each of these three industries is characterized by a high velocity and unremitting price pressure. The papers examine how firms make decisions about where to locate different links in the value chain and then how those decisions then also interact and contribute to the growth of knowledge in the location. Alfred Marshall observed that industrial knowledge often is clustered geographically, these papers also reflect on the process by which that knowledge is created. However, these papers demonstrate that the clustering of knowledge and capability differs by industry and evolves chronologically.

#### *Locating Competitive Advantage: Perspectives on Globalization from the Sloan Industry Studies - A Conceptual Overview*

Martin Kenney, University of California-Davis and Berkeley Roundtable on the International Economy, mfkenney@ucdavis.edu

This session reports on the results of a series of industry studies funded by the Alfred Sloan Foundation to provide insight into how firms create value in an increasingly globalized economy consisting of interconnected and increasingly tightly coupled activities extending across space, organizations, and time. Globalization is not only a function of physical locations of facilities or activities in distant places. It is also a function of the way firms organize the flows of product and information between various physical locations. These studies "located" advantage in two ways. The first way was how the industry activities were distributed spatially especially with regard to national boundaries. The second and more subtle way was in organizational terms, i.e., why various activities were distributed among different firms. The industry studies isolated five dynamics. The first dynamic was the technological and organizational advances in the fields of transportation and communication. The second dynamic was in-situ knowledge creation, whereby deep experience and capabilities are concentrated in certain locations. The third dynamic was the multifaceted drive for greater speed; all meant to reduce various cycle times. The fourth dynamic was an unrelenting cost pressure that continually commodifies existing products. The fifth was the increasing propensity for firms to deverticalize their various functions. These dynamics force firms to continually consider the most effective spatial and organizational location for various activities. Like a kaleidoscope for which each twist of the cylinder creates a different pattern,

the confluence of these dynamics in each industry and even industrial sub-sectors creates a different pattern.

*Leveraging Location: Hard Disk Drive Producers in International Competition*

David McKendrick, University of California-San Diego, dmckendrick@ucsd.edu

The role of location in international competition is gaining increasing academic attention. Yet, researchers often examine the geography of firms, and the benefits of clustering, in a general way, without distinguishing among the different activities in which firms are engaged. Doing so, however, can cause researchers to miss much that is important in the relationship between location and industrial performance in international competition. One key yet under-investigated question is, what is located where over time? Drawing on extensive evidence from the hard disk drive industry, including data on the worldwide population of firms since the industry's inception, this paper makes three points. First, the spatial pattern of industry reflects two kinds of locational pressures. One set of pressures shapes the location of innovation, while another affects the location of operations. Second, industry location is dynamic. As an industry ages, these different locational requirements lead the industry to be organized into often distinct geographic configurations, including internationally separated technological and operational clusters. Third, the direction and timing of location decisions can affect performance. The experience of the disk drive industry strongly suggests that studying industrial leadership now requires understanding the role of location in international competition.

*Global Technology Generations and the New Geography of Innovation*

Thomas Murtha, University of Minnesota, tmurtha@csom.umn.edu

This paper explains how U.S. companies that succeeded in becoming leaders in the flat panel display industry adopted strategies that allowed managers and engineers to engage in critical knowledge-creation processes both the at the geographic center of the industry. The geographic center for the commercialization of the flat panel display industry happened to be in Japan. Successful U.S. companies located the headquarters for their display businesses in Japan and leveraged their companies' global technology and market resources to build their presence in the industry. U.S. companies that failed adopted strategies that focused on what their engineers and marketing managers could learn in the U.S. from their domestic counterparts. We focus here on some of the success stories. Our book, *Managing New Industry Creation*, (Murtha, Lenway and Hart, 2001), offers a more complete FPD industry history, along with general frameworks for strategy derived from the top performers' experiences. The U.S. government's subsidy program, the National Flat Panel Display Initiative, was created to reduce the risk for U.S. companies to build flat panel display manufacturing facilities by providing R&D subsidies. The USCD did not succeed in its goal of creating an infrastructure for high volume U.S. flat panel display production. Since the initiation of the program, the global market share of U.S. manufactured FPDs continually declined.

*The Organizational and Geographic Configuration of the Personal Computer Value Chain*

Gary Fields, University of California Berkeley, gfields@uclink4.berkeley.edu

Competition among brand name firms in the PC industry is no longer a function of product differentiation, but is now driven primarily by the logistics of organizing adjacent steps in a value chain of highly modular and standardized components. As a result, logistics within the

PC value chain has emerged as an element of innovation in which time compression between customer order, parts procurement, system assembly, and final delivery is decisive in defining technological differences between PC firms. Dell Computer has created what is arguably the most innovative system in the industry for organizing these adjacent steps. Through an Internet-based information infrastructure, Dell has linked its customers, suppliers, and logistics providers in a closed loop to build and deliver PCs on a just-in-time basis. In the process, it has created a production and distribution network with distinct organizational and geographical characteristics that reveal two compelling and paradoxical findings. Organizationally, Dell does not use the Internet to interact with its value chain partners through markets and the price system, but instead uses the Internet as the foundation for organizing long-term relationships of collaboration in order to mitigate risks in a just-in-time environment. Geographically, Dell has deployed an Internet based communications system for assembling PCs on a just-in-time basis in six locations on four continents. This globally spread system, however, has made the firm more dependent than ever on critical relationships of geographical proximity with its supply chain partners in each of the six locations where it assembles PCs. Consequently, in the locations where it assembles PCs, Dell has actually forced value chain partners to locate near its assembly sites in order to maintain the highly compressed cycle times in its just-in-time production and distribution system. The operational, organizational, and geographical attributes of Dell's highly innovative value chain provides a revealing picture of how the process of globalization is actually advancing within an Internet-driven, just-in-time procurement, production and distribution system.

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### **3.4.2 - WORKSHOP**

#### ***ALLIANCE STRATEGIES: THE ROLES OF TRUST, COMMITMENT AND FIT***

**Room: San Cristobal B**

**Time: SUNDAY - 1:30-3:00 P.M.**

Chair: Jean-Luc Arregle, EDHEC School of Management, jean-luc.arregle@edhec.edu

Discussant: Rakesh Sambharya, Rutgers University, sambhary@crab.rutgers.edu

#### *Interpartner Fit and its Performance Implications: A Four-Case Study of U.S.-China Joint Ventures*

Jason Duan, Midwestern State University, duanj@nexus.mwsu.edu

Aimin Yan, Boston University, aimin@bu.edu

In previous research on international joint ventures, a commonly accepted conceptualization and operationalization of interpartner fit is lacking. As a result, empirical studies have either failed to confirm theoretical predictions or produced inconsistent findings that are difficult to reconcile. Using a multiple-case method, this study developed a model in which interpartner fit is conceptualized as a multidimensional construct consisting of the compatibility between the partners strategic objectives, contribution and joint management of critical resources, consensus on the venture's operating culture and strategy, and structure of relative bargaining power and control over the venture's operation. The longitudinal case studies demonstrated the relationship between interpartner fit and joint venture performance and also revealed the rich dynamics and changes in interpartner fit/misfit over time.

#### *Inter-firm R&D Partnering in Biotechnology: What Matters Most - Experience or Trust?*

John Hagedoorn, Maastricht University, j.hagedoorn@mw.unimaas.nl

Nadine Roijackers, Maastricht University, n.roijackers@mw.unimaas.nl

Hans van Kranenburg, Maastricht University, h.vankranenburg@mw.unimaas.nl

Relational trust and experience with setting up inter-firm partnerships are important topics in the literature on partnership formation. In the current contribution, relational trust and experience are analyzed as separate phenomena that are expected to each play a distinctive role in establishing new partnerships. A high-tech industry, i.e. the pharmaceutical biotechnology sector, forms the empirical setting for our research. The main finding of our research is that experience with setting up partnerships is a major explanation for the likelihood of future partnership formation, whereas relational trust does not seem to play a role. An explanation is found in the specific conditions for partnering in high-tech sectors and the particular networks of large and small companies in the biotechnology industry.

*The Role of Trust in Inter-Organizational Learning in Joint Ventures*

Martyna Janowicz, Tilburg University, M.Janowicz@kub.nl

Niels Noorderhaven, Tilburg University, N.G.Noorderhaven@kub.nl

The strategic alliance literature cites numerous advantages to joint venture relationships characterized by trust between partners. Learning from the partner has been identified as a prevalent rationale for joint venture formation. However, the relationship between trust and inter-organizational learning in the context of joint ventures has received scant attention. This paper investigates the role of trust in the process of inter-organizational learning. Knowledge transfer and assimilation are delineated as the two processes jointly leading to the learning outcome in an inter-organizational context. Trust facilitates inter-organizational learning through its influence on the intent to learn, transparency, and receptivity. Four different sources of trust relevant for the joint venture context are distinguished: calculus-based trust, knowledge-based trust, similarity-based trust, and institution-based trust. Propositions are formulated linking these sources of trust to the processes of knowledge transfer and knowledge assimilation in the context of joint ventures. Possible operationalizations of the variables included in the propositions are suggested.

*Developing Strategic Alliance Relationships in China: Commitment to Quality and Cooperative Interdependence*

Pengzhu Zhang, Xian Jiaotong University

Dean Tjosvold, Lingnan University, tjosvold@ln.edu.hk

Alfred Wong, Lingnan University

Organizations are using strategic alliances to develop competitive advantages in quality, innovation, and cost. To capture the potential synergies of these alliances requires that the partners develop trusting, long-term relationships, but developing effective inter-organizational relationships has proved difficult. This study develops a model of strategic alliance relationship development based on the theory of cooperation and competition. Thirty pairs of supplier and customer organizations in Xian, China, participated in a survey where the supplier indicated the commitment and goal interdependence and the customer rated the relationship's trust and long-term orientation. Results of structural equation analyses suggest that the commitment by both supplier and customer organizations to quality develop cooperative interdependence and low levels of competition and independence. With cooperative interdependence, partners come to trust each other and develop a long-term relationship. Results were interpreted as suggesting that Deutsch's theory of cooperation and competition, although developed largely by North American research, is useful for analyzing supply chain partnerships in East Asia and that cooperative interdependence is an important

way to develop effective strategic partnerships.

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### **3.4.3 - WORKSHOP** **MODES OF ENTRY/INTERNATIONAL ACQUISITIONS**

**Room: San Cristobal D**

**Time: SUNDAY - 1:30-3:00 P.M.**

Chair: Tevfik Dalgic, University of Texas – Dallas, [tdalgic@utdallas.edu](mailto:tdalgic@utdallas.edu)

Discussant: Rian Drogendijk, Tilburg University, [h.j.drogendijk@kub.nl](mailto:h.j.drogendijk@kub.nl)

*An Exploratory Study of Entry Barriers and their Influence on the Entry Mode Choice of Overseas Entrants*

B. Elango, Illinois State University, [elango@ilstu.edu](mailto:elango@ilstu.edu)

This article examines the impact of entry barriers on the entry mode decisions of overseas firms. A multinomial logistic regression model is used to test 1087 entry decisions into the U.S. Empirical evidence shows that underlying industries' entry barriers influence a firm's preference for a particular entry mode. In industries characterized by product differentiation barriers, firms avoid joint ventures as an entry mode. In particular, in industries characterized by high human capital intensity or physical capital intensity, foreign entrants preferred greenfield operations as an entry mode, whereas in industries characterized by higher plant scale, the preference is for joint ventures or acquisitions as an entry mode. Industry concentration seems to have no influence on entry mode choice. Additionally, Japanese firms prefer greenfield operations and joint ventures over acquisitions, when compared with firms from other nations.

*Patterns of Entry, Post-Entry Growth and Survival: A Comparison Between Domestic and Foreign Owned Firms*

José Mata, University Nova of Lisbon, [jmata@fe.unl.pt](mailto:jmata@fe.unl.pt)

Pedro Portugal, Banco de Portugal and NOVA

This study compares the patterns of entry, survival and growth of domestic and foreign owned firms. We show that the post-entry behavior of foreign owned firms is quite different from that of their domestic counterparts. Among foreign entrants, we were able to distinguish between those which proceed by creating a new firm and those that acquire an already existing business. Our evidence reveals that the choice of the mode of entry in foreign markets exerts an impact upon the performance of firms that persists long after the moment of entry. As a consequence, our work clearly indicates that there is much to be gained in the understanding of the process of entry in foreign markets by studying the behavior of entrants over their first years in these markets.

*Contingent Payouts in International Acquisitions*

Jeffrey Reuer, Ohio State University, reuerj@cob.ohio-state.edu

Oded Shenkar, Ohio State University, shenkar\_1@cob.osu.edu

Roberto Ragozzino, Ohio State University, ragozzino.1@osu.edu

A wealth of studies have emphasized the discrete modes of governance employed by firms entering foreign markets, but attention has not been given to the contractual heterogeneity that underlies these governance structures. In this paper, we examine the occurrence and antecedents of contingent payouts in the form of earnouts and stock payments for international acquisitions. Evidence from a sample of over one thousand international M&A deals indicates that firms lacking international and domestic acquisition experience turn to contingent payouts when purchasing targets in industries reliant on intangible assets and human capital. Contingent payouts and the options attached to partial acquisitions appear to be substitutive in nature.

*Organizational Size and Choice of Ownership in Foreign Markets: A Meta-Analysis of the Effect of Organizational Size on Ownership Choice in FDI*

Taewon Suh, Saint Louis University, suht@slu.edu

This study highlights the decreasing importance of organizational size as a research variable in the literature of international business strategy, although there are several theoretical reasons why organizational size has received much focus in the research field. Using meta-analytic procedure, this study integrated the existing studies on the effect of organizational size on ownership structure in FDI to a general conclusion. In results, the effect of organizational size on choice of ownership was significantly less than that of R&D intensity and Advertising intensity, which confirmed that the strategic option was more related with a firm's unique assets than with organization's physical size. The diversity in the research findings was attributed to the two methodological factors: 1) measurement differences in organizational size and choice of ownership and 2) industry membership of samples. The discussion of this study would contribute to develop conceptual guidelines for designing future studies that increases the precision of knowledge in this established field of inquiry.

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**3.4.4 - WORKSHOP**

***INTERNATIONAL FINANCE AND REGIONAL INTEGRATION***

**Room: Tropical A**

**Time: SUNDAY - 1:30-3:00 P.M.**

Chair: Raj Aggarwal, Kent State University, raggarwa@bsa3.kent.edu

Discussant: Animesh Ghoshal, DePaul University, aghoshal@depaul.edu

*Dollarization in the Americas: Is the Dollar the Option for One Currency, One America?*

Harvey Arbeláez, Monterrey Institute for International Studies,  
harvey.arbelaez@miis.edu

This paper identifies the stylized facts and common features of dollarization episodes. It discusses the relationship between macroeconomic policies as well as political risk and inflation, and the pattern of dollarization. The paper provides a model that is also tested empirically. The paper argues that the decision to dollarize in the Americas tends to be

determined by the demand-side of the economies of the region because of either political risk factors or inflationary pressure. The paper's conclusion is that the issues, policies and implications tend to be an induced government-enforced dilemma of the supply-side of the Americas' economies that may increase perceptions of political risk in the region.

*Financial Liberalization and Bank Lending Spreads: The Case of Mexico*

Erika Mendez, University of Texas Pan-American, emendez3@panam.edu

The purpose of this paper is to examine the impact of changes in the policy framework upon interest rates and bank spreads in Mexico during periods of financial liberalization. The main contribution of this analysis is the use of a time-series intervention model, which is the most suitable for the nature of the data series and it is able to reflect the actual impact effect (short- and long-term) that the financial reforms had on bank spreads. The empirical analysis is carried out using monthly data on bank deposits and bank lending rates for Mexico over the period January 1982 to December 2000. The empirical results are consistent with those in previous literature: banks spreads observed a statistically significant decline after the liberalization took place.

*The Impact of the Euro on Global Financial Markets*

Scheherazade Rehman, George Washington University, rehman@gwu.edu

The introduction of the euro on January 1, 1999 was one of the most important international monetary developments since the collapse of the Bretton Woods era. Within a few days of its introduction, it caused unprecedented changes in the world's financial markets that have had far-reaching implications for foreign exchange and capital markets and investment and trade patterns. Part one of the paper will summarize the last three years of the euro's and ECB's performance and the resulting impact on the EMU-12 member nation economies while the second part of the paper will analyze the euro's impact on global financial market trends during the same time period. The third and final part of the paper will discuss the impact and problems related of the final transition of the euro in 2002.

*Financial Integration, Dis-integration and Emerging Re-Integration in the Eastern Mediterranean, 1918 to the Present*

Adrian Tschoegl, MIT and University of Delaware, tschoegl@alum.mit.edu

The financial integration that concerns this paper is that of the linking of national banking systems through the opening of branches by banks of one country in another. In the inter-war period, banks from England and France establish branches in the countries of the eastern Mediterranean littoral, as did banks originating in those countries. However, after World War II there came a period of nationalization and nostrification that cut the countries' banks off from each others' markets. As barriers to foreign banks have fallen since the mid-1970s the region has started to integrate again, but in a process that is far from complete.

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### 3.4.5 - PANEL

#### *CENTRAL AND EASTERN EUROPE: LESSONS FROM THE 1990S*

**Room: San Cristobal E**

**Time: SUNDAY - 1:30-3:00 P.M.**

Chair: Jan Svenjar, University of Michigan, svejnar@umich.edu

Discussant: Vladimir Pucik, IMD, pucik@imd.ch

This panel brings together a group of active researchers to reflect on the value of CEE-specific business and management research. The ongoing transition process from a command economy to a market economy offers a historically unique opportunity to examine related management issues. Core concepts of management theory can be put to the test in an exceptional context, which helps to prove their validity and might contribute to gaining new insights. We will discuss if its value is limited to the identification of transfer or application problems of Western concepts in a CEE environment or if new insights that affect IB research as a whole are generated in this process. The panelists will approach this question from the HRM, marketing, and management perspective. Moreover, a review of CEE-related articles in top journals will map out the key contributions to the literature and outline the main areas of substantive research.

*Conventional Wisdoms and Reality in Central and Eastern Europe: Some Lessons for International Human Resource Management*

Sonia Ferencikova, University of Economics-Bratislava, ferencik@euba.sk

In this paper, I explore how economic integration affects firm-level vertical, horizontal, and geographic scope. I focus on the large industrial groups of Latin America because market liberalization is likely to have disproportionately large impacts on them as compared to smaller firms. It is expected that as the environment changes as a result of market liberalization, so will the value of firm resources as applied to each of the three types of scope. This will encourage a re-evaluation of existing investments and a subsequent redeployment of resources. As such, I expect to witness changes in all three of the aspects of scope. These changes are clearly evident in the large industrial groups of Latin America that in the 1980s during the era of protectionism were able to leverage their power domestically to expand into other businesses. The opening of the market has had a disproportionately large impact on them as compared to smaller firms. I analyze the historical evolution of the business scope of four of Argentina's largest grupos: Techint, Perez Companc, IMPSA, and SOCMA.

*What Can IB Research Learn From the Study of the Impact of Human Resource Management Practices on Firm Performance in Russia: The Benefits of Cross-National Studies*

Carl Fey, Stockholm School of Economics, Carl.Fey@hhs.se

Ingmar Björkman, Swedish School of Economics

H.J. Park, Cornell University

It is now commonly accepted that employees create an important source of competitive advantage for firms. As a result, it is important that a firm uses HRM practices that make the best use of its employees. Most extant research on the HRM-firm performance relationship has been conducted based on US domestic firms. This is problematic for firms operating outside the US (the majority of firms in the World) since national cultures and institutional differences are likely to affect how effective HRM practices are in various countries. Scholars

of international business have so far primarily focused on the extent to which HRM practices within multinational corporations are globally standardized and largely ignored the relationship between HRM and organizational performance. This project aims to show what we have learned about the HRM-performance relationship in Russia has to say for IB/management research more generally. This is accomplished by comparing subsidiaries of MNCs working in Russia to MNCs working in the USA (where most previous HRM research has been conducted) and Finland. Thus, this study will help us understand how generalizable HRM theory is and more specifically help identify precisely how country factors such as culture and institutions influence which HRM practices are most effective in a given country. The study is based on questionnaires completed by the general manager or HRM manager from subsidiaries of over 75 foreign firms operating in each of USA, Russia, and Finland.

*Competing in Eastern Europe: Transitions in IB Management Research*

Klaus Meyer, Copenhagen Business School, km.cees@cbs.dk  
Mike W. Peng, Ohio State University

International business management research on Eastern Europe has experienced rapid growth since the late 1980s. Yet, there is no comprehensive review of this literature mapping out the contributions and guiding future research. Intending to fill this gap, this article first examines publications in 12 journals during 1986-2000 to identify leading individual and institutional contributors. Then we briefly review substantive research on (1) the emerging institutional environment, (2) strategies of local businesses, (3) strategies of multinational enterprises, and (4) cultural and institutional influences on management. The article concludes with a call for more sustained research in this area to make larger contributions to the mainstream literature.

*Small Business and Entrepreneurship Development in Emerging Economies*

Piotre Ploszajski, Warsaw School of Economics, pplosz@sgh.waw.pl

The SME sector has never had and still has no favorable conditions for development in many EE countries. In the late 80's, some "last hour" communist reformers launched the idea of "mixed socialist economy". Even then, however, private entrepreneurs were treated with utmost suspicion, subjected to discriminating legislation and administrative practices (for example excluding private enterprises from supply sources of the "socialized sector" or from contracting and subcontracting for the state) and often to excessive taxation penalizing growth. In such a hostile environment the SME sector has, indeed, demonstrated amazing ability to survive and grow "after all". In the last years, despite the not quite ideal environment, the development of private sector in EE countries has been very dynamic. Today, "the privates" give jobs to majority of employees in the EE region, make large part of GNP, produce most of industrial goods, and own majority of fixed assets. The paper attempts to describe the major barriers in SME's development in EE countries such as: high interest rates; lack of experience and unwillingness of banks to serve credit needs of SMEs; neglected business law which does not assure safety of market operations well enough; still unfavorable political and social attitudes towards "privates"; insufficient and expensive business consulting; and not enough mutual understanding of common problems and areas of interests between the big and small businesses.

*Marketing in Central and Eastern Europe: A Reason For Reconsidering the International Marketing Concept*

Arnold Schuh, Vienna University of Economics and Business Administration,  
arnold.schuh@wu-wien.ac.at

A review of the extant literature gives an ambiguous picture of the adequate type of marketing strategy for CEE. Given the relatively huge differences in market development and purchasing power a more responsive marketing approach would be expected, especially when you follow the traditional international marketing conception. This conception views success in foreign markets as contingent upon adaptation to local conditions. However, empirical evidence in CEE shows the contrary. This paper examines the reasons for the prevalent strategy transfer from Western to CEE markets. Applying the globalization philosophy or global business logic helps to understand the strategic behavior of Western MNCs in this region. The context of the transitional economies of CEE provides an excellent opportunity to address the assumptions and propositions of the international marketing conception again.

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**3.4.6 - WORKSHOP**  
***BUSINESS ENVIRONMENTS AND THE MNE***

**Room: Tropical B**

**Time: SUNDAY - 1:30-3:00 P.M.**

Chair: Donald Lessard, Massachusetts Institute of Technology, dlessard@mit.edu  
Discussant: Anil Gupta, University of Maryland, agupta@rhsmith.umd.edu

*The International Business Environment through 1970 to 2000: A Content Analysis using JIBS Online.*

Manuel Ferreira, University of Utah, pmgtmpf@business.utah.edu  
Dan Li, University of Texas at Dallas  
Stephen Guisinger, University of Texas at Dallas

This paper focuses on the use of International Business Environment dimensions in International Business research. The geovalent construct (Guisinger, 2000, 2001) is used to identify seven dimensions of the International Business Environment. Using the Journal of International Business Studies (JIBS) database Online, we conducted a content analysis of all articles published in the JIBS from 1970-2000 to understand to what extent the International Business Environment has been included in previous research. The focus on JIBS is justified by its stature as the leading journal for International Business research. The use of the International Business Environment dimensions is identified. The analysis shows that increased attention has been devoted to the analysis of the International Business Environment as a whole, though with varying intensities on each dimension throughout the last three decades. We conclude that an integrated view of the International Business Environment is still lacking in the International Business literature, and suggest avenues for future research.

*French Multinationals' Acquisitive Behaviour Abroad: Nationality vs. Host Country Effects*

Monia Mtar, Warwick Business School, m.mtar@warwick.ac.uk

This paper reports some of the findings of a study of French multinationals' international strategy, and examines the relationship between French firms' national identity and their

behaviour abroad. Whilst a Japanese and American models have been identified in the literature, the existence of a French management model abroad has not yet been demonstrated. Focusing upon characterising French managements' behavioural features which underlie their strategies, the policy of market expansion and integration of foreign acquisitions of four large French companies is compared. The conclusion that emerges is that there exists a distinctive French way of internationalisation, which has significant theoretical and managerial implications.

*The Emerging Implications of Complexity Theory for Transnational Strategic Leader Effectiveness*

Marguerite Schneider, NJ Institute of Technology, mschneid@adm.njit.edu

Rajib Sanyal, The College of New Jersey, rsanyal@tcnu.edu

Lorna Wallace, lornawallace@hotmail.com

This paper develops a perspective of transnational strategic leaders as seen through the lens of complexity theory, and presents implications for the effectiveness of such leaders that are informed by the theory. Globalization has raised the standard for organizational strategic leaders, rendering leader effectiveness to be more elusive, particularly for strategic leaders of transnational organizations. The environmental complexity facing transnational strategic leaders at the local and global levels of their firm's institutionalized environments is illustrated in a review of three key stakeholders -- government, owners, and labor unions. New governance structures developed through cooperative alliances also increase complexity. Given the complexity facing transnational strategic leaders, the conceptualization of leader effectiveness must also be complex, reflecting broad objective and perceptual measures. The paper concludes with a discussion of the implications of complexity theory for transnational leadership theory and practice. It is thought that effective transnational strategic leaders will promote the development of novel, non-hierarchical relationships across the transnational as potential learning opportunities. Despite their complex environments, with many variables and interactions among variables at local and corporate levels, transnational strategic leaders will tend to distinguish the relative criticality of stakeholders based on accurate assessments of their legitimacy, power, and urgency.

*International Production, Relocation and the Geography of Employment within European Multinational Enterprises*

Douglas van den Berghe, Erasmus University Rotterdam, dberghe@fbk.eur.nl

Since the 1970s, the internationalization of production and the associated new international division of labor has led to heated debates and triggered numerous academic studies on the domestic employment effects of international production. After a critical assessment of the existing literature, this paper argues that despite numerous efforts, there is no clear consensus regarding the sign of the relationship, nor its magnitude. This is partly due to methodological shortcomings of some of the research approaches adopted throughout the years, but above all due to a number of 'missing links' in the existing literature. Most importantly is the neglect of previous research, with some recent exceptions, of the fact that geography matters in the sign of the relationship between international production and domestic employment. Through a preliminary analysis of the internationalization of employment of leading European MNEs, it is argued that over the 1990s foreign employment growth, as opposed to domestic decline, has for a large extent taken place in other European member states. This implies that substitution of employment largely takes place between employment in parent countries of the European MNEs and their subsidiaries located in Europe (largely other European Union member states).

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### 3.4.7 - COMPETITIVE GLOBAL BRANDING CONSIDERATIONS

**Room: Tropical C**

**Time: SUNDAY - 1:30-3:00 P.M.**

Chair: Tomasz Lenartowicz, University of Texas-Austin, tomasz.lenartowicz@bus.utexas.edu  
Discussant: Lloyd Russow, Philadelphia University, russowl@philau.edu

*Why Are Foreign Products More Likely to Bear a Private Brand Than Domestic Ones?*  
Shih-Fen Chen, Brandeis University, shihfen@brandeis.edu

This study proposes a transaction cost rationale to explain why foreign products are more likely to bear a private brand than domestic ones. The starting point is that retailers sometimes play a major role in the marketing of the products they carry. The reliance of manufacturers on retailers in marketing a product to consumers creates a need for the parties to harmonize their joint actions in serving the common customer, which in turn escalates the costs of conducting intra-channel transactions. Under certain conditions, as we point out in this paper, private branding can save on the costs of intra-channel transactions by simplifying the manufacturer-retailer interaction, and this savings will be even larger when manufacturers and retailers are not located in the same country. A larger savings on intra-channel transaction costs due to private branding thus explains why foreign products are more likely to carry a private brand than their domestic counterparts. Empirical results obtained from a sample of products stocked by a national merchandiser support our hypotheses.

*Familiarity and Esteem of Global Brands: A Preliminary Analysis*  
Johny K. Johansson, Georgetown University, johanssj@georgetown.edu  
Ilkka A. Ronkainen, Georgetown University

Using available data on the 150 top brands in eight different countries, this study analyzes the relationship between the level of "familiarity" of a brand, the degree to which it is "global," and the corresponding level of "esteem." A priori possible relationships are discussed and alternative formulations are shown to predict both positive and negative relationships between the constructs. The empirical results show a consistently strong and positive association between familiarity and esteem across all countries. By contrast, the association between esteem and level of globality of the brand is negative, especially so after familiarity has been controlled for. The results are discussed and more research into the meaning of "global" to the consumer is suggested to explain the negative effect.

*Name Translations based on Sound and Meaning*  
Shi Zhang, UCLA, shi.zhang@anderson.ucla.edu  
Bernd H. Schmitt, Columbia University

Three studies using fictitious and actual brand names were conducted to examine the impact of sound-based and meaning-based translations on evaluations of brand names and on subsequent name translations. In Study 1, respondents evaluated fictitious sound-based and meaning-based Chinese brand names together with the original English names; experimentally, either the Chinese name or the English name was emphasized to trigger phonetic or semantic processing

of the names. In the English emphasis condition, respondents evaluated the names primarily on the basis of sound, whereas respondents in the Chinese emphasis condition judged the same names primarily based on meaning. In Study 2, which employed a regression analysis of 155 actual translations of marketplace brands, for names emphasizing Chinese, the regression coefficient for desirability of meaning (but not for desirability of sound) was significantly positive; for names emphasizing English, both coefficients for meaning and sound were significant. Moreover, the analysis revealed that the first translation naming approach can set the standard for subsequent naming. The latter finding and its explanation were confirmed experimentally with fictitious brands in Study 3. Together the studies provide evidence for differential processing and evaluations of sound-based and meaning-based translations and of their standard-setting impact in both lab and marketplace environments.

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### **3.4.8 - COMPETITIVE**

#### ***INTERNATIONAL HRM: CULTURE, CONTINGENCY AND TRANSACTION COST PERSPECTIVES***

**Room: San Cristobal G**

**Time: SUNDAY - 1:30-3:00 P.M.**

Chair: Adrienne Colella, Texas A&M University, acolella@cgsb.tamu.edu

Discussant: Sully Taylor, Portland State University, sullyt@sba.pdx.edu

*The Politics of Globalizing Expatriate Assignments: A Transaction Cost Analysis*

Marina Dubic, University of Wisconsin – La Crosse

Milorad M. Novicevic, Faculty of Mechanical Engineering in Slavonski Brod

Michael Harvey, University of Mississippi, mharvey@bus.olemiss.edu

This paper examines both political and economic aspects of the discrete forms of expatriate assignments in multi-domestic and global organizations. Transaction cost analysis of political variable, probity, is utilized to show how each form of expatriate assignment is aligned with a different incentive intensity in a discriminating way. Specifically, we outline the different hazards to probity of expatriates in multi-domestic and global organizations and discuss the resulting ramifications for HR expatriate policy.

*Determinants of International Human Resource Management- The Case of Australian Multinational Corporations (MNCs)*

Youngok Kim, University of New South Wales, y.kim@unsw.edu.au

The present study applies a contingency model to identify factors that shape IHRM activities of Australian multinational corporations (MNCs) in their overseas subsidiaries. The findings show that their IHRM activities appear to be shaped, to varying degrees, by different forces. The most important explanatory variables are subsidiary role and national cultural distance between home and host countries. Interestingly enough, the parent HR managers tend to stress the role of their subsidiary company factors in determining HR policies and practices in their subsidiaries. However, the findings should be interpreted with caution because the cross-sectional nature of the study is limited in explaining very complicated HRM phenomena that evolve over time.

*Corporate Culture, Institutional and Traditional Influence on Hotel Management in China*

Yanni Yan, City University of Hong Kong, mkyany@cityu.edu.hk

John R Fawn, Rangemore Software Ltd

The objective of this study is to provide an extended insight into the mediating role of management on strategy and performance of hotels. We study such influences in the context of the strategy-management-performance configuration exercised in state-owned and IJV hotels in China. Strategies in service industries can be systematically examined through to understand the complex traditional, cultural and institutional contexts on constraining management. This implies the need for the various influences on management can be working together effectively integrated to generate better performance. Ceteris paribus, higher performing hotels belong to companies that have exercised highly such influences in an appropriate manner. Corporate culture and institutional influences on management are significant moderators affecting the relationship between business strategy variables and performance. Data were collected through a questionnaire driven interviews of general managers and functional managers from 200 hotels located in Beijing and Tianjin.

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### **3.5.1 - JIBS DECADE AWARD**

#### ***HONORING THE MOST INFLUENTIAL ARTICLE FROM THE 1992 VOLUME OF THE JOURNAL OF INTERNATIONAL BUSINESS STUDIES***

**Room: Auditorium**

**Time: SUNDAY - 3:30-4:30 P.M.**

Winner: Sanjeev Agarwal and Sridhar N. Ramaswami, "Choice of Foreign Market Entry Mode: Impact of Ownership, Location And Internalization Factors", Vol. 23, No. 1, pp. 1-28.

Chair: Thomas Brewer, Georgetown University, brewert@msb.edu

Participants:

David Tse, Hong Kong University, davidtse@business.hku.hk

Yigang Pan, Hong Kong University, ypan@business.hku.hk

Respondents:

Sanjeev Agarwal, Iowa State University, sagarwal@iastate.edu

Sridhar N. Ramaswami, Iowa State University, sramaswa@iastate.edu

This session honors the most influential article from the 1992 volume of the *Journal of International Business Studies*, as determined by a committee chaired by the JIBS Editor. Two discussants will comment on the importance of this article to international business research. The authors will respond.

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### **3.5.2 - FARMER AWARD FINALISTS**

#### ***PRESENTATIONS BY THE FARMER DISSERTATION AWARD FINALISTS***

**Room: San Cristobal D**

**Time: SUNDAY - 3:30-4:30 P.M.**

Chair: Nakiye A. Boyacigiller, San Jose State University, boyacigiller\_n@cob.sjsu.edu

Selection Committee:

Robert Grosse, Thunderbird, grosser@t-bird.edu

Kiyohiko Ito, University of Hawaii

Bernard Simonin, Tufts University

D. Eleanor Westney, MIT, ewestney@mit.edu

The purpose of this session is to honor the finalists for the Farmer Dissertation Award, as selected by the Farmer Dissertation Award Committee. Each author will present a summary of his or her dissertation. The winner will be announced at the Monday Awards Banquet.

Presenters:

Juan Alcacer, New York University (PhD from University of Michigan),  
jalcacer@stern.nyu.edu  
*Strategy and Geography: The Impact of Firm Rivalry on Location Choices in Global High Tech Industries*

Jeffrey E. Johnson, University of Strathclyde, (PhD from University of Strathclyde),  
jeffrey.johnson@strath.ac.uk  
*Firm-Specific Determinants of Success for Small High Technology International Start-ups: A Performance Study of UK and US Firms*

Chang-Su Kim, Nanyang Technology University, (PhD from Rutgers University),  
acskim@ntu.edu.sg  
*The Co-Evolution Alliance and Technology Networks: Cross-Border R&D Alliances and Interfirm Learning in the Global Pharmaceutical Industry*

Douglas E. Thomas, University of New Mexico (PhD from Texas A&M University),  
thomas@mgt.unm.edu  
*Who Goes Abroad? International Diversification by Emerging Market Firms into Developed Markets*

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**3.6.1 - PLENARY PANEL HONORING JOHN STOPFORD AND LOUIS T. WELLS, JR.  
(SPONSORED BY THE AIB FELLOWS)  
STRATEGY AND STRUCTURE IN THE MNE: LOOKING FORWARD, LOOKING BACK**

**Room: San Geronimo**

**Time: SUNDAY - 4:30-6:00 P.M.**

Chair: Steve Kobrin, University of Pennsylvania, kobrins@wharton.upenn.edu

Discussant: George Yip, London Business School, gyip@london.edu

Discussants/Responders:

John Stopford, London Business School, jstopford@london.edu

Louis T. Wells, Jr., Harvard Business School, lwells@hbs.edu

This panel serves two purposes. The first is to reinvigorate the discussion of a core issue in IB research, namely the link between strategy and structure in the Multinational Enterprise. The second purpose is to celebrate the work of John Stopford, who is retiring this year from the London Business School. His classic book, "Managing the Multinational Enterprise" was published 30 years ago, and this panel will provide both a retrospective look at the influence of this book, as well as some thoughts on where issues of strategy and structure are moving in the years ahead. The three panelists will each present original papers on the theme of strategy and structure in MNEs. Julian Birkinshaw will look at the emergence of customer- and solution-focused organization structures in MNEs. Eleanor Westney will focus on the neglected role of geography as a design variable (in keeping with the conference theme). José de la Torre, along

with Jon Martinez and José P. Esperança, will report on his current research on Strategy and Structure among emerging Latin American Multinationals.

*Strategy and Structure Revisited: The Emergence of Customer- and Solution-focused Organization Structures in MNEs*

Julian Birkinshaw, London Business School, jbirkinshaw@london.edu

There is a long established line of thinking on strategy and structure in the MNE, beginning with John Stopford's doctoral thesis work. However, while few people question the importance of contingency thinking in organisation design, there has been very little International Business research over the last decade explicitly building on these earlier studies. This paper argues that we need to revisit issues of strategy and structure in the MNE, but rather than focusing on the classic contingency factors such as number and diversity of countries, we need to start looking more broadly at other dimensions around which MNEs are now structuring their activities. These include (1) customers, with many MNEs creating dedicated global account teams or even entire business units around key customers, (2) Client industry sectors, and (3) Services and solutions, i.e. business units that pull together the offerings of several existing business units as solutions for their customers. While each of these approaches has its merits, problems of two types arise. First, each new structural approach has its own drawback. Dedicated customer business units, for example, can be hard to staff effectively and they are very hard to close down. Second, these new structural dimensions are typically created on top of the existing dimensions which creates complexity and administrative overload. These issues are examined using case studies of ABB, HP, Ericsson, Reuters, and other MNEs.

*Organization Design of MNEs: The Neglected Role of Geography as a Design Variable*

D. Eleanor Westney, Massachusetts Institute of Technology, ewestney@mit.edu

The salience of geography is the most distinctive design feature of MNC organization, and in the 1970s and early 1980s, following the path of John Stopford's pioneering work on the evolution of organization design in MNCs, research on organization design was one of the central areas in the study of MNCs. Yet, in the last two decades, the role of geography in organization design has received relatively little attention in research on the MNC. One reason is that the relatively simple approach of the 1970s and 1980s, which focused on whether the country was the first or second order design parameter, had difficulties dealing with the evolution of MNC design in the 1980s and 1990s, as companies focused much of their attention on breaking up "country silos" in order to expand cross-border integration. In the process, they relegated geography from a first or second order design parameter to a much less significant role. There was a widespread move to smaller, more focused units below the country level, reporting to a larger unit that was not geographically designed. Paradoxically, it was the great importance of geography, particularly country, as a cultural and political factor individual and subunit behaviour, that led MNCs to downplay the design role of geography in general and the country in particular in their design efforts. Yet, changes in the current international business environment are raising once again the salience of geography in the design of MNCs. In particular, the growing importance of services and "solutions" in many of the largest manufacturing multinationals has led to a growing awareness that the geographic silos of the early 1980s have been replaced by business unit silos in the 1990s, and that geography has become a potentially integrating level of design. This paper examines the evolution of organization design of large manufacturing multinationals in the last three decades, comparing it with the evolution of large service multinationals, and looking at the changing impact of home country organizational patterns, changing strategies (including

outsourcing strategies), and fad or fashion in organization design. It raises a set of research questions for exploring productively design issues in MNCs over the coming years.

*Strategy and Structure among Emerging Latin American Multinationals*

José P. Esperança, ISCTE, Portugal

José de la Torre, UCLA, jose.de.la.torre@anderson.ucla.edu

Jon Martinez, Universidad Adolfo Ibáñez

International business scholars have assumed that structural and other organizational choices were predicated on the need for successful adaptation to environmental change. Thus, increasing global integration should lead to the adoption of global strategies, which in turn require global business structures, close coordination of subsidiaries, and the implementation of managerial control and reporting systems and human resource policies that support such integration. The process of political and economic reform that has taken place in Latin America over the past decade offers a natural experiment in which to study the response of multinational companies operating in the region. On the one hand, if our contingency view holds, we should witness greater degree of integration among multinational company (MNC) subsidiaries in Latin America and the adoption of organizational and managerial practices that support such integration. Similarly, emerging multinational companies originating within the region during this period should avoid the older “federal” model of organization and adopt more integrative strategies from the start. This paper tests these propositions through a survey of MNCs from Europe, North America and Latin America who are active in the region.

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## Monday – July 1, 2002

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**4.1.1 - PLENARY PANEL HONORING PETER J. BUCKLEY AND MARK CASSON  
*BUCKLEY AND CASSON'S THESIS IN THE FUTURE OF THE MULTINATIONAL  
ENTERPRISE AND BEYOND***

**Room: San Geronimo**

**Time: MONDAY - 8:30-10:00 A.M.**

Chair: Bernard Yeung, New York University, byeung@stern.nyu.edu

Discussant/RESPONDERS:

Peter J. Buckley, University of Leeds, p.j.buckley@bes.leeds.ac.uk

Mark Casson, University of Reading, m.c.casson@reading.ac.uk

This panel is held in honor of the 25th anniversary of Buckley and Casson's book, "The Future of the Multinational Enterprise." Prof. Dunning will lead the panel, discussing the intellectual history of Buckley and Casson's work. The next three papers focus on the generality of the Buckley and Casson thesis: Rugman for international business and strategic management theory, Ghemawat for market integration, and Henisz for firm capabilities in managing institutional idiosyncrasies. The last paper is a specialized application of the Buckley and Casson thesis by Chung on the impacts of multinational firms on host country economies. Profs. Buckley and Casson will serve as respondents.

*The Intellectual History of Buckley & Casson's "The Future of the Multinational Enterprise"*

John H. Dunning, University of Reading, j.m.turner@reading.ac.uk

In my presentation, I propose to place the Buckley and Casson contribution within an historical context of both the theory of the firm, and the theory of foreign direct investment. Though I shall trace the antecedents of "The Future..." back to the 19th Century, I shall focus my remarks primarily on the scholars' writings from Ronald Coase (1937) onwards.

*The Generality of Buckley & Casson's Thesis to International Business and Strategic Management Theory*

Alan M. Rugman, Indiana University, rugman@indiana.edu

Buckley and Casson (1976) is the first clear statement of internalization theory. The multinational enterprise (MNE) is an institution which transfers intermediate products such as knowledge within its network of subsidiaries. In the last 25 years the field of International Business (IB) has progressed towards maturity by building on the path-breaking concept of internalization theory. Concurrently, the related area of International Management (IM) has utilized the resource-based view to model and test institutional and organizational aspects of MNEs and MNE behavior that were originally envisaged by Buckley and Casson as "governance" costs, in a transaction cost economics sense. However, essentially the IB and IM approaches are related and yield similar predictions with respect to all key aspects of the strategy, structure and processes of MNEs. This presentation offers theoretical and empirical support for this proposition and argues that the IB and IM fields can be unified by the appropriate use of internalization theory.

*Globalization as Market Integration and Future of International Business*

Pankaj Ghemawat, Harvard University, pghemawat@hbs.edu

Economic evidence concerning the international integration of markets indicates that most measures of market integration have scaled new heights in the last few decades but still fall far short of economic theory's ideal of perfect integration. Intermediate levels of cross-border integration enhance the prospects of international business as a distinct field of study, since such situations cannot—unlike situations of either complete insulation or complete integration—be folded back into the single-country base case that is the staple of much of business analysis. Attention to intermediate levels of market integration also suggests some paths that researchers in international business might profitably follow.

*Expanding the Buckley and Casson Thesis towards Power: The Ability to Manage Institutional Idiosyncrasies*

Witold Henisz, University of Pennsylvania, [henisz@wharton.upenn.edu](mailto:henisz@wharton.upenn.edu)

Over the past decade, international equity flows in power generation have risen thirty-fold. The pattern of this rapid internationalization provides an informative context in which to examine the applicability of Buckley and Casson's (1976) Long Run Theory of the Multinational Enterprise. While many of the drivers of internationalization appear complementary to those identified by Buckley and Casson twenty-five years ago, firm-specific non-market capabilities also play a prominent role. In particular, I argue that a firm's ability to manage complex and variable regulatory and political environments will strongly influence its pattern of overseas investments. The importance of such non-market capabilities to (the trends in) the distribution of foreign direct investment, while consistent with the Buckley and Casson thesis, requires some refinement in its empirical operationalization.

*The Impact of Foreign Direct Investment on Host Country Productivity*

Wilbur Chung, New York University, [wchung@stern.nyu.edu](mailto:wchung@stern.nyu.edu)

From regional trade agreements to international environmental treaties, emerging multilateral institutions and sources of authority are increasingly impinging on the operations of multinational corporations. MNCs play a key role in molding these emerging institutions of international governance, but their preferences and their influence vary from issue to issue. Due to the varying preferences of the actors, their degree of bargaining power, and the different types of issues, the international system of governance is a fragmented patchwork of untidy, and somewhat contradictory institutions. This paper develops a framework for understanding MNCs in international governance that builds on the bargaining model of foreign direct investment. Evolving global political and economic conditions have rendered the bargaining framework obsolete, as countries have increasingly sought to attract MNCs and collaborative dimensions of state-MNC relations have largely displaced earlier antagonisms. This trend has, however, been accompanied by the emergence of contestation over the very structures and processes of international governance. Negotiations over the creation of international governance regimes are more complex than those over FDI because of the multi-party nature of the bargaining, the importance of discursive and organizational forms of power, and the dynamic, non zero-sum nature of the process. MNCs' competitive positioning and perceptions of interest influence their interactions with other actors, including NGOs, states, and supranational bodies. In turn, these interactions and the emerging governance regime reshape the competitive environment and can shift MNCs' perceptions. This new bargaining framework is illustrated by reference to research on responses by MNCs in the oil and automobile industries to the climate change issue.

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**4.2.1 - THEME PANEL**

***GEOGRAPHIC STRATEGIES IN KNOWLEDGE INTENSIVE INDUSTRIES***

**Room: San Cristobal B**  
**P.M.**

**Time: Monday 10:30 A.M.-12:00**

Chair: Wilbur Chung, New York University, [wchung@stern.nyu.edu](mailto:wchung@stern.nyu.edu)  
Discussant: Iain Cockburn, Boston University, [cockburn@bu.edu](mailto:cockburn@bu.edu)

Expecting that firms will pursue geographic strategies to enhance their knowledge stocks, we examine the nature of strategic behavior in knowledge intensive industries. Since an antecedent to strategic behavior is heterogeneity in knowledge stocks both across firms and across locations we first ask what causes such heterogeneity? Using both historic case studies and econometric analysis, Furman argues that location-specific characteristics help explain firm heterogeneity. Given such heterogeneity, Kuemmerle argues that firms pursue two types of behavior - knowledge exploiting and knowledge augmenting. In the former, firms employ their existing knowledge stocks to earn rents; with the later, firms expand to locations rich with potential new technology to build their stocks. He shows that knowledge augmenting for both established multinational firms and start-ups in the pharmaceutical and electronics industries have become more salient in recent years. Given the possibility of these strategies, Chung and Alcacer explore how common such knowledge augmenting/seeking behavior is. Examining states' R&D intensity and investing firm's relative R&D intensity, they find that knowledge seeking behavior composes 25% of inward investment into the US and is most important for pharmaceuticals followed by semiconductors and then by other electronics. Finally, Song, Almeida, and Wu explore the channels through which such inter-firm transfer occurs. They demonstrate learning-by-hiring: that engineers and scientists moving between firms change the hiring firms' knowledge based upon the new firm's and hired engineers' traits. Together these papers provide the most recent thinking on geographic strategic behavior in knowledge intense industries.

*Location and Organizing Strategy: Exploring the Influence of Location on the Organization of Pharmaceutical Research*

Jeffrey Furman, Boston University, furman@bu.edu

Recent research in strategy and international business explores the origin and nature of meaningful and persistent firm heterogeneity. This paper extends this effort, investigating the proposition that characteristics external to firms, but embodied in their local geographic areas, exert an important influence on strategic management. Specifically, the paper examines the extent to which location-specific characteristics affect the organizational practices of pharmaceutical firms' research activities. The paper brings both qualitative and quantitative evidence to bear on this question. The qualitative evidence reviews the early histories of several drug makers. The qualitative case analyses suggest that differences in local institutions, labor markets, and demand structures played important roles in affecting firms' investments in alternative capabilities. For example, Mulford, a firm located in Philadelphia PA, exploited the strength of nearby universities and the city's public health system in developing leading-edge capabilities in bacteriology; by contrast, Sterling, which was founded in Wheeling WV, found that its local environment rewarded investments in marketing and distribution. Econometric analysis on data from a different time period provides complementary evidence, demonstrating that the scientific orientation of drug discovery laboratories in the late 20th century is positively and significantly correlated with measures of the strength of the local scientific and technical base. Together, these analyses suggest that location-specific characteristics may be important in explaining firm heterogeneity and, ultimately, competitive advantage.

*Motives for Foreign Direct Investment in Knowledge-Intensive Settings*

Walter Kuemmerle, Harvard University, wkuemmerle@hbs.edu

This paper examines why firms in knowledge-intensive settings carry out foreign direct investment. The paper specifically focuses on two settings: (1) firms in technologically

intensive industries, namely the pharmaceutical and electronics industries; (2) start-up firms in a range of industries. The empirical sample in the first setting consists of 32 established multinational firms, in the second setting it consists of 26 start-up firms. Based on a detailed analysis of all foreign direct investments in R&D sites by the first group (156 sites) and on all FDI by the second group (35 investments), I find that firms carry out FDI for two main reasons: Either firms invest abroad to gain access to new knowledge, or they invest abroad to exploit their existing stock of knowledge in a more efficient way. I label the first motive as home-base-augmenting (HBA) and the second motive as home-base-exploiting (HBE.) In either case, FDI becomes necessary due to contractual and spillover problems associated with alternative forms of international activity (such as licensing-in or exporting.) I also find that while established multinational firms have historically carried out HBE investments first and HBA investments later, this order is reversed in the case of start-up firms. The difference can be explained primarily by differences in factor conditions and the nature of competition. Finally, I find that in both settings the relative significance of HBA (versus HBE) investments has increased in recent years.

*Knowledge Seeking and Location Choice of Foreign Direct Investment in the United States*

Wilbur Chung, New York University, wchung@stern.nyu.edu

Juan Alcacer, New York University, jalcacer@stern.nyu.edu

To what extent do firms go abroad to access technology available in other locations? This paper examines whether and when state technical capabilities attract foreign investment in manufacturing from 1987-1993. We find that on average state R&D intensity does not attract FDI; most investing firms are in lower tech industries, do not value state technical capabilities, and therefore locate in low R&D intensity states. In contrast, we find that firms in research intensive industries are more likely to locate in states with high R&D intensity. Foreign firms in the pharmaceutical industry value state R&D intensity the most, at a level twice that of firms in the semiconductor industry, and four times that of electronics firms. Interestingly, not only firms from technically lagging nations, but also some firms from technically leading nations are attracted to R&D intensive states. This suggests that firms use knowledge-seeking investments for more than just catching up.

*Learning-by-Hiring: When Is Mobility Useful for Inter-Firm Knowledge Transfer?*

Jaeyong Song, Yonsei University and Columbia University, jsong@yonsei.ac.kr

Paul Almeida, Georgetown University, almeidap@georgetown.edu

Geraldine Wu, Columbia University, gaw18@columbia.edu

To investigate the conditions under which learning-by-hiring (or the acquisition of knowledge through the hiring of experts from other firms) is useful, we study the patenting activities of engineers who moved from U.S. firms to non-U.S. firms. Statistical findings from negative binomial regressions show that mobility is more likely to result in inter-firm knowledge transfer when (1) the hiring firm is less path-dependent, (2) the hired engineers possess technological expertise distant from that of the hiring firm, and (3) the hired engineers work in non-core technological areas in their new firm. Our results also suggest that international mobility is as useful as domestic mobility in facilitating inter-firm learning. Thus, our paper suggests that learning-by-hiring is most useful when hired engineers are used for exploring distant knowledge (rather than for reinforcing existing firm expertise) and thus for extending the hiring firm's technological and geographic reach.

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#### 4.2.2 - PANEL

#### ***INTEGRATING OPTION THINKING INTO INTERNATIONAL BUSINESS THEORIES***

**Room: Auditorium**

**Time: Monday 10:30 A.M.-12:00 P.M.**

Chair: Tailan Chi, University of Illinois at Urbana-Champaign, tchi@uiuc.edu

Discussant: Michael Leiblein, Ohio State University, leiblein.1@osu.edu

This panel session has two main objectives. One is to present a number of cutting-edge theoretical and empirical studies of fundamental international business issues following the real options approach. The other to discuss with the members of the AIB how the real options approach might enrich IB theories and what opportunities and challenges lie ahead in furthering this line of research. The theory of real options is a general approach to the study of strategic decision making under uncertainty and in many ways complements extant IB theories that were initially formulated in a static setting. Integration of real options thinking with the extant theories thus holds the potential of significantly enriching our theoretical understanding of important IB issues. Despite the initial enthusiasm about this approach seen in the early to mid 1900s, progress in the application of this approach to the study of IB issues has been relatively slow and limited in scope. The reason is perhaps that the mechanics of option-based analysis is complex and has been somewhat inaccessible to IB scholars. In addition to presenting their own research, the panelists of the session will also explore with the other session participants how one can tackle the challenges of option-based research and what may be promising topics for the real options approach to investigate in the future. The intent of this effort is to stimulate further interests in option-based research and help researchers interested in utilizing this approach to achieve greater success in their work.

##### *Real Options and International Business*

Peter J. Buckley, University of Leeds, pjb@lubs.leeds.ac.uk

Real options provide a way of rationalizing many practical aspects of business behavior which until recently defied analysis: the seeming irrationality of procrastination and delay in committing resources to new foreign markets, and the cautious incremental approach to investment that is so often pursued once the market is entered. Options reduce risk by providing the flexibility to respond to new information when it becomes available. The key to a successful exploitation of real options is to foresee the kind of information that is likely to become available, and plan the options to exploit this information from an early stage. Flexibility can take many forms: IJVs provide flexibility through contractual options, whereas small reversible investments in versatile assets provide flexibility in a non-contractual form. These forms of flexibility can be combined - for example, by holding a portfolio of IJVs, each of which operates versatile assets, and utilizes information by-products from other IJVs, as well as supplying its own information by-products to them. Insights from these models can be used to construct 'dynamic' versions of existing static theories. The real option perspective can be applied to standard IB theories, including classic theories such as the Product Cycle model. The real option perspective can provide a formal analysis of the leads and lags in the internationalization process which is missing from many orthodox accounts of the subject.

##### *The Trade-off between Flexibility and Commitment in the Choice of Market Entry Mode under Uncertainty*

Tailan Chi, University of Illinois at Urbana-Champaign, tchi@uiuc.edu  
Anju Seth, University of Illinois at Urbana-Champaign, a-seth@cba.uiuc.edu

This paper develops a multi-period model of entry mode choice under uncertainty that integrates a number of theoretical perspectives using a real options approach. These theoretical perspectives include the resource- or capability-based view, the agency theoretic perspective, and transaction cost economics. The model takes into account three sets of factors based on the three theoretical perspectives: (A) The dynamic competence of the multinational entrant relative to that of the local firm, including the capacity to absorb the other's knowledge. (B) The characteristics of the resources possessed by each party in terms of the extent to which their contributions are subject to measurement and monitoring difficulties. (C) The potential for the two parties to engage in costly bargaining and power-jockeying. The results derived from the model provide many interesting insights. One particularly important benefit of the model is to delineate the conditions under which a given set of factors dominate the choice of entry mode and to assess the relative impact of those factors. For instance, under high uncertainty and efficient bargaining, option considerations tend to dominate other factors that are important in a static context, that is, the relative competence of the two parties and the characteristics of their resources. On the other hand, inefficient bargaining tends to render the value of the options embedded in an entry mode (such as a joint venture) insignificant in comparison with other factors such as each party's absorptive capacity and information asymmetry between the two parties.

*Traveling Through the Value Landscape: How to Successfully Build a Multinational Corporation*

Harry Barkema, Tilburg University, h.g.barkema@kub.nl  
Dorota Piaskowska, Tilburg University, dorota@kub.nl

Our paper proposes and develops the idea that internationalizing firms identify strategic expansion paths which are conceptualized as series of options for further expansion. A key assumption of our theory is that firms choose expansion tracks – in terms of sequences of international joint ventures (IJVs) – which maximize firm value, and in turn help to create novel opportunities for further expansion(s). The paper develops theory and hypotheses about how such tracks are shaped and, regarding individual expansions, whether majority or non-majority IJVs are value-maximizing. Consistent with the theory, hypotheses are tested using stock market data. We use data on 139 IJVs announcements between 1988-1998 from a sample of 25 Dutch listed firms. A two-stage approach is used, where in the first step we employ event study method to calculate abnormal returns surrounding the announcement of (new) IJVs. In the second step, we use multivariate regression, with abnormal returns as the dependent variable, and independent variables such as cultural distance, host country risk, and prior experience in the host country. The combined evidence corroborates our new internationalization process model.

*Real Options and Foreign Direct Investment: Theory and Evidence*

Jeffrey J. Reuer, Ohio State University, reuer\_1@cob.osu.edu

In this presentation, I examine the predominance of deductive, comparative research in cross-cultural organizational behavior (e.g. Gibson & Zellmer-Bruhn (2001), Kirkman & Shapiro (2001), Cooper, Doucet, & Pratt (2001), Gomez, Kirkman & Shapiro (2000), Sully de Luque & Sommer (2000), Brockner, Chen, Mannix, Leung, & Sklaricki (2000)), and offer explanations for why this type of research dominates. I will also discuss a two newer

perspective on research in this area – 1) explicitly cross or inter-cultural and 2) inductive (e.g. Cooper, Doucet & Pratt (2001 working paper), Doucet, Zhou & Jehn (2001 under review), Doucet, Weldon, Jehn, Chen & Wang (2001 under review), Mitchell, Smith, Seawright & Morse (2000), Brett & Okamura (1998)). Finally, I will discuss a perspective that has yet to play a major role in our research – the dynamic processes associated with globalization. This perspective examines how two different cultures might gradually adapt to each other over time – as well as examining the processes, conditions, and outcomes associated with a possible Westernization of business interactions globally. Although some of these issues have been discussed from a more macro economic and political perspective, I argue that researchers in micro organizational behavior should be more active in exploring these areas. I will discuss the challenges and barriers associated with accomplishing this type of research – as well as offer some thoughts on ways to facilitate the process.

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#### **4.2.3 - THEME WORKSHOP** ***LOCATION, LOCATION, LOCATION***

**Room: San Cristobal D  
P.M.**

**Time: Monday 10:30 A.M.-12:00**

Chair: Jennifer Spencer, George Washington University, [jspencer@gwu.edu](mailto:jspencer@gwu.edu)

Discussant: Alvaro Cuervo-Cazurra, University of Minnesota, [acuervo@csom.umn.edu](mailto:acuervo@csom.umn.edu)

*The Location of Technological Activities of MNCs: Evidence from the European Regions.*

Lucia Piscitello, Politecnico di Milano, [lucia.piscitello@polimi.it](mailto:lucia.piscitello@polimi.it)

John Cantwell, University of Reading, [j.a.cantwell@reading.ac.uk](mailto:j.a.cantwell@reading.ac.uk)

This paper examines the relative attractiveness of the Italian, German and UK regions for the siting of foreign-owned corporate technological development, controlling for the geographical distribution of the equivalent innovative efforts of established indigenous firms in each country. The data used are patents granted in the US to the world's largest firms from 1969-95, identifying the ultimate nationality of ownership and the location of the research facility responsible for each patent. Through econometric models based on count data techniques, it is shown that the relative attraction of a location for foreign-owned research depends positively upon the local market size, the local scientific and educational infrastructure, and the potential for intra- and inter-industry spillovers.

*Internationalization Process Theory and Market Selection: Does Location Matter?*

Ramdas Chandra, Concordia University, [rchandra@jmsb.concordia.ca](mailto:rchandra@jmsb.concordia.ca)

Process theories of internationalization have played a significant role in understanding how firms enter and expand in international markets. Essentially, these theories suggest that internationalization is an incremental process. Two key implications of these theories for the internationalization process have been identified in the literature- the firm's choice of new markets and the nature of expansion within these markets after entry. Process theories suggest that firms begin by entering markets that are 'close' or 'similar' to the home market, before gradually expanding out into more distant markets. Further, expansion within the market is also seen as incremental, progressing through stages of successively greater commitment. Empirical testing of these propositions however has generally received only mixed support. This paper attempts to test these propositions using more appropriate

longitudinal methodologies applied to a case study, while addressing some of the criticisms of previous empirical research. Using data from a successful international franchiser, we find strong support for process theories of incremental internationalization, both for the choice of new markets as well as for expansion within markets.

*The Changing Locational Determinants of FDI among Industrialized Countries: An Empirical Assessment*

Constantina Kottaridi, Athens University of Economics and Business, ck@aueb.gr  
Marina Papanastassiou, University of Reading and Athens University of Economics and Business, marinap@aueb.gr

The present paper aims at evaluating the relative explanatory power of the two theoretical doctrines in the literature with respect to the direction of FDI, namely, the traditional trade theory and the new theories of economic geography. We carry out fixed effects panel data estimations within a framework of six industrialized countries, i.e. US, Belgium, France, Germany, Netherlands and the UK, for the period 1980-1997, based on the seminal work of Culem. Direct comparison of his own model specification and our enriched version of it, demonstrates that production cost differentials no longer provide sufficient understanding of the FDI's location for the last two decades, whilst it seems that agglomeration factors such as large market size, technological performance and the home market effect gain significance over the years in explaining MNEs' market choices.

*Firm-specific Attributes Affect Location Decisions Financial and Professional Service FDI to New York and London*

Lilach Nachum, Cambridge University, L.Nachum@cbr.cam.ac.uk  
Cliff Wymbs, Baruch College CUNY, Clifford\_Wymbs@baruch.cuny.edu

In this paper we sought to extend the theory of the location determinants of MNEs by challenging one of the fundamental assumption underlying it, namely that location advantages are absolutes whose values are identical for different firms. Rather we explicitly acknowledge the relative value of location advantages for individual firms, and search for the firm-specific attributes affecting this variation. The empirical analysis is based on the analysis of 673 financial and professional service MNEs that entered New York and London business clusters via M&As during the last two decades. The findings confirm that the value of particular location advantages varies for firms with different attributes. Particularly influential attributes were found to be the amount of firms' experiential learning, their global acquisition focus, and the location of their previous acquisitions.

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#### **4.2.4 - WORKSHOP**

##### ***BUSINESS TRANSFORMATION IN CENTRAL AND EASTERN EUROPE***

**Room: Tropical A  
P.M.**

**Time: Monday 10:30 A.M.-12:00**

Chair: Igor Filatotchev, Bradford University, I.Filatotchev@Bradford.ac.uk  
Discussant: Attila Yaprak, Wayne State University, aa4506@wayne.edu

*Laying the Groundwork for Change: Gradual Privatization in Socialist Countries*

Chun Chen (Liz) Wang, University of Texas-Dallas, lizwang99@utdallas.edu

Richard Priem, University of Wisconsin-Milwaukee

David Berg, University of Wisconsin-Milwaukee, bergd@uwm.edu

Research on transitioning economies has focused on the dramatic mass privatizations that occurred following the fall of communism. Yet radical changes such as these occur infrequently; governments guiding future transitions likely will pursue more gradual approaches instead, based in part upon their strong desire to remain in power and in part on the relative success enjoyed so far by gradual reforms. We take an institutional theory approach in order to identify the major differences - in governments' motivations and roles, in competition among organizations, and in economic outcomes - for the radical privatization processes experienced by former Soviet bloc states, versus for the gradual privatization processes ongoing in current socialist countries like China and Vietnam. We then extend the theoretical privatization model previously developed by Zahra, Ireland, Gutierrez and Hitt (2000) to include a new series of propositions concerning antecedents, processes and outcomes, based on evaluation of gradual privatizations in socialist countries. We then discuss the implications of our gradual privatization model for future research, for governments of transitioning economies, and for companies doing business in these economies.

*Institution Building and the Integration of Eastern Europe in International Production*

Saul Estrin, London Business School, sestrin@london.edu

Klaus Meyer, Copenhagen Business School, km.cees@cbs.dk

Alan Bevan, European Bank for Reconstruction and Development

It is widely accepted that institutions matter when it comes to attracting inward investors, yet there is little agreement as to which institutions are crucial, and which secondary institutions are merely correlated with them. To provide policy advice, we need to provide evidence on the relative importance of different institutions. Using a dataset detailing FDI flows from market economies to transition economies we examine the interrelationship between institutional development and FDI inflow. Several disaggregated development indicators identifying specific institutions are found to positively influence FDI: private sector development, banking sector reform, price, foreign exchange and trade liberalization, and legal development. Conversely we find non-bank financial sector development and competition policy do not enhance FDI. Our analysis highlights that Russian FDI receipts have suffered from a gap between extensiveness and effectiveness of legal reform.

*Priorities and Sequencing in Privatization: Theory and Evidence from the Czech Republic*

Jan Svejnar, University of Michigan, svejnar@umich.edu

Nandini Gupta, University of Michigan, nandinig@umich.edu

John Ham, Ohio State University

While privatization of state-owned enterprises has been one of the most important aspects of the economic transition from a centrally planned to a market system, no transition economy has privatized all its firms simultaneously. This raises the question of whether governments privatize firms strategically. In this paper we examine theoretically and empirically the determinants of the sequencing of privatization. To obtain testable predictions about factors that may affect sequencing, we develop new theoretical models and adapt existing ones. In doing so we characterize potentially competing government objectives as i) maximizing efficiency through resource allocation; ii) maximizing public goodwill from the free transfers

of shares to the public; iii) minimizing political costs; iv) maximizing efficiency through information gains and v) maximizing privatization revenues. Next, we use firm-level data from the Czech Republic to test the competing theoretical predictions about the sequencing of privatization. We find strong evidence that more profitable firms were privatized first. This suggests that the government sequenced privatization in a way that is consistent with our theories of maximizing revenue and maximizing public goodwill. Our findings are consistent with Glaeser and Scheinkman's (1996) recommendations for increasing efficiency through informational gains. They are inconsistent with the government pursuing the objective of increasing Pareto efficiency through improved resource allocation. They are also inconsistent with the hypothesis that the government minimized political costs. Our results also suggest that many empirical studies of the effects of privatization on firm performance suffer from selection bias since privatized firms are likely to have characteristics that make them more profitable than firms that remain in state ownership.

*What Drives the Speed of Job Creation and Job Destruction during Episodes of Massive Adjustment?*

Katherine Terrell, University of Michigan, terrell@umich.edu  
Stepan Jurajda, CEPR

This paper uses individual-level data to characterize economy-wide job creation and destruction during periods of massive structural adjustment. We contrast the gradualist Czech and the rapid Estonian approach to the destruction of the communist economy to provide evidence on selected macroeconomic theories of reallocation with frictions. We find that gradualism (slowing down job destruction) effectively synchronizes job creation and destruction. Drastic job destruction leads to little or no slowdown of job creation. Small newly established firms are the under-researched fountainhead of jobs during the transition from communist to market oriented economies.

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#### **4.2.5 - COMPETITIVE EXPORT PERFORMANCE**

**Room: San Cristobal E  
P.M.**

**Time: Monday 10:30 A.M.-12:00**

Chair: Subhash Jain, University of Connecticut, subhash@sba.uconn.edu  
Discussant: Syed Tariq Anwar, West Texas A&M University, sanwar@mail.wtamu.edu

*Export Marketing: Perspectives from the Land Down Under*

Aron O'Cass, Griffith University, a.ocass@mailbox.gu.edu.au  
Craig Julian, Griffith University, c.julian@mailbox.gu.edu.au

Marketing performance has been the focus of a growing body of research. This work includes not only performance but also the factors that influence (export) marketing performance. This study examines the export marketing performance of Queensland firms, a region within Australia, focusing on specific firm characteristics and environmental characteristics at the individual product/market level. Data were gathered via a self-administered mail survey of firms exporting out of Queensland, Australia. The results indicate that the firm characteristics and environmental characteristics impact significantly on both overall performance and strategy adaptation by exporting firms. However, strategy adaptation versus standardisation

did not significantly influence marketing performance, implying that either standardisation or adaptation is appropriate.

*A Structural Model Examination of the Relationship between Export Assistance and Export Performance Improvement*

Luis Filipe Lages, Nova University at Lisbon, lflages@fe.unl.pt  
David B. Montgomery, Stanford University

The increasing amount of export assistance provided to firms of rich and poor countries, shows the high priority given by national and international policy makers to the encouragement of international trade. Despite this, relatively few international business researchers have discussed the effectiveness of such export assistance. This paper provides an empirical foundation for simultaneously analyzing the effects of export assistance, together with management international experience/expertise and competition in the industry/commerce, on the decision to adapt or standardize the domestic pricing strategy to the main foreign market and ultimately improve a firm's annual export performance. Surprisingly, the findings reveal that the total effects of export assistance on export performance are non-significant because exporters use the support they receive to develop inaccurate pricing strategies (i.e. although support has a direct positive impact on performance, there is a negative indirect impact of support on performance through pricing strategy). These and other surprising results have important implications for both public policy and marketing management decision-making, and suggest several potentially fruitful streams of research.

*Relational Performance in Manufacturer-Distributor Interaction – A Framework for Investigation Abstract*

S. Tamer Cavusgil, Michigan State University  
Rudolf R. Sinkovics, University of Manchester  
Anthony S. Roath, University of Oklahoma, asroath@ou.edu

The relationship between manufacturers and distributors has been investigated in various empirical studies. This paper draws on earlier research and extends the views on operational management and performance issues by reframing the concepts of relational performance in a regional and international channels context. A conceptual framework is developed, hypotheses are established and propositions for future empirical investigations are undertaken.

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**4.2.6 - PANEL**

***NEW DIRECTIONS FOR CROSS-CULTURAL OB/HRM RESEARCH***

**Room: San Cristobal G  
P.M.**

**Time: Monday 10:30 A.M.-12:00**

Chair: Jing Zhou, Texas A&M University, jing-zhou@tamu.edu

Discussants:

Angelo DeNisi, Texas A&M University, adenisi@cgsb.tamu.edu

Yanjie Su, Peking University, yjsu@pku.edu.cn

Weiying Zhang, Peking University, wyzhang@pku.edu.cn

Cross-cultural organizational behavior/human resource management research is at an interesting crossroad. While the past few years have witnessed a rapidly growing interest in an understanding of similarities and differences in employee behaviors and management programs across cultural and national boundaries, theoretical and methodological advancements have not been keeping pace with this growing research interest. Researchers are faced with two choices. They could continue the past research tradition of relying on a few existing and general conceptual frameworks to compare attitudes and behaviors in the workplace at the national/cultural level, which will contribute to our understanding of cross-cultural organizational behavior/human resource management in an incremental fashion. Alternatively, they could take a more radical and creative approach and seek to develop new theories and methodologies. In this panel discussion session, the panelists discuss a number of exciting new ways (both theoretically and methodologically) of conducting cross-cultural research in their respective programs of research (e.g., cross-cultural negotiations, conflict, decision-making, emotions in the workplace, and creativity and innovation). Two sets of discussants, one representing the East and the other the West, will comment on the panelists' creative approaches. This will be an interactive session in which the audience will be invited to participate in the discussion.

*New Approaches to International OB Research: Understanding Cross-cultural Negotiations*  
Wendi Adair, Cornell University, wla5@cornell.edu

My work addresses 1) culturally-normative behaviors that account for both creating and claiming value in negotiation and 2) how negotiators change or adapt their culturally-normative styles in a cross-cultural setting. A central question is how cross-cultural negotiators can overcome communication barriers, create an effective "third culture" at the negotiation table, and generate integrative solutions to promote joint satisfaction and long-term global relationships. My research methods include negotiation simulations and interviews with experienced negotiators in Western cultures such as the U.S., Germany, and Israel, and Eastern cultures such as Japan, Hong Kong, and Russia. I compare national cultures on an East-West continuum, building on cultural value and communication theories to predict culturally-normative negotiation behaviors for both creating value (i.e. exchanging information) and claiming value (i.e. power and persuasion) in complex transactional negotiations. I have found that low/high context communication styles predict more direct sharing of preferences and priorities in Western cultures and more indirect information sharing through offers in Eastern cultures. Also, individualism/collectivism and egalitarianism/hierarchy predict differences in the use of rational and affective persuasion in Western and Eastern cultures. To understand how negotiators change and adapt in a mixed-culture setting, I focus on action-reaction sequences of behavior and time. I have found that low/high context predicts emic patterns of reciprocity as well as distinct non-reciprocal sequences that indicate cultural variation in negotiators' communicative flexibility. My work also develops the metaphor of dance for negotiation and has uncovered a four-stage, etic negotiation dance that is similar in multiple cultural settings.

*Examine What and How Individualism-Collectivism Affects Individual Behavior across Cultures*

Xiao-Ping Chen, University of Washington, xpchen@u.washington.edu

Over the years, a number of researchers have used the concept of individualism-collectivism, which captures an aspect of an individual's relation to his or her social group, as a key determinant of how cultural influence might affect individual behavior (Hofstede, 1980;

Triandis, 1994, 1995). Most research has focused on finding behavioral differences across individualistic and collectivistic cultures, but has not paid much attention to uncover the underlying mechanisms as how this cultural dimension affects individual behavior. Moreover, because individualism-collectivism itself is a multi-facet construct that consists of many attributes (Triandis, 1995), the findings of cross-cultural behavioral differences do not inform us as which aspect of individualism-collectivism explains these differences. To answer the “which” and “how” questions, I recommend three directions in conducting international OB research. First is theory refinement in conceptualization. That is, instead of using individualism-collectivism as a general construct in predicting cultural differences, identify the theoretically relevant aspect of individualism-collectivism in hypothesizing relationships among variables. Second, develop a measure (if it is not available) of the identified construct and measure it at the individual level to verify whether the cultural differences discovered by earlier studies (e.g., Hofstede, 1980, 1991) apply to the current context. Finally, use the identified construct to examine how it influences the relationship among the variables of interest such as whether it moderates or mediates these relationships.

#### *Cross-cultural Research in Organizational Behavior*

Lorna Doucet, University of Illinois at Urbana-Champaign, lmdoucet@cba.uiuc.edu

In this presentation, I examine the predominance of deductive, comparative research in cross-cultural organizational behavior (e.g. Gibson & Zellmer-Bruhn (2001), Kirkman & Shapiro (2001), Cooper, Doucet, & Pratt (2001), Gomez, Kirkman & Shapiro (2000), Sully de Luque & Sommer (2000), Brockner, Chen, Mannix, Leung, & Sklaricki (2000)), and offer explanations for why this type of research dominates. I will also discuss a two newer perspective on research in this area – 1) explicitly cross or inter-cultural and 2) inductive (e.g. Cooper, Doucet & Pratt (2001 working paper), Doucet, Zhou & Jehn (2001 under review), Doucet, Weldon, Jehn, Chen & Wang (2001 under review), Mitchell, Smith, Seawright & Morse (2000), Brett & Okamura (1998)). Finally, I will discuss a perspective that has yet to play a major role in our research – the dynamic processes associated with globalization. This perspective examines how two different cultures might gradually adapt to each other over time – as well as examining the processes, conditions, and outcomes associated with a possible Westernization of business interactions globally. Although some of these issues have been discussed from a more macro economic and political perspective, I argue that researchers in micro organizational behavior should be more active in exploring these areas. I will discuss the challenges and barriers associated with accomplishing this type of research – as well as offer some thoughts on ways to facilitate the process.

#### *Workplace Creativity in an International Frame*

Steven Farmer, Wichita State University, steven.farmer@wichita.edu

Understanding the similarities and differences in what fosters workplace creativity in different cultures is a prerequisite to successful organizational innovation for any firms doing business in those cultures. The study reported here investigated the effects of creative role identity—the extent to which an employee’s self image is based on being a creative employee—on employee creativity in Taiwan. This “role identity” can strongly shape behavior, because people strive to make their behavior consistent with the sorts of behavior others expect from someone in that role. Results showed that coworker creativity expectations, self-views of past creative behavior, and exposure to U.S. culture predicted the strength of creative role identity. The effects of that identity on workplace creativity were moderated by perceptions of the extent to which the employer valued creativity. In the future, research is also needed to assess how

creativity is actually defined by different cultures. Related research may assess what factors (national or ethnic culture, organizational, group, and individual levels) may be related to culture-specific definitions of creativity. A second step involves gaining a better understanding of where and how western/U.S. ideas about creativity do and do not apply. Do known creativity antecedents (such as supervisor support or time pressure) relate to employee creativity in the same way in different cultures? If not, what moderators may be responsible for differential affects of predictors across cultures?

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#### **4.2.7 - PANEL ROUNDTABLE**

##### ***ORGANIZING AND BARGAINING UNDER HOSTILE, ERRATIC AND WEAK GOVERNMENTS***

**Room: Tropical B  
P.M.**

**Time: Monday 10:30 A.M.-12:00**

Chair: Jean Boddewyn, Baruch College (CUNY), jean\_boddewyn@baruch.cuny.edu

Panelists:

Jone Pearce, University of California Irvine, jlpearce@uci.edu

Robert Grosse, Thunderbird, grosser@t-bird.edu

Thomas Murtha, University of Minnesota, tmurtha@csom.umn.edu

How do governments matter in organizing? In principle, they establish the legal structures (e.g., property rights) and enforcement mechanisms (e.g., courts) that provide the frames of action for managers and their organizations, thereby mattering as much as technology and resources. Besides, multinational enterprises (MNEs) have to bargain with governments in terms of such issues as national responsiveness versus global integrations, as the latter impact the strategic autonomy of firms and governments. While acknowledging the variety of firm and governmental structures and operations around the world, IB research has frequently regarded departures from “Western” types of democratic governments as aberrations or as representing early stages in the transition toward more modern forms of public authority. However, this assumption of an ineluctable movement toward “government of laws, not of men” that would foster the healthy development of private and public organizations may be premature if not unrealistic. Most of the 200 national governments around the world do not resemble their U.S. and Western-European counterparts, however imperfect the latter may be; and they are unlikely to soon provide the predictability that organizations need. Therefore, it is imperative to deepen our knowledge of how business organizations and their members (including managers) operate abroad when governments do not provide stable and predictable conditions for these firms’ formation as well as for exchanges among their members and with governments and other organizations.

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#### **4.2.8 - PANEL ROUNDTABLE**

##### ***INTERNATIONAL BUSINESS STUDIES IN LATIN AMERICA - MCGRAW-HILL IRWIN LATIN AMERICAN SCHOLARS***

**Room: Tropical C  
P.M.**

**Time: Monday 10:30 A.M.-12:00**

Chairs:

Danny Van Den Bulcke, University of Antwerp, daniel.vandenbulcke@ua.ac.be  
José de la Torre, UCLA, jose.de.la.torre@anderson.ucla.edu

Participants:

Rebecca Arkader, COPPEAD, Fed. Univ. of Rio de Janeiro (BRAZIL),  
rebecca@coppead.ufrj.br  
Adolfo Bertoa, ICDA (ARGENTINA), director@icda.uccor.edu.ar  
Constanca Bianchi, Universidad Adolfo Ibanes (CHILE), constanca.bianchi@uai.cl  
Roberto Gonzalez, PUCMM (DOMINICAN REPUBLIC), rgonzale@pucmm.edu.do  
Marlella Olivos, Univ. San Ignacio de Loyola, CLADEA (PERU), molivos@mail.mba-sil.edu.pe  
Luis Pereiro, Universidad Torcuato di Tella (ARGENTINA), lpereiro@utdt.edu  
Carlos E. Ramirez, Universidad ICESI (COLOMBIA), cramirez@hotmail.com  
Humberto Serna Gomez, Universidad de Los Andes (COLOMBIA),  
hsg@adm.uniandes.edu.co  
Ryan Blankenship, McGraw-Hill/Irwin, ryan\_Blankenship@mcgraw-hill.com  
Lisa Nicks, McGraw-Hill/Irwin, lisa\_nicks@mcgraw-hill.com

This session is intended as an opportunity for a number of leading scholars and senior administrators from Latin American Business Schools to discuss recent developments in management education in the region. The panel will offer a number of individual perspectives and then we will invite the audience to engage in a broad discussion of new models of delivering quality management education to the region, including virtual programs, collaborative agreements, and other innovative arrangements.

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#### **4.4.1 - BALAS PANEL ROUNDTABLE** ***LESSONS AND CONSEQUENCES OF THE CRISIS IN ARGENTINA***

**Room: San Cristobal B**

**Time: MONDAY - 1:30-3:00 P.M.**

Chair: Joseph Ganitsky, Loyola University New Orleans, ganitsky@loyno.edu

Panelists:

Luis Pereiro, Universidad Torcuato Di Tella, lpereiro@utdt.edu  
Corinne Young, University of Tampa, Coyo22@aol.com  
Guillermo Cardoza, Instituto de Empresa, Guillermo.Cardoza@ie.edu  
Antonio Carlos Manfredini, Fundacao Getulio Vargas, amanfredini@fgvsp.br

The purpose of this panel is to debate the lessons and consequences of Argentina's ongoing economic and political crisis. Each panelist will analyze this topic from a different perspective. Luis Pereiro, will start by analyzing the causes of the crisis and its consequences as perceived within Argentina. Antonio Manfredini will follow by examining the crisis' impact upon Brazil and Mercosur. Corinne Young, will take a broader view, examining the impact of the crisis upon the Free Trade Area of the Americas. Then, Guillermo Cardoza, will look at the crisis impact upon Spain's investors and financial markets. Finally, Joseph Ganitsky, will connect these lessons and consequences to those emerging from previous regional crises. After their presentations the floor will be open for Q&A for approximately 20-30 minutes.

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#### **4.4.2 - THEME PANEL KNOWLEDGE AND GEOGRAPHY**

**Room: San Cristobal D**

**Time: MONDAY - 1:30-3:00 P.M.**

Chair: Paul Almeida, Georgetown University, [almeidap@msb.edu](mailto:almeidap@msb.edu)

Discussant: Subramanian Rangan, INSEAD, [subramanian.rangan@insead.fr](mailto:subramanian.rangan@insead.fr)

Since knowledge has no material content, its creation and diffusion should hardly be spatially bounded. Yet, there is good reason to believe that the production and diffusion of knowledge may often be prescribed within geographic boundaries. Though there is evidence that knowledge diffuses, recent research has also shown that knowledge is sticky - it does not flow easily or quickly across regions or countries. A major vehicle for this diffusion of knowledge is the multinational corporation (MNC). Though, early emphasis in the FDI literature focused on multinational corporations as exploiters of home country knowledge abroad, recent studies increasingly highlight 'learning oriented FDI' that seeks to absorb knowledge from host country regions. Of course, the productive activity of MNCs in any region, in turn enhances the role of region in the creation and development of regional knowledge. Thus, a region's attractiveness and dynamism is affected, in part, by level and type of activities of the firms (including MNCs) within its boundaries. Similarly, the competitiveness of MNCs depends, in part, on its configuration across relevant regions and its ability of the MNC to effectively search, combine and exploit knowledge across their multinational system. Though a number of recent studies have developed our understanding about the relationship between geography and MNCs as regards knowledge development, many important issues remain, as yet, ripe for investigation. The papers in this panel all seek to further develop our understanding of the relationship between geography, firms and knowledge.

##### *Geography, Relationships and Knowledge*

Steve Tallman, University of Utah, [mgsbt@business.utah.edu](mailto:mgsbt@business.utah.edu)

The phenomenon of regional clusters or geographically defined industrial districts of firms in a single industry has been recognized in economic geography for many years. Knowledge sharing is widely assumed to take place in these clusters, and various formal and informal mechanisms have been proposed to explain how this occurs. While a considerable body of literature describes untraded interdependencies, knowledge spillovers, and location-specific knowledge, systematic exploration of the structure of knowledge stocks and knowledge exchange in regional clusters or industrial districts has been notably rare. A key, but usually tacit, assumption of most studies of regional clusters is that knowledge is shared among firms in homogeneous fashion and that firms in the cluster succeed or fail in closely correlated fashion. This paper challenges these notions. The paper will build on the construct of cluster-level architectural knowledge to suggest that industrial districts or regional clusters have internal structures that define the movement of knowledge within the cluster and also have significant impact on the relative performance levels of firms (or networks of firms) within any given cluster. The paper suggests that there are differential flows of know-how within the cluster, determined by network ties, and that the bodies of intra-network knowledge conform to differences in performance. The paper presents a set of propositions to clarify this important set of relationships, and supports them with examples from one industry cluster - the motor sport industry in Southeastern England.

*Geographical Hierarchies and Knowledge Creation in MNCs*

John Cantwell, University of Reading, j.c.cantwell@reading.ac.uk

The notion that the geographical dispersion of technological development enhances innovation in the network of the MNC as a whole is founded on the belief that innovation is location-specific as well as firm-specific (Cantwell 1989). The scientific and technological traditions of each country, the shared experience of its researchers and production engineers and the communication between them across companies, the nature of its educational system, and its common business practices all contribute to the distinctiveness of the path of technology development undertaken in each location. By drawing on innovations of various kinds depending upon the conditions prevailing in the relevant local research center MNCs develop a more complex technological system. The attractiveness of locations for other research-related investments may well be strengthened in the process. The typical pattern of international specialization in innovative activity within the MNC is for the development of technologies that are core to the firm's industry to be concentrated at home, while other fields of technological activity may be located abroad, and in this sense the internationalization of research tends to be complementary to the home base. This paper suggests that the choice of foreign location for technological development depends upon whether host regions within countries are either major centres for innovation or not (termed 'higher order' or 'lower order' regions). Whereas most regions are not major centres and tend to be highly specialized in their profile of technological development, and hence attract foreign-owned activity in the same narrow range of fields; in the major centers much of the locally-sited innovation of foreign-owned MNCs does not match very well the specific fields of local specialization, but is rather geared towards the development of general purpose technologies that are core to cross-industry innovation today.

*Breaking Free from Geography: From Global to Metanational*

Yves Doz, INSEAD, yves.doz@insead.edu

Once upon a time, being a successful global firm meant building an efficient production, sales and service network and penetrating markets through the exploitation of home-country knowledge in other parts of the world. However, the rise of the global knowledge economy suggests that the opportunities and challenges of exploiting knowledge around the world will become a key competitive issue for managers from a variety of industries. In order, to effectively harness knowledge from around the world, firms will have to break free of their geographic roots. After all valuable knowledge is increasingly scattered, sophisticated and sticky. In most industries, no one national market leads in every facet of knowledge development. To meet this global challenge, the presentation will propose the need for a radically different type of organization – the metanational. The metanational will build a competitive advantage through (a) prospecting for and accessing untapped pockets of technology and consumer trends throughout the world, (b) leveraging knowledge imprisoned in multinational's local subsidiaries and (c) mobilizing this fragmented knowledge to generate innovations, profits and shareholder's value. The presentation will draw on examples from firms such as ARM, STMicroelectronics, Acer and Nokia to explain the steps today's multinationals can take to build their global networks and build a new style metanational corporation.

*Knowledge and Geography: The Internationalization of R&D and the Global Management of Technology Development*

D. Eleanor Westney, Massachusetts Institute of Technology, ewestney@mit.edu

In the 1980s international strategy focused on the ‘Triad’ and management models emphasized the development of transnational “integrated networks”, not only in R&D but throughout the company. The 1990s, however, witnessed a number of changes in international strategy, including (a) the broadening of strategic focus to emerging markets, (b) the weakening of country organization in multinational companies, (c) a growing choice of modes for crossing borders in technology development, and (d) a growing recognition of the high costs of managing integrated network organizations. These changes in international strategy had a major impact on the international management of technology development (and R&D) within firms. In the late 1980s through the 1990s, changes to R&D organizations include the (a) a dramatic reduction of corporate R&D budgets, (b) the reorganization of R&D into smaller units more closely tied to particular business units. (c) re-engineering and downsizing programs. All these changes have made the viability of foreign R&D centers more questionable. The high expectations for the “Triad network” model of global R&D organization have suffered from the difficulties many companies experienced in making it work effectively. Often the geographic constraints on knowledge flows have proved to be greater than simply getting access to geographically dispersed technology systems.

This paper reviews some of the factors that, over the last decade, have increased the complexity of internationalizing R&D; presents several different models of the evolution of the MNC R&D network; assesses the conditions under which each model is most likely to emerge; and examines what capabilities are needed to support each model.

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**4.4.3 - WORKSHOP**

***INTERNATIONAL JOINT VENTURES: MODE, LOCATION, PERFORMANCE AND CHOICE***

**Room: Tropical A**

**Time: MONDAY - 1:30-3:00 P.M.**

Chair: Syed Tariq Anwar, West Texas A &M University, sanwar@mail.wtamu.edu

Discussant: Sandra Dow, Université du Québec à Montréal, dow-anvari.sandra@uqam.ca

*Strategic Choice in International Ventures: Integrating Alliance Strategy and Marketing Strategy*

Juan Florin, Bryant College, jflorin@bryant.edu

Alphonso O. Ogbuehi, Bryant College

Management and marketing scholars look at strategic issues from different points of views and attempt to explain strategic choice and performance from their unique perspectives. This paper combines these perspectives in the context of international ventures and develops a conceptual framework integrating international marketing strategy decisions with alliance strategy decisions. The main argument of this paper is that the decisions to cooperate across borders through either equity or contractual arrangements for marketing alliances have to be studied in light of the decisions to adapt or standardize the global marketing program. This relationship between corporate strategies and global marketing standardization has been ignored in management research.

*Financial Performance and Ownership Structure Change of International Joint Ventures*  
Myungsook Kim, Seoul National University, roselet@hanmail.net  
Dongkee Rhee, Seoul National University  
Yonggon Cho, Korea Telecom Research Institute

This is an exploratory study investigating the factors leading to changes in the ownership structures of international joint ventures (IJVs) in Korea. This study specifically examines the effects of financial performance; and the interaction effects between financial performance and initial ownership structures on changes in the ownership structures of 103 IJVs that were setup between 1985 -1989 and survived through the end of 1994. We find that the likelihood of ownership structure change tends to increase when the financial performance of IJVs is either better or worse than the industry average. In addition, the initial ownership structure moderates the impact of financial performance on the changes in ownership structure. Specifically, when the initial ownership structure is unequal rather than equal, the financial performance of IJVs has a more significant impact on the changes in ownership structure.

*Greenfield Versus Acquisition: A Critical Assessment of the Foreign Establishment Mode Literature*

Arjen Slangen, Tilburg University, A.H.L.Slangen@kub.nl  
Jean-François Hennart, Tilburg University

The foreign establishment mode literature seeks to identify the determinants of an MNE's choice between setting up a subsidiary from scratch (greenfield investment) and acquiring an existing one (acquisition). This paper first summarizes the results of this literature. It turns out that its results have generally been mixed. The literature review furthermore shows that a large proportion of the obtained results has been insignificant or of contrary sign. We therefore conclude that many of these results are likely to suffer from biases and, hence, should be interpreted with care. Four groups of causes for these biases are presented, viz. imperfections in the analyzed samples, omissions of relevant variables, poor operationalizations of constructs, and methodological problems. By pointing out potential pitfalls and by providing suggestions how to preclude them, we hope this paper enables future research to improve our understanding of the true determinants of an MNE's foreign establishment mode choice.

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#### **4.4.4 - PANEL IN MEMORY OF STEPHEN GUISENGER *MULTINATIONALITY, EFFICIENCY AND FIRM VALUE***

**Room: San Cristobal E**

**Time: MONDAY - 1:30-3:00 P.M.**

Chair: Peter Gray, Rutgers University, gray@rbs.rutgers.edu

Discussant: Donald Lessard, Massachusetts Institute of Technology, dlessard@mit.edu

When AIB met in Phoenix, Steve Guisinger (University of Texas at Dallas), a long-time member of AIB, began planning a panel for the AIB meetings in San Juan on the effects of multinationality on firm value and managerial efficiency. It was to feature some of his work with Lei Li (University of Texas at Dallas); a working paper by Reid Click (George Washington University) and Paul Harrison (Federal Reserve Board); and some of Protiti Dastidar's work from her dissertation at Ohio State. Although Steve passed away unexpectedly, the remaining participants are proceeding with the panel in his absence, and particularly in his

honor. Lei Li will present the Li and Guisinger paper, "Is Economic Efficiency an Obsolete Concept for Multinational Corporations." Reid Click will present the Click and Harrison paper, "Does Multinationality Matter? Evidence of Value Destruction in U.S. Multinational Corporations." Protiti Dastidar (now at George Washington University) will present "Effect of Multinational Diversification on Firm Value." In addition, Heather Berry (Wharton School of Business) will present "The Influence of Location and Multinational Network Effects on Firm Value: Evidence from U.S. Firm, 1981-2000." Peter Gray, a friend of Steve Guisinger, will be chair of the panel and contribute some thoughts in memory of Steve. Donald Lessard, another friend of Steve's for many years, will be the discussant for the panel and contribute thoughts in memory of Steve.

*Does Multinationality Matter? Evidence of Value Destruction in U.S. Multinational Corporations*

Paul Harrison, Federal Reserve Board, paul.harrison@frb.gov  
Reid Click, George Washington University, rclick@gwu.edu

This paper documents that capital markets penalize corporate multinationality by putting a lower value on the equity of multinationality than on otherwise similar domestic corporations. Using Tobin's q, the multinational discount is estimated to be in the range of 8.6% to 17.1%. The most important mechanism of value destruction is an asset channel in which multinationals have disproportionately high levels of assets in relation to the earnings they generate. Foreign assets are particularly associated with value destruction. In contrast, exporting from U.S. operations is associated with an export premium -- of approximately 3.9% -- resulting from both a higher market value and lower asset size. Given these findings, we ask why firms become multinationals. Evidence reveals that the portion of a firm owned by management is inversely related to the likelihood that the firm is a multinational, so we conclude that managers who do not own much of the firm may be building multinational empires for private gains at the expense of the shareholders.

*Effects of Multinational Diversification on Firm Value*

Protiti Dastidar, George Washington University, dastidar@gwu.edu

*The Influence of Location and Multinational Network Effects on Firm Value: Evidence from U.S. Firms, 1981-2000*

Heather Berry, Wharton School of Business, berryh@wharton.upenn.edu

In this study, I analyze how a firm's FDI location choice and its multinational network of operations interact to affect a firm's market valuation using a sample of 191 US manufacturing firms and their foreign investments over a twenty year period (1981-2000). Results from fixed effects panel data regression models reveal differences in shareholder valuation of advanced versus developing country foreign direct investment -- differences that are moderated by a firm's level of multinational network. For firms with lower levels of multinational networks, advanced country investment is rewarded by shareholders. For firms with higher levels of multinational networks, further expansion into advanced countries is not rewarded by shareholders, but expansion into developing countries is rewarded by shareholders. These findings suggest that firms need a multinational network of operations to effectively hedge the higher risk associated with developing country investment but that extending the multinational network too far may cause managerial problems for these firms.

*Is Economic Efficiency an Obsolete Concept for Multinational Corporations?*

Lei Li, University of Texas at Dallas, lileic@utdallas.edu  
Stephen Guisinger, University of Texas at Dallas

Economic efficiency within MNCs has not received the attention as other aspects of MNC behavior and performance. This paper tries to examine the managerial efficiency of MNCs based on their structural characteristics. By applying a specific version of the stochastic frontier production function (SFPPF) to a sample of U.S firms, this paper explores the association between multinationality and managerial efficiency as well as the magnitude of efficiency differences that exist among these MNCs.

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#### **4.4.5 - THEME WORKSHOP** **REGIONAL INTEGRATION**

**Room: Tropical B**

**Time: MONDAY - 1:30-3:00 P.M.**

Chair: Alvin Wint, University of West Indies, alwint@uwimona.edu.jm

Discussant: Lawrence C. Katzenstein, University of Minnesota, Lawrence.C.Katzenstein-1@tc.umn.edu

##### *Measuring Economic Convergence in the European Union*

Kraiwinee Bunyaratavej, George Washington University, tweety@gwu.edu

Eugene D. Hahn, George Washington University, genehahn@gwu.edu

Empirical analyses on the topic of economic convergence have helped to provide some indication as to whether or not poorer and richer economies are converging. Previous work on convergence in the European Union (EU) has generated some mixed results. This may be due in part to authors' tendencies to focus on a particular economic variable and exclude consideration of others, despite the fact that key economic variables are related to one another. Improved estimates of convergence are likely to be the result of an integrated approach in which several key economic variables are considered simultaneously. The model proposed herein will systematically integrate three important and commonly used convergence variables, real GDP per capita, productivity, and employment, in order to provide a clearer picture of convergence. In particular, Bayesian hierarchical, or multi-level, models will be applied in an attempt to estimate the overall rate of convergence in the EU.

##### *U.S. International Trade Patterns Before and After NAFTA: Cause for Concern?*

Animesh Ghoshal, DePaul University, agoshal@depaul.edu

John Berdell, DePaul University, jberdell@depaul.edu

In this paper we integrate two topics in international trade policy that have received (separately) a lot attention: the effects of regional trade blocs, and export pessimism regarding poorer countries. The specific issue that allows us to bring together these questions is whether regional integration adversely affects non-members. We use quarterly data on bilateral trade flows for the period 1972 through 1997 to examine U.S. imports from its NAFTA partners as well as from non-NAFTA trade partners, and more specifically, those countries expected to be hurt by NAFTA (e.g. Latin America less Mexico, Caribbean countries, or East Asia). Three measures are used—(a) national shares in US imports (b) "import penetration" or imports from a particular source as a share of US GDP, and (c) the income elasticity of expenditure on imports from a particular source. Both "import penetration" and the income elasticity of

expenditure affect the export earnings of US trade partners (and are more relevant to economic welfare than barter terms of trade), a matter of particular concern for developing countries. As expected, we find that NAFTA's share of U.S. imports rises, and the share of non-NAFTA countries falls. Much more interesting results are seen in comparing the evolution of import shares, import penetration, and import elasticities for industrial and developing countries, for different geographical regions, and for individual non-NAFTA countries in the Western Hemisphere. The broadest pattern observed in the income-expenditure elasticities is clear evidence of increased penetration by non-oil developing countries. This is in marked contrast to the stable GDP share and expenditure elasticity for developed country imports. Regional results suggest that the Caribbean was the only area grouping that experienced a reduction in its income-expenditure elasticity. But overall on the basis of US income-expenditure elasticities it appears that the first four years of NAFTA were associated with trade expansion rather than trade diversion. Our results (a) support the views of Ethier (1998) and others who argue that regionalism need not be a threat to a liberal multilateral system, and (b) suggest that the Prebisch-Singer pessimism about export revenue prospects for developing countries is not warranted, and particularly with respect to the trade prospects of non-NAFTA US trade partners in the Western Hemisphere.

*A Korea-Australia Free Trade Agreement: Issues and Prospects*

Yul Kwon, Griffith University, Y.Kwon@mailbox.gu.edu.au

In May 2000, the Australian Prime Minister proposed a Korea-Australia free trade agreement (KAFTA) to the Korean government. The purpose of this paper is to investigate the feasibility of KAFTA, to provide some quantitative assessment of the potential gains from KAFTA, and to examine possible issues arising from it. Both Australia and Korea have recently changed their policy toward free trade agreements, and expressed their interests in establishing KAFTA. The empirical tool used in assessing the potential gains is that of revealed comparative advantage. Empirical results found that the Australian and Korean economies are highly complementary for numerous products, indicating the existence of large opportunities of inter-industry trade creation by KAFTA. However, the two economies are in competition for a limited number of products, indicating a minimum extent of intra-industry trade creation. The study also found that the Australian industrial structure is not sufficiently diversified to take full advantage of opportunities arising in the Korean knowledge-based sector. The major stumbling block to the establishment of KAFTA is the Korean agricultural sector that will be adversely affected by the agreement. It is thus difficult to envisage that Korea will agree to KAFTA at the present time.

*Anticipating the Dynamics of Regional Integration: A Two-tier Strategic Approach*

Alan Muller, Erasmus University of Rotterdam, amuller@fbk.eur.nl

Rob van Tulder, Erasmus University of Rotterdam, rtulder@fbk.eur.nl

Despite the increasing importance of (macro)regionalism, its dynamics remain poorly addressed and difficult to anticipate, particularly at the firm level. Mainstream literature on Regional Integration, for all its extensiveness, generally suffers from a lack of appropriate conceptualizations in general and from limited understanding of large (core) firm strategies in particular. This paper explores the relevant conceptual dimensions of regionalism, focusing on governments and core companies as key actors. It is argued that key actors operate in different 'spaces' and therefore do not necessarily share the same strategic intent with regard to Regional Integration. Additionally, the distinction between intrinsic and extrinsic components of strategic intent is highlighted, which necessitates both an inward and outward perspective in

understanding the dynamics of regionalism. The paper then explores these concepts empirically by making a first attempt to define dimensions of integration which can generate a typology of integration both at the policy level as well as the firm level.

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#### **4.4.6 - PANEL**

#### ***COMPETING IN EMERGING ECONOMIES: GOVERNANCE, ACQUISITION AND ENTREPRENEURIAL STRATEGIES***

**Room: San Cristobal G**

**Time: MONDAY - 1:30-3:00 P.M.**

Chair: Mike W. Peng, Ohio State University, peng.51@osu.edu

Discussant: Tarun Khanna, Harvard Business School, tkhanna@hbs.edu

Throughout emerging economies, institutional transitions call for firms of all stripes – domestic and foreign, established and start-up – to employ competitive strategies to navigate the turbulent waters, thus necessitating increased research attention. This symposium brings together a group of 12 active researchers from Asia, Europe, and North America, who have been working at the cutting edge of strategy research with a focus on emerging economies, to show case some of their most recent work. It identifies three leading themes of this research, Governance, acquisition, and entrepreneurial strategies, represented by a total of five paper presentations.

#### *Governing the Corporation in Emerging Economies: A Principal-Principal Perspective*

Michael Young, Chinese University of Hong Kong, michaely@baf.msmail.cuhk.edu.hk

Mike W. Peng, Ohio State University, peng.51@osu.edu

David Ahlstrom, Chinese University of Hong Kong, ahlstrom@baf.msmail.cuhk.edu.hk

Garry Bruton, Texas Christian University, g.bruton@tcu.edu

A principal-agent perspective has dominated corporate governance research, which focuses primarily on the modern corporation in developed economies with widespread ownership and no controlling shareholders. However, we argue that this perspective may have limited application in emerging economies, because most corporations in these countries are controlled by a family or the state with concentrated ownership. As a result, there is more potential for conflict between majority shareholders (principals) and minority shareholders (principals) than there is between shareholders (principals) and managers (agents). We term this variant of corporate governance problem the "principal-principal" problem, and draw on institutional theory, which focuses on the formal and informal constraints giving rise to this problem, to explore its underlying root causes. Overall, we suggest that a principal-principal perspective is a more fruitful approach to corporate governance in emerging economies, because prescriptions derived from the standard principal-agent model may be ineffective or may even exacerbate governance problems in these settings.

*Endogenous Equity and Control: Factors Affecting the Post-privatisation Equity Levels in Hungarian firms*

Igor Filatotchev, Birkbeck College London, i.filatotchev@bbk.ac.uk

Tomasz Mickiewicz, University College London, t.mickiewicz@ssees.ac.uk

Kate Bishop, University College London, k.bishop@ssees.ac.uk

This paper seeks to explore the determinants of equity shares held by foreign investors and by Hungarian institutional investors, using a data set for 162 largest Hungarian firms during the period of 1994-1999. We find evidence for the post-privatisation evolution of equity structures and concentration of shares, where dominant categories of owners aim at achieving controlling stakes. The ownership of companies has been evolving towards a more homogeneous composition, with foreign investors and Hungarian institutional investors playing the major role. In addition, focusing on firm level characteristics we find that the exporting firms attract foreign owners, who acquire controlling stakes in equity. Similarly, the indicators of firm size are positively associated with the presence of foreign investors, however negatively associated with 100% foreign ownership, as the marginal cost of acquiring additional equity is higher. We interpret the results in light of the existing theory. In particular, following Demsetz and Lehn (1985) and Demsetz and Villalonga (2001) we argue that equity should not be treated as an exogenous variable. As for specific determinants of equity levels, we focus on informational asymmetries and (unobserved) ownership specific characteristics of foreign investors and Hungarian investors.

*Acquisition Strategies in Emerging Economies: A Comparative Study*

Klaus Meyer, Copenhagen Business School, km.cees@cbs.dk

This paper examines why firms in knowledge-intensive settings carry out foreign direct investment. The paper specifically focuses on two settings: (1) firms in technologically intensive industries, namely the pharmaceutical and electronics industries; (2) start-up firms in a range of industries. The empirical sample in the first setting consists of 32 established multinational firms, in the second setting it consists of 26 start-up firms. Based on a detailed analysis of all foreign direct investments in R&D sites by the first group (156 sites) and on all FDI by the second group (35 investments), I find that firms carry out FDI for two main reasons: Either firms invest abroad to gain access to new knowledge, or they invest abroad to exploit their existing stock of knowledge in a more efficient way. I label the first motive as home-base-augmenting (HBA) and the second motive as home-base-exploiting (HBE.) In either case, FDI becomes necessary due to contractual and spillover problems associated with alternative forms of international activity (such as licensing-in or exporting.) I also find that while established multinational firms have historically carried out HBE investments first and HBA investments later, this order is reversed in the case of start-up firms. The difference can be explained primarily by differences in factor conditions and the nature of competition. Finally, I find that in both settings the relative significance of HBA (versus HBE) investments has increased in recent years.

*Entrepreneurship in Transition Economies: Organizational Restructuring and Entrepreneurial Outcomes*

Klaus Uhlenbruck, Texas A&M University, kuhlenbruck@cgsb.tamu.edu

Since the collapse of communism, restructuring is a constant organizational activity in Central and Eastern Europe. I will focus on the recent wave of market-driven restructuring and corporate entrepreneurship. In particular I will examine how firms in transition economies can

and have developed resources that improve their capability to develop strategic action and entrepreneurial behaviors. Antecedents to these capability developments are capital generation via downscoping, learning from partners outside the traditional networks, and environmental scanning. However, firms in transition economies are being challenged by a weak institutional environment, including underdeveloped capital, factor and product markets. The resourcefulness required from managers of these firms likens them to entrepreneurs in search of resource and know-how providers in developed economies. My paper will build on previous research to develop theory predicting entrepreneurial behavior of privatized firms in the transition economies of Central and Eastern Europe.

*Board Interlocks and Corporate Performance among Firms Listed Abroad: A Micro-Macro Link*

Mike W. Peng, The Ohio State University, peng.51@osu.edu

Kevin Au, Chinese University of Hong Kong, kevin@baf.msmail.cuhk.edu.hk

Denis Wang, Chinese University of Hong Kong, denis@baf.msmail.cuhk.edu.hk

Although social ties embodied in interlocking directorates have been found to affect a number of corporate behaviors, the micro-macro link connecting board interlocks and firm performance has remained ambiguous. Taking advantage of a relationship-intensive context whereby such a micro-macro link is likely to be especially important, this article explores the interlock-performance relationship among mainland Chinese firms listed in Hong Kong. By doing so, we also shed considerable light on the corporate governance of firms whose shares are listed abroad, which have been under-studied despite their rising importance around the world. Empirically, we find (1) that good performance in an earlier period helps draw outside directors in a later period, and (2) that network centrality and certain types of interlocks help improve these firms' performance, albeit with varying degrees. Overall, our results answer the question whether interlocks matter for performance with a qualified "yes."

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#### **4.4.7 - COMPETITIVE**

#### ***ORGANIZATIONAL CHANGE AND INFORMATION IN TRANSITION ECONOMIES***

**Room: Tropical C**

**Time: MONDAY - 1:30-3:00 P.M.**

Chair: Marjan Svetlicic, University of Ljubljana, marjan.svetlicic@Uni-Lj.si

Discussant: Trevor Buck, De Montfort University, tbcor@dmu.ac.uk

*Partial Privatization and Firm Performance: Evidence from India*

Nandini Gupta, University of Michigan, nandinig@umich.edu

Privatization in India is mostly limited to the diffuse sale of minority stakes in firms. Since control rights have not been transferred to private owners it is widely contended that the process has had little impact on firm behavior. We find however that even the sale of minority stakes has a positive impact on firm performance and productivity. As the government remains the controlling owner in these firms, we infer that the improvement is attributable to the role of the stock market in monitoring managerial performance rather than to a change in owners' objectives. Consistent with this interpretation, we find that improvements in earnings are due to an increase in the productivity of labor rather than layoffs. Partial privatization continues to affect the sales and operating efficiency of firms when we control for competitive conditions, and the evidence also suggests that privatization and competition have a

complementary impact on firm performance.

*Organizational Coping with Institutional Upheaval: The Case of Transition Economies in Central and Eastern Europe*

Kendall Roth, University of South Carolina, kroth@darla.badm.sc.edu

Tatiana Kostova, University of South Carolina, kostova@sc.edu

This paper examines firm responses to institutional upheaval in transition economies. Institutional upheaval is defined as a rapid and pervasive change in the norms and values that underlie and legitimate economic activity, which results in fundamental change in a society's political, legal, regulatory, and economic system. We suggest that firm responses to upheaval will be determined by the nature of their institutional embeddedness. We examine three types of embeddedness: initial condition, which reflects the starting point of the transition; state capture, which characterizes the current situation in an institutional environment; and ownership type, which depicts an important organizational class in this context. We argue that these three contextual dimensions lead to organizations' responses that are designed to either correct for the institutional imperfections or replace the previously institutionalized arrangements with new institutional templates. The model is tested with data from 1723 firms from 22 countries in Central and Eastern Europe. General support is found for the importance of the three types of embeddedness. We offer a number of theoretical, organizational, policy, and managerial implications of this research.

*Investor Expectations in Transitional Economies: Empirical Evidence on the Role of External and Global Information*

Mona Makhija, Ohio State University, makhija\_2@cob.osu.edu

Emerging markets are characterized by inadequate information from which investors can develop expectations regarding firm value (Morck et al., 2000). This problem is particularly severe for those markets undergoing transition from planned economies. In light of this paucity of requisite local information, we argue that investors in transitional economies will seek out and utilize appropriate information from external sources, including other countries, as necessary. To test this argument, we develop several hypotheses related to how investors develop expectations of Czech firm value. Specifically, we employ a basic valuation model comparing (a) Czech information and (b) U.S. information. Our results support the notion that when necessary local data cannot be relied upon, investors utilize comparable data from other countries to develop firm-related expectations. We also find that this relationship is strengthened for firms in industries that are more global. This research provides insight into how investors in emerging markets overcome informational shortcomings when making investment decisions.

*Dealing with Knowledge Sharing Hostility: Insights from Six Case Studies*

Snejina Michailova, Copenhagen Business School, michailova@cbs.dk

Kenneth Husted, Copenhagen Business School, husted@cbs.dk

This paper examines knowledge sharing in business environments and cultures that are hostile to knowledge sharing. We focus on knowledge sharing as it relates to individual behavior and management as guiding basically willing individuals. We elaborate the dimensions related to knowledge hoarding, apprehension about failures, and the Not-Invented-Here syndrome by investigating their features in knowledge-sharing hostile environments. Empirically, we explore a context not widely covered by the Western management literature on knowledge

sharing: we draw on the examples of six Russian companies, three with and three without Western ownership. In terms of action orientation, we suggest that in knowledge-sharing hostile environments management needs initially to force knowledge sharing in order to transform the hostility into a knowledge embracing culture. We outline concrete guidelines of how to overcome the specific barriers to knowledge sharing.

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#### **4.5.1 - THEME PANEL**

##### ***ECONOMIC AND GEOGRAPHIC INTEGRATION IN THE AMERICAS***

**Room: San Cristobal B**

**Time: MONDAY - 3:30-5:00 P.M.**

Chair: Jonathan Doh, Villanova University, jonathan.doh@villanova.edu

Discussant: Preet S. Aulakh, Temple University, Apreet@sbm.temple.edu

Although John Dunning (1977, 1980) first adapted theories from economic geography to international business more than three decades ago, international business researchers continue to explore the role of geography in multinational strategy and foreign direct investment. While some researchers have investigated the role of geographic proximity as one of many factors affecting investment patterns (e.g. Grosse and Trevino, 1996), and various studies have explored the impact of economic integration on trade and investment flows (e.g. Balassa and Bauwens, 1988), researchers have yet to consider the full range of strategic, institutional, and societal considerations associated with economic and geographic integration. In the Western Hemisphere, economic integration has accelerated dramatically, as evidenced by more than 40 bilateral, sub-regional, and pan-regional trade agreements and customs unions currently in force among the 34 democratically governed countries in the region. This process makes the region an ideal setting for exploration of issues related to the institutional and managerial considerations associated with economic and geographic integration. In this panel, we bring together research that explores how economic and geographic integration in the Americas has resulted in changes in corporate strategy and structure, especially among regional firms and countries facing the challenges of international competition and the globalization of production. We also explore how broader groups representing a range of interests from civil society are increasingly participating in the agreements, reflecting the expansion of the trade and finance agenda beyond purely economic issues to include labor, environment, human rights, and other societal concerns.

*Economic and Geographic Integration and the Institutional Environment for Foreign Investment: A Comparison of Europe and the Americas*

Ram Mudambi, Temple University, rmudambi@sbm.temple.edu

The role of government institutions in the location decision of multinational corporations (MNCs) has been increasing. Government activities in international trade promotion have taken two broad forms –the promotion of exports by local firms and the attraction of inward investment from MNCs. The first activity has a longer history since it dovetails with the traditional mercantilist biases of government officials. This paper focuses on the second and more recent activity – inward investment. Two related questions are addressed, both in the comparative context of representative economies in Europe (the UK) and the Americas (the US). First, what is the role and function of an IIA in the European versus the American context? Second, what is the nature of inter-IIA competition and how is it affected by increasing levels of economic integration?

*The Role of Non-Governmental Organizations and Civil Society in Geographic and Economic Integration in the Americas*

Hildy J. Teegen, George Washington University, teegen@gwu.edu

Jonathan Doh, Villanova University, jonathan.doh@villanova.edu

Jacqueline Deslauriers, Organization of American States, JDeslauriers@oas.org

Barbara Kotschwar, Organization of American States, BKotschwar@oas.org

Geographic proximity has facilitated trade linkages between and among the nation states of the Americas through leveraging advantages such as a largely shared cultural heritage and language. Physical proximity has further offered opportunities for trade integration through short distribution times allowing for rationalization and specialization of production within the region. Geographic closeness, however, has created serious challenges to successful and sustainable integration, and has led to greater interest by civil society in the process of integration. In this paper, we argue that two important trends have facilitated the incorporation of NGOs in discussions of trade linkages: (1) technological forces associated with globalization itself, and (2) the changing concerns of institutions charged with promotion of trade such as the World Trade Organization (WTO) and the apparatus of the Free Trade Agreement of the Americas (FTAA).

*Location, Location, Location: How Integration Through Trade Agreements and Transportation Corridors Affect FDI in the Americas*

Frank DuBois, American University, fdubois@american.edu

The purpose of this paper is to assess the impact of geographic distance and economic integration on international trade and investment and to offer some policy prescriptions for country's seeking to overcome the handicaps of distance. Following Ghemawat (2001), I define distance broadly, so as to include cultural, administrative, geographic, and economic distance. I begin with the premise that foreign direct investment (FDI) is a manufacturing strategy decision that is stimulated by opportunistic behavior on the part of managers. Managers may exploit opportunity asymmetries through alliances, JVs, FDI, subcontracting, exporting or other means. The question of which portfolio to select is based on a complex set of decision variables dependent on the unique situation with respect to each firm. I report on specific cases and examples from Latin America that support this decision process and discuss some of the consequences of particular approaches and strategies within specific countries and regions.

*Market Liberalization and Firm Behavior: How Economic Integration Affects the Strategic Scope of "Grupos" in the Americas*

Omar Toulan, McGill University, toulan@management.mcgill.ca

In this paper, I explore how economic integration affects firm-level vertical, horizontal, and geographic scope. I focus on the large industrial groups of Latin America because market liberalization is likely to have disproportionately large impacts on them as compared to smaller firms. It is expected that as the environment changes as a result of market liberalization, so will the value of firm resources as applied to each of the three types of scope. This will encourage a re-evaluation of existing investments and a subsequent redeployment of resources. As such, I expect to witness changes in all three of the aspects of scope. These changes are clearly evident in the large industrial groups of Latin America that in the 1980s during the era of protectionism were able to leverage their power domestically to expand into

other businesses. The opening of the market has had a disproportionately large impact on them as compared to smaller firms. I analyze the historical evolution of the business scope of four of Argentina's largest grupos: Techint, Perez Companc, IMPSA, and SOCMA.

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**4.5.2 - THEME PANEL ROUNDTABLE**  
***THE MYTH AND REALITY OF GLOBAL E-COMMERCE***

**Room: San Cristobal D**

**Time: MONDAY - 3:30-5:00 P.M.**

Chair: Timothy M. Devinney, Australian Graduate School of Management,  
t.Devinney@unsw.edu.au

Panelists:

José de la Torre, UCLA, jose.de.la.torre@anderson.ucla.edu

Steve Kobrin, University of Pennsylvania, kobrins@wharton.upenn.edu

Joanne E. Oxley, University of Michigan, Oxley@umich.edu

Sri Zaheer, University of Minnesota, szaheer@csom.umn.edu

This panel examines the myth and reality of global e-commerce after the bubble. It examines four major issues: To what extent is e-commerce a globalization-enhancing phenomenon? Do any of our extant theories have a role to play in helping understand these outcomes? How does the development of Internet affect MNEs and are they a facilitator or resistor to the potentiality of technology-driven globalization? Finally, what is the role of the Internet as a global social phenomenon?

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**4.5.3 - PANEL**  
***LEARNING IN THE INTERNATIONALIZATION PROCESS***

**Room: San Cristobal E**

**Time: MONDAY - 3:30-5:00 P.M.**

Chair: Torben Pedersen, Copenhagen Business School, tp.int@cbs.dk

Discussants:

Farok Contractor, Rutgers University, FJContractor@Prodigy.net

Peter Liesch, University of Queensland, P.Liesch@gsm.uq.edu.au

Twenty-five years ago the business theorists at the University of Uppsala assigned knowledge a key role in their explanation of firms' internationalisation. Firms' learning – or, acquisition of knowledge - about foreign markets was pointed out as being determining not only the speed by which firms expand internationally, but also which regions of the world firms enter and what operation methods they employ in the foreign markets. Although challenged by other alleged determinants of firms' internationalisation knowledge is still the centrepiece in theories on firms' internationalisation process. However, the understanding of how internationalisation knowledge is acquired, retained, transformed and transmitted has developed significantly over the past decades. Simplicity and determinism have given way to complexity and managerial discretion in our evolving understanding of the role of knowledge in the internationalisation process of firms. In this panel we sketch this exciting development that has taken place since the seminal work of the Swedish business theorists and we suggest some aspects of knowledge that still need to be explored in an internationalisation context.

*Top Management Heterogeneity: Promoting or Inhibiting Foreign Expansion?*

Harry Barkema, Tilburg University, h.g.barkema@kub.nl  
Oleg Chvyrkov, Tilburg University

Prior upper echelons research has explored how top management team (TMT) heterogeneity influences strategic decisions such as the adoption of technological innovations. Our study extends this research by developing and testing novel theory on how TMT heterogeneity influences the propensity to enter novel geographic areas (through acquisitions). Further, contrary to traditional upper echelons theory, which predicts a positive effect of heterogeneity on the novelty of strategic decisions, our theory implies that intermediate levels of heterogeneity have the most impact and that, depending on conditions, this impact is either positive or negative. We also explore how the impact of TMT heterogeneity develops over time. Our hypotheses are tested on longitudinal data on TMTs and 1533 acquisitions of twenty-five firms over a period of more than three decades (1966-1998) using ordered probit analysis.

*The Effect of Specificity of Experience on the Firm's Institutional Knowledge in a Current Assignment*

Kent Eriksson, Uppsala University, kent.eriksson@fek.uu.se  
Sylvie Chetty, Massey University  
Jessica Johanson, Uppsala University

This paper focuses on how experiences have an effect on institutional knowledge in a current assignment in a particular country. As firms internationalise they acquire various kinds of experience, which will influence their institutional knowledge such as knowledge about finance, infrastructure, organisations and government. In this paper these experiences, which are expected to have an effect on institutional knowledge in the current assignment, are placed on a continuum depending on how specific they are to the current assignment. At one end of the scale, are the diverse internationalization experiences, which are not specific to the current assignment, while at the opposite end, are the experiences from the current assignment that are unique for that assignment. In the middle of the continuum is the experience from multiple assignments in the same country. The model is tested and the results show that the firm's experiences from diverse foreign markets and from multiple assignments in the same country have an effect on the institutional knowledge for the current assignment. The results imply that firms, which have these experiences should use the capabilities they develop from these experiences to develop their competitive advantage. There is no effect, however, from the experience of the current assignment on the institutional knowledge in a current assignment. One reason for this could be that there are other issues, which influence how firms develop institutional knowledge in a current assignment.

*Internationalization of Veteran Multinational Enterprises: A Dynamic Capabilities Perspective*

Stewart Miller, Michigan State University and University of Texas-Austin,  
mille878@msu.edu  
David A. Hoffman, University of North Carolina

This study employs a "dynamic capabilities" perspective to develop and empirically test an internationalization framework. In particular, we examine organizational and environmental factors that influence changes in configurations of veteran service MNEs across firms, geographic regions and time. Specifically, we focus on U.S. banks during the period 1981-1995 in Europe, Central & South America, and Asia-Pacific.

*Post-entry Change of Foreign Market Unfamiliarity: An Empirical Study*

Bent Petersen, Copenhagen Business School, bp.int@cbs.dk

Torben Pedersen, Copenhagen Business School, tp.int@cbs.dk

The IB literature hosts some controversy regarding the evolvement of firms' foreign market unfamiliarity after entry - in particular if one takes on the perspective of the entrant firm itself, i.e. the market unfamiliarity as perceived by the entrant firm. In this paper we identify three different predictions of post-entry change of foreign market unfamiliarity and examine – after development of hypotheses - how each of the predictions fits the behavior of Danish international firms. We use a set of primary data of current (at the time of study) foreign assignments reported by managers of Danish international firms. The pattern precipitated by the sample firms suggests a 'shock effect' as a result of a general underestimation of the foreign market unfamiliarity. On average, the lack of foreign market knowledge as perceived by the entrant firms peaks seven years after entry. However, the observation of shock effects among the sample firms depends on the type of requested internationalization knowledge and is also contingent on the product characteristics.

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**4.5.4 - WORKSHOP**

***BUSINESS TRANSFORMATION IN ASIA***

**Room: Tropical A**

**Time: MONDAY - 3:30-5:00 P.M.**

Chair: Louis T. Wells Jr., Harvard Business School, lwells@hbs.edu

Discussant: Jane Wenzhen Lu, National University of Singapore, fbaluj@nux.edu.sg

*The Effect of Property Rights on the Sino-Foreign Joint Ventures in the Context of China's Economic Reforms*

Peter Ping Li, California State University, ptpli@toto.csustan.edu

Tung-Lung (Steven) Chang, Long Island University, tchang@titan.liu.edu

This paper draws from interviews with over 150 managers, political officials, bureaucrats and consultants in the electricity sectors of 10 nations to consider the ongoing challenges faced by private infrastructure investors. We begin by examining the decision by politicians to open the sector to private participation. We then examine factors that create incentives for policymakers to redistribute investor returns to the broader population. We offer a detailed analysis of how country-level institutions, firm-level characteristics and commonly employed strategies at the project level affect individual investor fortunes. While our analysis shares the bargaining power perspective's emphasis on strategies for limiting the scope of ex post bargaining by policymakers, we extend the literature in three ways. First and most centrally, we substantially expand Kobrin's (1987) conception of constraints to emphasize the institutional rather than the sociopolitical and economic constraints that policymakers face in implementing redistributive policies. Second, we illustrate the double-edged nature of many of the solutions proposed in existing work. Third, we replace the assumption that investor bargaining power relative to the government declines secularly after an investor has sunk capital in the ground with a bargaining cycle characterized by alternating periods of investor and government bargaining strength. Sound business strategy requires firms to manage both parts of this infrastructure bargaining cycle in order to keep the lights on and the profits flowing.

*State-Owned Enterprises in China: Ownership Reform and Performance*

Chi Kin (Bennett) Yim, University of Hong Kong  
Pan, University of Hong Kong, ypan@hkusua.hku.hk  
David K. Tse, University of Hong Kong

In many transitional economies, the state faces the issue of how to relinquish the control over state-owned-enterprises so that they will become market-oriented enterprises. The transformation of ownership is at the core of this issue. In this study, we examine four major types of ownership that SOEs in China had been converted to, i.e., shareholding firms, limited liability firms, employee-joint-ownership firms, and privatized SOEs. We are interested in the association between these ownership types and business performance. Based on a sample of several thousand former SOEs, we find that business performance differ across different ownership types. The results suggest that relinquishing ownership control is a necessary, but not sufficient, condition for the successful transformation of SOEs.

*Knowledge Transfer from MNC Parents to China Subsidiaries*

Pien Wang, National University of Singapore, bizwangp@nus.edu.sg

Based on an empirical study of 62 firms, this paper develops a two-stage model describing knowledge transfer from MNCs to their China subsidiaries. In the first stage, the model proposes factors affecting the extent of knowledge contributed by an MNC to its China subsidiary. In the second stage, the model proposes factors affecting the extent of knowledge acquired by the China subsidiary from its MNC parent. Knowledge contributed by the parent to the subsidiary is affected by two groups of factors: parent's capacity to transfer knowledge and parent's willingness to transfer knowledge. Holding constant knowledge contributed by the parent, knowledge acquired by the subsidiary from its parent is determined by two groups of factors: subsidiary's capacity to acquire knowledge and subsidiary's intent to acquire knowledge. Implications for management practitioners are discussed.

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**4.5.5 - COMPETITIVE  
THE EXPORTER-IMPORTER RELATIONSHIP**

**Room: San Cristobal G**

**Time: MONDAY - 3:30-5:00 P.M.**

Chair: Saeed Samiee, University of Tulsa, samiee@utulsa.edu

Discussant: Johny Johansson, Georgetown University, johanssj@georgetown.edu

*Antecedents and Performance Consequences of Power in Importer-Exporter Relationships*

Dionisis Skarmeas, Cardiff University, skarmeasd@cardiff.ac.uk  
Constantine S. Katsikeas, Cardiff University, katsikeas@cardiff.ac.uk

Despite the fact that the potential significance of power in exchange relationships has been recognized in the literature, empirical research that involves examining the role which power plays in international buyer-seller associations is lacking. Drawing on the international business literature, power-dependence theory, and transaction cost economics this study investigates the antecedents and outcomes of exporter transaction specific investments and importer coercive influence exercised power. Consistent with our hypotheses, the study findings reveal that importer transaction specific investments and exporter coercive influence strategies are

positively related to exporter exercised power, while strategies are negatively associated with exporter exercised power. Further, the results show that exercised power is negatively related to performance while an exporter's cultural sensitivity moderates the exercised power-performance relationship. The implications of the study are discussed, along with limitations and directions for future research.

*The Role of Contract Formalization in Exporter-Importer Relationships*

Preet S. Aulakh, Temple University, apreet@sbm.temple.edu  
Esra Gencturk, Koç University

Exporting relationships between manufacturers and foreign importers pose unique coordination problems because, on the one hand, transactions are recurrent and both firms make non-trivial relationship-specific investments, but at the same time, the exchange partners maintain separate legal entities with individual profit claims. This study examines the role of contract formalization as a mechanism to govern these relationships that are neither market-based discrete transactions nor ownership-based hierarchies. Drawing upon recent research on contract law and interorganizational relationships, we develop and empirically test a model that incorporates the key antecedents as well as the nature of contracts governing relational exchanges between manufacturer exporters and foreign import distributors.

*A Knowledge-based View of Competitive Advantage: Problem/Information Sharing for Building Trust/Commitment in Global Channels of Distribution*

David A. Griffith, University of Hawaii  
Michael Harvey, University of Mississippi  
Matthew B. Myers, University of Tennessee-Knoxville, mmyers8@utk.edu

Developing effective global channels of distribution is critical for firms competing in an increasingly hyper-competitive marketplace. A knowledge-based view of the firm forms the foundation to examine the influence of the knowledge development process, composed of problem/information sharing between channel partners, on relationship development (inclusive of trust and commitment). A sample of Japanese and U.S. importers and their relationships with both Japanese and U.S. channel partners are used to examine the influence of problem sharing on information sharing and the resulting trust and commitment in the channel. Results, supportive of the knowledge-based view, indicate that the sharing of problems and information developed greater trust and commitment in global channel relationships providing the foundation for competitive advantage. Implications for academics and practitioners are addressed.

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**4.5.6 - COMPETITIVE  
CROSS-CULTURAL TEAMS**

**Room: Tropical B**

**Time: MONDAY - 3:30-5:00 P.M.**

Chair: Steven Farmer, Wichita State University, steven.farmer@wichita.edu

Discussant: Lorna Doucet, University of Illinois at Urbana-Champaign,  
lmdoucet@cba.uiuc.edu

*Cultural Moderators of 'Perceptual Distance' in Teams: The Relationship of Leader-Member Perceptual Differences and Team Productivity Across Cultures*

Cristina Gibson, University of Southern California, Cgibson@marshall.usc.edu  
Cecily Cooper, University of Southern California, Cecilyc@marshall.usc.edu  
Jay Conger, University of Southern California, Jconger@marshall.usc.edu

In this paper, we propose a theory of perceptual distance and its implications for team leadership and team outcomes. Perceptual distance is defined as the variance in the perceptions of the same social stimulus which, in this case, is conflict within the team. The general research question that we will address is, "What are the consequences of perceptual distance for team outcomes?" We find that perceptual distance between the leader and the members around conflict has a negative impact on productivity. In addition, we explore the potential moderating effect of two key cultural characteristics: collectivism and power distance. We find that perceptual distance is more detrimental for teams low in collectivism and high in power distance. Implications for theory and practice are delineated.

*Determinants of Knowledge Mobilization and Creation in Project-Teams of U.S. and Japanese MNEs Located in the United States*

C. Annique Un, Cornell University, cau3@cornell.edu

This paper examines how U.S. and Japanese MNEs develop the capability to mobilize and create new knowledge at the project team level, using qualitative analysis followed by a large sample survey of 99 cross-functional project teams in 33 MNEs located in the United States. The results reveal that in developing this capability, knowledge mobilization and knowledge creation should be considered separately as they are supported by different project team management practices. Team-internal and external knowledge sharing frequency and common knowledge sets support a wide range of outcomes of this capability: product innovation, efficiency in terms of resources used in achieving the innovation, speed-to-market of the innovation, and customer satisfaction with the innovation. Surprisingly, among the project team practices, team development has a larger impact than reward on team performance by facilitating their internal and external knowledge sharing. Moreover, team membership selection based on tenure diversity better predicts common knowledge sets among team members than selection based on common knowledge sets.

*Culturally Diverse Workgroups: The Effect of Status-Incongruent Communication on Performance and Satisfaction*

Sigrid Westphal Khorram, University of South Carolina, ziggywest@yahoo.com

We are not only what we say, but how we say it. In other words, receivers of communication do not only interpret the content of speech itself but also its form. In this paper, I argue that communication patterns are determined by and are reflective of status. In the context of the work team, this means that not only does self-perceived status shape how we communicate, but our communication pattern also serves as a diagnostic tool for other group members to determine the status ordering. It is argued that high-status group members, in addition to speaking and being spoken to more often, are also more assertive and more negative in their communication. Problems arise, if work groups consist of members from a variety of different cultural backgrounds and neither en- nor decode status-relevant communication patterns in the same way because they disagree on the appropriate status markers. As a direct effect, there may be a subsequent systematic under- and/or over-evaluation of certain cultural groups based on their communication pattern, which is argued to affect group member performance and satisfaction. An additional indirect effect is suggested to operate through the potential misfit between self-perceived status and received status-relevant communication. Taken together,

these processes may lead to less than optimal group performance from the perspective of the organization. This paper endeavors to add to the body of research by (a) identifying the status-relevant dimensions of communication, (b) examining group processes at a relatively complex level of analysis and (c) establishing cultural determinants of the process.

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#### **4.5.7 - COMPETITIVE GOVERNANCE, HISTORY AND INSTITUTIONS**

**Room: Tropical C**

**Time: MONDAY - 3:30-5:00 P.M.**

Chair: Michael Pustay, Texas A&M University, mpustay@cgsb.tamu.edu  
Discussant: Alain Verbeke, University of Calgary, averbeke@ucalgary.ca

##### *Geography, History and Corporate Governance Reforms*

Trevor Buck, De Montfort University, tbcor@dmu.ac.uk

The impact of legislation on corporate governance in the face of cultural and institutional barriers in different geographical locations is a contentious issue. Any impact is considered to be strongest when an economic system is at its most vulnerable. This paper therefore studies the impact of US-sponsored reforms on enterprise governance in Germany (1945-49), Japan, (1946-52) and Russia (1991-). It finds that US-imposed reforms were ineffective and that corporate governance is embedded in prevailing institutions. In contrast, during the 1990s, the liberalization of market force has brought change, though subtly different in each country. These conclusions suggest only limited support for the convergence hypothesis. Implications for theory-building are indicated.

##### *Foreign Ownership and Long-term Survival*

Steen Thomsen, Copenhagen Business School, st.int@cbs.dk

Over the past century (1895-1995) foreign subsidiaries in Denmark are found to have a lower survival rate than domestically owned manufacturing companies. The difference is robust to control for firm size, industry, time period, production activity, and year-of-establishment effects. However, given high rates of entry and growth of foreign subsidiaries throughout the period, lower survival rates are probably not an indicator of performance failure from the viewpoint of the parent companies. Neither do survival rates tend to converge with age as would be the case if foreign subsidiaries overcame the liability of foreignness through increasing experience. However, the differential survival rates appear to be partly attributable to systematic differences in capital structure that may reflect differences in corporate governance. Since Denmark is small open economy located in Northern Europe and may not be considered a strategic market, the findings have potentially important implications for small open economies and pertain to the overall conference theme on the interplay economic geography and international business.

*Institutions, Exclusivity and Foreign Investment*

Sarianna Lundan, University of Maastricht, S.Lundan@mw.unimaas.nl

The aim of this paper is to revisit the issue of investment attraction and retention from the perspective of a region wishing to attract foreign investment. Conceptualizing the MNE as a learning or knowledge network, as has been done in many contributions recently, allows us to refine the discussion of investment attraction, and in particular the issue of investment retention. We argue that the 'learning subsidiary' wants to belong, both to the internal MNE network, as well as to the institutional network of its host region, and that investment retention is conditional on the extent to which the MNE can appropriate the economic payoff from its insider status in the long run. By creating an infrastructure that is initially open, but which becomes more exclusionary over time, governments play a role in the initial attraction of investment, but we argue that in the long run, the suitable multinational may not be so much attracted, but grown through sustained local interaction.

*U.S. Economic Sanctions: An Empirical Study*

Hossein Askari, George Washington University, askari@gwu.edu

John Forrer, George Washington University, jforrer@gwu.edu

Hildy J. Teegen, George Washington University, teegen@gwu.edu

Jiawen Yang, George Washington University, jwyang@gwu.edu

Using a gravity model, this paper conducts a comprehensive empirical analysis of U.S. economic sanctions and measures the economic impact on the U.S., some selected major target countries, and third countries – the European Union and Japan. Our finding shows that the impact of U.S. economic sanctions on U.S. trade is very sensitive to how the sanctioned country list is identified and selected. We find no significant impact of U.S. economic sanctions on trade between the U.S. and countries that are subject to selective sanctions. Using a sample that includes only the formerly planned economies that were long the target of U.S. economic sanctions in recent history, our results show that U.S. economic sanctions have a significant impact on U.S. exports, imports, and total trade with these countries. These effects have lingered for more than a decade after the Cold War had ended. Contrary to common belief, we have found no noticeable third country effect associated with U.S. economic sanctions except for countries with comprehensive sanctions.

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**4.6.1 - POSTER SESSION**

***POSTER SESSION 3 (WITH WINE AND CHEESE)***

**Room: Las Olas**

**Time: MONDAY - 5:00-6:30 P.M.**

Chair: Syed Tariq Anwar, West Texas A & M University, sanwar@mail.wtamu.edu

*Who Gets What: The MNE, the National State and the Distributional Effects of Globalization*

Tamir Agmon, Rishon Lezion, Israel, agmont@st.colman.ac.il

The residents of the national states together with the stakeholders of the MNE's are engaged in an interactive process of generating value and of distributing the value among themselves. The issue of who gets what, or how the added value resulting from globalization is distributed, is addressed in this paper by setting up a model where the national states and the MNE's are equal players in a bargaining situation where both players have a certain degree of monopolistic

power. To capture the dynamics of the bargaining situation and to provide a specific solution for the bargaining problem a game theoretic solution is presented and discussed.

*Different Organisational Forms for Utilisation of Knowledge in MNCs: Centres of Excellence and Transnational Teams*

Maria Andersson, Uppsala University, Maria.andersson@fek.uu.se

Katarina Lagerström, Uppsala University, Katarina.lagerstrom@fek.uu.se

In MNCs with an integrated network structure there are several different organisational forms and mechanisms, with different time spans, possible to use to support the co-ordination of knowledge. In this article the focus is upon two different organisational forms: (1) centres of excellence, which function as permanent hubs for creation and then exploitation of specific locally developed knowledge, and (2) transnational teams, which function as temporary units for assembling knowledge of different units for common processes of knowledge creation and then exploitation. The design and use of organisational forms have to take into account the characteristics of knowledge involved and the organisational structure of the MNC, but also the contextual embeddedness of the knowledge. This calls for the use of different types of organisational forms at the same time in the MNCs to give leeway to obtain knowledge creation, exploitation and utilisation.

*Do Firms Upgrade Capability through Alliances? Alliances and Interfirm Learning In the Global Pharmaceutical Industry*

Chang-Su Kim, Nanyang Technological University

Sam Beldona, Wichita State University, sam.beldona@wichita.edu

Farok J. Contractor, Rutgers University, farok@andromeda.rutgers.edu

Patterns of alliance network ties and patent citations in the global pharmaceutical industry are traced to explore the relationship between interfirm learning, technological similarity and prior alliances. Two questions are specifically addressed: Does learning really take place? If it does, what determines the extent of learning? Firms involved in an alliance show a pronounced increase in their citing of the alliance partner's patents after alliance formation, indicating the acquisition of knowledge that builds up the technological capabilities. Results also suggest that learning depends on the (1) nature and level of technological similarity of partner firms and (2) strength of prior ties. We also find that among alliances, cross-border R&D alliances have the strongest effect on learning.

*Geography and Symbolism – Symbolic Geographies*

Antoniou Christos, Plotin Travel Company

Malcolm Chapman, University of Leeds, mkc@lubs.leeds.ac.uk

This paper reports on some ideas concerning geography deriving from social anthropological study of ethnicity and symbolism. Positivist geographies are contrasted with symbolic geographies. Anthropological ideas concerning symbolism are introduced. These are then applied to geographical considerations such as the definition of place, the definition of peoples, and the practical and material consequences of symbolism and perception. These consequences are discussed in relation to the Asian Economic Crisis of 1997, and the problem of integration of the U.K. into the European Union.

*Overcoming the Liability of Foreignness and Performance: Evidence of Early Investments from Hong Kong MNCs in China*

Haiyang Chen, Youngstown State University, hychen@cc.yzu.edu  
Michael Y. Hu, Kent State University, mhu@bsa3.kent.edu

This study examines the liability of foreignness faced by MNCs investing in a foreign market. It further investigates MNCs' responses to the liability and their impact on performance. Specifically, the issues are addressed in the context of Hong Kong MNCs' investments in China in the early years of its opening up to the outside world. China is selected because it has been moving from a closed, central-planned economy to a more open, market-oriented economy. Therefore, it is argued that during the early years of investing in China, MNCs would face a high level of liability of foreignness. MNCs from Hong Kong are selected because if they, which are close to and familiar with China, have problems of the liability of foreignness, other foreign investors from far away countries would have even more disadvantages investing in China. The authors argue that the liability of foreignness within a host country is location specific. For MNCs from Hong Kong, Guangdong Province is the region with low liability, and non-Guangdong regions are the regions with high liability. The authors collected 2,288 Hong Kong investments in China from 1979 to 1993. The results show that Hong Kong MNCs' investments are highly concentrated in Guangdong. One motivation is to reduce the liability of foreignness. To examine how MNCs respond to the liability and what are the consequences, the authors developed a model of stacked logistic regression. The results indicate that MNCs can overcome the liability by adopting strategies that utilize their competitive advantages, control risk, maintain flexibility, and increase equity ownership. These strategies' impact on performance is more significant in the regions with high liability of foreignness than in the low liability region.

This study should be of interest to both theory and practice. It attempts to establish that liability of foreignness does exist in foreign investment activities. Because of different natural endowments, economic developments, dialects, etc., the liability is location specific within a host country. MNCs face significantly different liability of foreignness in various regions in China. The liability can be effectively overcome through appropriate strategies, even if investments are made in high liability of foreignness regions.

*A New Internationalization Process Model: Theory and Evidence*

Rian Drogendijk, Tilburg University, h.j.drogendijk@kub.nl  
Harry Barkema, Tilburg University, barkema@kub.nl

Perhaps the best known model that describes how firms internationalize is the Uppsala Stage Model, formulated in the 1970s. Since then much empirical research has tested implications of this model. Based on this evidence, and grounded in contemporary learning theory, the present study develops a new theoretical model with explanatory value for the internationalization steps of firms. We tested the implications of our model on data on 99 FDI projects of Dutch firms into a region that opened up to direct investments during the last decade: Central and Eastern Europe. A variety of empirical results corroborate the novel internationalization process model and provide suggestions for future routes of investigation.

*A Model for Global Market Orientation—Considering the Impacts of Geography and Product Characteristics on Strategy and Performance*

Michael French, Nova Southeastern University, michael.french@riley.army.mil

Marketing research has shown that managerial and organizational factors directly affect a firm's level of market orientation, and that market orientation directly impacts a firm's overall performance. However, a review of the literature suggests an absence of theoretical and empirical work extending market orientation research to the global business environment. In particular, the literature has yet to fully explore the roles product characteristics and geographical factors play as determinants of market orientation. This paper attempts to fill this void by adapting Jaworski and Kohli's market orientation model to fit the global business environment. By expanding Jaworski and Kohli's construct, a framework is developed to enable deeper examination of whether product characteristics and geographic factors influence a firm's level of market orientation, and to better understand their effects on a firm's strategy formulation and business performance. Several research propositions are developed and directions for future research are proposed.

*Scaling in Marketing Research: Effects of the Number of Scale Points on Testing Measurement Model in Structure Equation Modeling*

Chin-Chun Hsu, Saint Louis University, hsuc5@slu.edu

Horng-Shiuann Wu, Saint Louis University, wuh@slu.edu

What is the optimal number of scale points in a rating scale in marketing research, a discipline heavily rely on surveys? It is a trading-off marketing research realities, such as the call for simplifying the questionnaires to reduce the time-consuming on response, against marketing researchers' objective, such as the desires to collect as much reliable information as possible. It is always a serious concern for marketing researchers to reduce the number of proposed categories when minimizing information losses is considered. Previous studies on determining the optimal number of scale points and assessing the information loss occurring when making a continuous numerical variable discrete by categorizing the data show inconsistent findings. Marketing researchers and psychologists have examined this issue in details. This study examines the effects of number of scaling point through simulation study via structural equation modeling. The convincing findings and recommendation for future research are offered.

*The Determinants of FDI Scale and Guanxi Utilization in China*

Lan-Ying Huang, Nova Southeastern University, lanying@nova.edu

It is a known fact to the academicians and practitioners that in the past several decades, overseas expansion has been one of the major strategies for companies located in both developed and developing countries. This research attempts to develop an integrative framework of factors as antecedents to FDI scale and guanxi utilization of Taiwanese investment in China. Chinese firms develop guanxi as a strategic mechanism to overcome competitive and resource disadvantages by cooperating and exchanging favors with competitive forces and government authorities. Although guanxi is embedded in every aspect of Chinese social life, companies demonstrate different needs and capacity for guanxi cultivation.

*Do Entrepreneurial Characteristics or Firm Structure Matter More in Explaining Export Performance? The Case of the Indian and Taiwanese Software Industry.*

Chin-Chun Hsu, Saint Louis University, hsuc5@slu.edu

Sumit K. Kundu, Saint Louis University, kundusk@slu.edu

Farok J. Contractor, Rutgers University, farok@andromeda.rutgers.edu

The determinants of export performance have been explained, in prior studies, based on firm level characteristics such as technology intensity, age, and size. But entrepreneurial, or leadership characteristics, which would provide alternative explanations for the international performance of start-ups in high-technology, innovative sectors, have been relatively neglected. This study examines the international growth of Indian and Taiwanese software companies over the past decade. It provides empirical evidence that the phenomenal international growth of small software firms is due to a combination of both entrepreneurial and firm level characteristics – and that entrepreneurship matters as much as firm structure – at least at this stage. Hypotheses are drawn from the entrepreneurship, international business, and strategic management literatures. This study also provides insights into the international competitiveness of firms based in newly industrialized countries.

*Building Trust via Electronic Mail within International Networks of SMEs*

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The paper reviews major concepts related to small and medium-sized enterprises, international business networks, trust, the Internet, and information richness theory. These issues lead to the investigation of the research question via a conceptual study. A conceptual model and propositions are presented based on two independent variables: message characteristic and cultural difference, both of which appear to influence trust. Suggestions for future research and empirical testing of propositions are offered. This paper will examine, within the business-to-business context, ways of exchanging business information and sustaining business relationships within SMEs' networks by means of Internet technology. However, the paper will focus on only one part of the whole Internet system, electronic mail (E-mail), which is commonly used by SMEs to communicate with their network partners. Even though E-mail is classified a lean communication medium by information richness theory, many researchers have argued that E-mail can convey rich information if it is used in suitable ways.

*Mergers and Acquisitions in Japan*

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Japan's financial institutions (banks, insurance firms, and brokerage houses) all have recently gone through the so-called Big Bang economic reforms and the magnitude of the transformation is remarkable. The Japanese economy has been exposed to pressure of having to adopt internationally accepted standards in order to compete and survive much fiercer worldwide mega competition. The comprehensive deregulation and reform policy is chronicled in this paper. Japan is moving from a bank-based financial system toward a competitive market-based system that is dramatically transforming the business landscape with foreign entry, in the form of alliances, joint ventures and mergers & acquisitions (M&A). This networking in the financial sector of the economy is discussed in this international business paper.

*Supply-side Strategy for Productivity, Competitiveness and Convergence for the EU and the*

*CEECs: The Role of Foreign Direct Investment and Firm Clusters*

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We claim that international trade and foreign direct investment by transnational corporations need not automatically lead to increased global competitiveness and convergence. Supply-side (competitiveness) policies may facilitate this process provided they address the problem of the apparent absence of a generally agreed upon framework, which recognises that government measures may impact differently on different groups within and between countries and that they may have different short, medium and longer term effects. This necessitates focussing on global welfare and convergence-enhancing policies in the short and longer term. We suggest productivity-enhancing measures to be the best approximation available for this purpose. We move on to present a model of the determinants of productivity and competitiveness. We then propose a competitiveness strategy in line with the above, paying particular attention to the role of firm clusters, institutions and institution building.

*A Modern Challenge to Financial Accounting Information: NAFTA*

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The paper provides a theoretical examination of the differences in accounting practices among the US, Canada, and Mexico. Particularly, the exposition focuses on the accounting practices of companies doing business within the North American Free Trade Agreement (NAFTA). The paper explores the literature on international comparative financial accounting research, reasons for international differences in financial reporting, classification of financial reporting practices, and accounting policy choice. The analysis provides basis to conclude that the accounting systems of these three countries is different, and therefore the accounting practices of NAFTA companies are different, as well. The diversity arises due to the dissimilarities in the sources of capital, the political and economical environment, and the inflation.

*The Determinants and Consequences of Expatriate Compensation Policies and Practices for International Assignments: Agency, Institutional, Resource-Based, or a Combination?*

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This research uses three different theoretical approaches in examining the determinants of compensation policies and practices for expatriate employees. From an agency theory perspective, monitorability of expatriate's behavior was assessed by three distance measures: cultural, physical, and psychological. Several variables were selected to assess the effects of isomorphism: host governmental officials expectations, referent others' international compensation policies and practices, industry norm, and organizational history. Finally, resource-based view of the firm indicated an organizational culture that emphasizes global competence will be a critical determinant of compensation policies and practices. An integrative model is proposed that includes the antecedents and consequences of expatriate compensation. The implications of the model are discussed.

*Understanding Alliances: A Review of International Aspects in Strategic Marketing*  
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This paper presents a review of the recent literature related to international strategic business alliances utilizing the conceptual foundations presented by Varadarajan and Cunningham in the 1995 Special Edition of Marketing Science as a baseline. Employing a parsimonious framework, alliances are defined, motives are identified, structures and governance methods are considered, critical success factors are recognized and outcomes are analyzed. This paper elucidates the relationships between the major components of the alliance literature, presents a conceptualization of an integrated framework and provides direction for future research.

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