AIB 2003

The Power of Ideas and International Business

2003 Annual Meeting
July 5-8, 2003
Hyatt Regency Monterey
Monterey, California USA

Proceedings AIB 2003

Proceedings

Academy of International Business

2003 Annual Meeting

Monterey, California, USA

July 5-8, 2003

"The Power of Ideas and International Business"

Program Chair

Udo Zander
Institute of International Business
Stockholm School of Economics

Local Arrangements Chair

Harvey Arbeláez
Fisher Graduate School of International Business
Monterey Institute of International Studies

The 45th Annual Meeting
of the Academy of International Business
The Power of Ideas and International Business
Hyatt Regency Monterey
Monterey, California, USA
July 5-8, 2003
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For information, please contact:
AIB Executive Secretariat
James R. Wills Jr., Executive Secretary, or
Laurel King, Managing Director
2404 Maile Way
University of Hawai'i, CBA C-306
Honolulu, Hawai'i 96822 USA
Tel: (808) 956-3665 " Fax: (808) 956-3261 " E-mail: aib@cba.hawaii.edu
www.aibworld.net

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Hyatt Regency Monterey
Monterey, California, USA
July 5-8, 2003
"The Power of Ideas and International Business"

Saturday July 5		Sunday July 6		Monday July 7		Tuesday July 8
AIB Executive Board Meeting (Salinas Suite)	8.00-8.15		8.00-8.15		8.00-8.15	
Doctoral Consortium (Cypress I-III)	8.15-8.30	Break 8:15-8:30	8.15-8.30	Break 8:15-8:30	8.15-8.30	Break 8:15-8:30
	8.30-8.45	Conference Theme Opening Plenary (Regency Ballroom)	8.30-8.45	Individual Sessions #3	8.30-8.45	Individual Sessions #6
	8.45-9.00		8.45-9.00		8.45-9.00	
	9.00-9.15		9.00-9.15		9.00-9.15	
	9.15-9.30		9.15-9.30		9.15-9.30	
	9.30-9.45		9.30-9.45		9.30-9.45	
	9.45-10.00		9.45-10.00		9.45-10.00	
Junior Faculty Consortium (Oak Tree I-II)	10.00-10.15	Break 10.00-10.30	10.00-10.15	Break 10.00-10.30	10.00-10.15	Break 10.00-10.30
	10.15-10.30		10.15-10.30		10.15-10.30	
	10.30-10.45	JIBS Editors meeting and lunch (Oak Tree I-III); Individual Sessions #1	10.30-10.45	Individual Sessions #4	10.30-10.45	Individual Sessions #7
	10.45-11.00		10.45-11.00		10.45-11.00	
	11.00-11.15		11.00-11.15		11.00-11.15	
	11.15-11.30		11.15-11.30		11.15-11.30	
	11.30-11.45		11.30-11.45		11.30-11.45	
	11.45-12.00		11.45-12.00		11.45-12.00	
	12.00-12.15	Poster Session #1 with Light Lunch (Monterey Ballroom)	12.00-12.15	Poster Session #2 with Light Lunch (Monterey Ballroom)	12.00-12.15	
	12.15-12.30		12.15-12.30		12.15-12.30	AIB Board and Chapter Chairs Meeting with Lunch (Oak Tree I-III)
	12.30-12.45		12.30-12.45		12.30-12.45	
	12.45-1.00		12.45-1.00		12.45-13.00	
	1.00-1.15		1.00-1.15		1.00-1.15	
	1.15-1.30		1.15-1.30		1.15-1.30	
	1.30-1.45	Famer Dissertation Award Plenary (Regency Ballroom)	1.30-1.45	Individual Sessions #5	1.30-1.45	Individual Sessions #8
	1.45-2.00		1.45-2.00		1.45-2.00	
Meet the Editors (Big Sur I)	2.00-2.15		2.00-2.15		2.00-2.15	
	2.15-2.30		2.15-2.30		2.15-2.30	
	2.30-2.45		2.30-2.45		2.30-2.45	
	2.45-3.00		2.45-3.00		2.45-3.00	
	3.00-3.15	Break 3.00-3.30	3.00-3.15	Break 3.00-3.30	3.00-3.15	Break 3.00-3.30
	3.15-3.30		3.15-3.30		3.15-3.30	
	3.30-3.45	JIBS Review Board (Oak Tree I-III); Individual Sessions #2	3.30-3.45	Track Chairs Meeting (Oak Tree I-III)	3.30-3.45	Individual Sessions #9
	3.45-4.00		3.45-4.00		3.45-4.00	
Track and Session Chairs Meeting (Windjammer I)	4.00-4.15		4.00-4.15		4.00-4.15	
	4.15-4.30		4.15-4.30	AIB General Business Meeting (Regency Ballroom)	4.15-4.30	
AIB Eminent Scholar Panel (Regency Ballroom)	4.30-4.45		4.30-4.45		4.30-4.45	
	4.45-5.00		4.45-5.00		4.45-5.00	
	5.00-5.15		5.00-5.15		5.00-5.15	
	5.15-5.30	JIBS Decade Award Plenary (Regency Ballroom)	5.15-5.30	WAIB Meeting and Reception (Oak Tree I-III)	5.15-5.30	
	5.30-5.45		5.30-5.45		5.30-5.45	Poster Session #3 with Reception (Monterey Ballroom)
	5.45-6.00		5.45-6.00		5.45-6.00	
	6.00-6.15		6.00-6.15		6.00-6.15	
	6.15-6.30		6.15-6.30		6.15-6.30	
Presidential Reception (Spyglass Promenade)	6.30-6.45	JIBS Reception (Regency Foyer) 6.30-7.00	6.30-6.45		6.30-6.45	
	6.45-7.00		6.45-7.00		6.45-7.00	
	7.00-7.15	Awards Dinner (Regency Ballroom) 7.00-10.00	7.00-7.15	Monterey Institute Gala Dinner at Aquarium 7.30-11.00 pm	7.00-7.15	
	7.15-7.30		7.15-7.30		7.15-7.30	
	7.30-7.45		7.30-7.45		7.30-7.45	
	7.45-8.00		7.45-8.00		7.45-8.00	
Fellows Dinner; Track Chairs Dinner	8.00-8.15		8.00-8.15		8.00-8.15	
	8.15-8.30		8.15-8.30		8.15-8.30	

SATURDAY

SATURDAY – 8:30 a.m.- 4:00 p.m.

Doctoral Consortium
Room: Cypress Time: 8:30 a.m.-4:00 p.m.

SATURDAY – 10:00 a.m.- 4:00 p.m.

Junior Faculty Consortium
Room: Oaktree Time: 10:00 a.m.-4:00 p.m.

SATURDAY – 2:00- 4:00 p.m.

Panel: Meet The Editors (open to all)
Room: Big Sur 1-2 Time: 2:00-4:00 p.m.

SATURDAY – 4:00- 4:30 p.m.

Track and Session Chairs Meeting
Room: Big Sur 1-2 Time: 4:00-4:30 p.m.

SATURDAY – 4:00- 6:00 p.m.

AIB Fellows Plenary (open to all)
Room: Regency Ballroom Time: 4:00-6:00 p.m.

SATURDAY – 6:30- 8:00 p.m.

Presidential Reception
Room: Spyglass Promenade Time: 6:30-8:00 p.m.

SUNDAY

SUNDAY – 8:15-8:30 a.m.

Coffee Break

SUNDAY – 8:30- 10:00 a.m.

Conference Theme: Opening Plenary

The Power of Ideas and International Business
Room: Regency Ballroom Time: 8:30-10:00 a.m.

SUNDAY – 10:00-10:30 a.m.

Coffee Break

SUNDAY – 10:30 a.m.-1:30 p.m.

JIBS Editors Meeting
Room: Oaktree Time: 10:30 a.m.-1:30 p.m.

1.1 - SUNDAY – 10:30 a.m.-12:00 p.m.

Session 1.1.1 - Track 7 - COMPETITIVE

Cooperation and Performance
Room: Spyglass 1 Time: 10:30 a.m.-12:00 p.m.

Session 1.1.2 - Track 9 - COMPETITIVE

Risk and Risk Measurement
Room: Spyglass 2 Time: 10:30 a.m.-12:00 p.m.

Session 1.1.3 - Track 4 - PANEL

Measuring and Tracking Knowledge in Multinational Corporations: The Search for Metrics and their Limitations
Room: Big Sur 1-2 Time: 10:30 a.m.-12:00 p.m.

Session 1.1.4 - Track 4 - PANEL

The Liability and Benefit of Foreignness
Room: Big Sur 3 Time: 10:30 a.m.-12:00 p.m.

Session 1.1.5 - Track 3 - COMPETITIVE

Multinational Performance
Room: Cypress 1-2 Time: 10:30 a.m.-12:00 p.m.

Session 1.1.6 - Track 6 - COMPETITIVE

Coming "In" From the Outside: Sensemaking, Acculturation and Socialization
Room: Cypress 3 Time: 10:30 a.m.-12:00 p.m.

Session 1.1.7 - Track 1 - COMPETITIVE

Scholarly Ideas Revisited: Core Competence, Hymerisms, Transaction Costs, and Economic Man
Room: Windjammer 1-2 Time: 10:30 a.m.-12:00 p.m.

1.1.8 - Track 2 - COMPETITIVE

Limits to Convergence: Innovation Systems, National Competitiveness and Diversity in Manufacturing
Room: Windjammer 3-4 Time: 10:30 a.m.-12:00 p.m.

SUNDAY – 12:00-1:30 p.m.

Poster Session #1 with light lunch
Room: Monterey Ballroom Time: 12:00-1:30 p.m.

Track 2 - International Political Economy and Business History

Track 3 - Emerging Markets and Transition Economies

SUNDAY – 1:30-3:00 p.m.

Richard N. Farmer Award Finalists
Room: Regency Ballroom Time: 1:30-3:00 p.m.

SUNDAY – 3:00-3:30 p.m.

Coffee Break

1.2 - SUNDAY – 3:30-5:00 p.m.

JIBS Review Board Meeting
Room: Oaktree Time: 3:30-5:00 p.m.

Session 1.2.1 BALAS

Macro-Latin America

Room: Spyglass 1 Time: 3:30-5:00 p.m.

Session 1.2.2 - Track 10 - COMPETITIVE

Emerging Issues in Global Marketing

Room: Spyglass 2 Time: 3:30-5:00 p.m.

Session 1.2.3 - Track 4 - WORKSHOP

Technology and Innovations in MNEs: Technology Acquisition in MNEs (1): Sourcing

Room: Big Sur 1-2 Time: 3:30-5:00 p.m.

Session 1.2.4 - Track 3 - COMPETITIVE

International Finance

Room: Big Sur 3 Time: 3:30-5:00 p.m.

Session 1.2.5 - Track 3 - WORKSHOP

Competitive Advantage and Performance

Room: Cypress 1-2 Time: 3:30-5:00 p.m.

Session 1.2.6 - Track 5 - WORKSHOP

Macro Effects on Organizational Strategies and Behaviors

Room: Cypress 3 Time: 3:30-5:00 p.m.

Session 1.2.7 - Track 1 - PANEL

TCE: The Next Generation - The Enduring Influence of Williamson's Transaction Cost Economics Theory on International Business Research

Room: Windjammer 1-2 Time: 3:30-5:00 p.m.

Session 1.2.8 - Track 8 - COMPETITIVE

Financial Perspectives on Multinational Enterprise

Room: Windjammer 3-4 Time: 3:30-5:00 p.m.

SUNDAY – 5:00-6:00 p.m.

JIBS Decade Award
Room: Regency Ballroom Time: 5:00-6:00 p.m.

SUNDAY – 6:00-6:30 p.m.

JIBS Decade Award Reception
Room: Regency Foyer Time: 6:00-6:30 p.m.

SUNDAY – 6:30-8:30 p.m.

AIB Awards & Appreciation Banquet
Room: Regency Ballroom Time: 6:30-8:30 p.m.

MONDAY

MONDAY – 8:15-8:30 a.m.

Coffee Break

2.3 - MONDAY – 8:30-10:00 a.m.

Session 2.3.1 - Track 7 - COMPETITIVE

Organizational and Behavioral Issues in Cooperation

Room: Spyglass 1 Time: 8:30-10:00 a.m.

Session 2.3.2 - Track 9 - WORKSHOP

Financial Markets: Currency Rates and Stock Market Issues

Room: Spyglass 2 Time: 8:30-10:00 a.m.

Session 2.3.3 - Track 4 - COMPETITIVE

Technology and Innovation in MNEs: Technology Acquisition in MNEs (2): Transfer

Room: Big Sur 1-2 Time: 8:30-10:00 a.m.

Session 2.3.4 - Track 3 - COMPETITIVE

FDI - Strategy and Impact

Room: Big Sur 3 Time: 8:30-10:00 a.m.

Session 2.3.5 - Track 3 - WORKSHOP

FDI in Asia

Room: Cypress 1-2 Time: 8:30-10:00 a.m.

Session 2.3.6 - Track 6 - COMPETITIVE

Companies Going Native or Not?: Organizational Identity and Practices in Foreign Countries

Room: Cypress 3 Time: 8:30-10:00 a.m.

Session 2.3.7 - Track 1 - COMPETITIVE

Ideas with an Impact: Property Right Protection, Privatization, Genetical Modification, and Terrorism

Room: Windjammer 1-2 Time: 8:30-10:00 a.m.

Session 2.3.8 - Track 2 - WORKSHOP

Globalizations as the Slow Transformation of Institutions: The Making of Global Norms, Institutions and Sector Governance Mechanisms

Room: Windjammer 3-4 Time: 8:30-10:00 a.m.

MONDAY – 10:00-10:30 a.m.

Coffee Break

2.4 - MONDAY – 10:30 a.m.-12:00 p.m.

Session 2.4.1 - Track 7 - WORKSHOP

Partner Selection and Structure
Room: Spyglass 1 Time: 10:30 a.m.-12:00 p.m.

Session 2.4.2 - Track 10 - WORKSHOP

Emerging Issues in Global Supply Chain Management
Room: Spyglass 2 Time: 10:30 a.m.-12:00 p.m.

Session 2.4.3 - Track 4 - COMPETITIVE

Technology and Innovation in MNEs: Innovation Propensity Across Countries
Room: Big Sur 1-2 Time: 10:30 a.m.-12:00 p.m.

Session 2.4.4 - Track 4 - COMPETITIVE

Organization in MNEs: Structure and Coordination of MNEs
Room: Big Sur 3 Time: 10:30 a.m.-12:00 p.m.

Session 2.4.5 - Track 3 - COMPETITIVE

Institutions and Governance
Room: Cypress 1-2 Time: 10:30 a.m.-12:00 p.m.

Session 2.4.6 - Track 6 - WORKSHOP

Being the Boss: Cross-cultural Leadership, Selection, Effectiveness and Diversity Management
Room: Cypress 3 Time: 10:30 a.m.-12:00 p.m.

Session 2.4.7 - Track 1 - PANEL

International Human Trade and Globalization
Room: Windjammer 1-2 Time: 10:30 a.m.-12:00 p.m.

Session 2.4.8 - Track 8 - WORKSHOP

The Economics of Foreign Direct Investment
Room: Windjammer 3-4 Time: 10:30 a.m.-12:00 p.m.

MONDAY – 12:00-1:30 p.m.

Poster Session #2 with light lunch

Room: Monterey Ballroom Time: 12:00-1:30 p.m.

Track 4 -Strategic Management, Entrepreneurship and New Ventures

Track 7 - Alliances and Networks

Track 10 - Marketing and Supply Chain Management

2.5 - MONDAY – 1:30-3:00 p.m.

Session 2.5.1 BALAS

Micro-Latin America
Room: Spyglass 1 Time: 1:30-3:00 p.m.

Session 2.5.2 - Track 10 WORKSHOP

Global Advertising: The Past, Present and Future
Room: Spyglass 2 Time: 1:30-3:00 p.m.

Session 2.5.3 - Track 4 - COMPETITIVE

Firm Resources and Internationalization
Room: Big Sur 1-2 Time: 1:30-3:00 p.m.

Session 2.5.4 - Track 4 - WORKSHOP

Organization in MNEs: Subsidiary Management
Room: Big Sur 3 Time: 1:30-3:00 p.m.

Session 2.5.5 - Track 3 - WORKSHOP

Culture and HRM
Room: Cypress 1-2 Time: 1:30-3:00 p.m.

Session 2.5.6 - Track 5 - COMPETITIVE

Survival, Innovation, and Competitiveness through Exploration of Social Context
Room: Cypress 3 Time: 1:30-3:00 p.m.

Session 2.5.7 - Track 1 - PANEL

The Rise of the Third Force: The Growing Impact of NGOs on Multinationals & Governments
Room: Windjammer 1-2 Time: 1:30-3:00 p.m.

Session 2.5.8 - Track 8 - COMPETITIVE

Structural Determinants of International Business Activity
Room: Windjammer 3-4 Time: 1:30-3:00 p.m.

MONDAY – 3:00-3:30 p.m.

Coffee Break

MONDAY – 3:30-4:15 p.m.

Track Chairs Meeting

Room: Oaktree Time: 3:30-4:15 p.m.

MONDAY – 4:15-5:15 p.m.

AIB General Business Meeting

Room: Regency Ballroom Time: 4:15-5:15 p.m.

MONDAY – 5:25-6:15 p.m.

WAIB Meeting and Reception
Room: Oaktree Time: 5:25-6:15 p.m.

MONDAY – 7:30-11:00 p.m.

Monterey Institute Gala Dinner
Venue: Monterey Aquarium Time: 7:30-11:00 p.m.

(Busses leave from the South Entrance of the Conference Center from 7:00-7:30 p.m. Busses will return guests throughout the evening to the Hyatt.)

TUESDAY

TUESDAY – 8:15-8:30 a.m.

Coffee Break

3.6 - TUESDAY – 8:30-10:00 a.m.

Session 3.6.1 - Track 7 - WORKSHOP
Networks, Knowledge, and Trust in Interfirm Cooperation
Room: Spyglass 1 Time: 8:30-10:00 a.m.

Session 3.6.2 - Track 9 - COMPETITIVE
International Mergers and Acquisitions: Performance and Control
Room: Spyglass 2 Time: 8:30-10:00 a.m.

Session 3.6.3 - Track 4 - WORKSHOP
Methods of International Growth: Mode of Entry in Foreign Markets
Room: Big Sur 1-2 Time: 8:30-10:00 a.m.

Session 3.6.4 – Track 3 - PANEL
Teaching International Business in Emerging Economies
Room: Big Sur 3 Time: 8:30-10:00 a.m.

Session 3.6.5 - Track 3 - WORKSHOP
China — Opportunities and Challenges
Room: Cypress 1-2 Time: 8:30-10:00 a.m.

Session 3.6.6 - Track 6 - WORKSHOP
Exploring Expatriation: Policies, Practices and People
Room: Cypress 3 Time: 8:30-10:00 a.m.

Session 3.6.7 - Track 1 - PANEL
The Power of New Ideas for International Sustainable Development: Collaboration by Firms, Governments, and NGOs
Room: Windjammer 1-2 Time: 8:30-10:00 a.m.

Session 3.6.8 - Track 2 - PANEL
Ideas, Institutions and International Trade: Critical Reflections on the Evolving Governance of Global Business"
Room: Windjammer 3-4 Time: 8:30-10:00 a.m.

TUESDAY – 10:00-10:30 a.m.

Coffee Break

3.7 - TUESDAY – 10:30 a.m.-12:00 p.m.

Session 3.7.1 - Track 7 - COMPETITIVE
Entry Mode and Interfirm Cooperation
Room: Spyglass 1 Time: 10:30 a.m.-12:00 p.m.

Session 3.7.2 - Track 9 - COMPETITIVE
Corporate Governance: The Role of Ownership Structure
Room: Spyglass 2 Time: 10:30 a.m.-12:00 p.m.

Session 3.7.3 - Track 4 - WORKSHOP
The Internationalization Process
Room: Big Sur 1-2 Time: 10:30 a.m.-12:00 p.m.

Session 3.7.4 - Track 4 - COMPETITIVE
Institutional Environments and MNEs: Social Resources and Networks Across Countries
Room: Big Sur 3 Time: 10:30 a.m.-12:00 p.m.

Session 3.7.5 - Track 3 - WORKSHOP
Aftermath of the Asian Crisis
Room: Cypress 1-2 Time: 10:30 a.m.-12:00 p.m.

Session 3.7.6 - Track 6 - COMPETITIVE
Business Across Borders: Exporting, Absorbing, Sourcing and Supplying
Room: Cypress 3 Time: 10:30 a.m.-12:00 p.m.

Session 3.7.7 - Track 1 - COMPETITIVE
Ideas of the MNC - Global or Regional?
Room: Windjammer 1-2 Time: 10:30 a.m.-12:00 p.m.

Session 3.7.8 - Track 2 - WORKSHOP
Emerging Patterns of Trade and Investments under International Political Conflict, National Capital Controls and Diversity in Market Regulation Regimes
Room: Windjammer 3-4 Time: 10:30 a.m.-12:00 p.m.

TUESDAY – 12:00-1:30 p.m.

AIB Board and Chapter Chairs Meeting and Lunch
Room: Oaktree Time: 12:00-1:30 p.m.

3.8 - TUESDAY – 1:30-3:00 p.m.

Session 3.8.1 - Track 7 - WORKSHOP

Interfirm Cooperation and the MNE
Room: Spyglass 1 Time: 1:30-3:00 p.m.

Session 3.8.2 - Track 10 - WORKSHOP

Measuring and Managing in a Global Context
Room: Spyglass 2 Time: 1:30-3:00 p.m.

Session 3.8.3 - Track 4 - COMPETITIVE

Methods of International Growth: International Alliances
Room: Big Sur 1-2 Time: 1:30-3:00 p.m.

Session 3.8.4 - Track 4 - WORKSHOP

Institutional Environments and MNEs: Location Advantages
Room: Big Sur 3 Time: 1:30-3:00 p.m.

Session 3.8.5 - Track 3 - WORKSHOP

Multinationals in Eastern Europe
Room: Cypress 1-2 Time: 1:30-3:00 p.m.

Session 3.8.6 - Track 6 - PANEL

Cross-Cultural Teaching Insights and Techniques
Room: Oaktree Time: 1:30-3:00 p.m.

Session 3.8.7 - Track 1 - WORKSHOP

Ideas on Foreign Entry -Modes, Risks, and Performance
Room: Windjammer 1-2 Time: 1:30-3:00 p.m.

Session 3.8.8 - Track 8 - COMPETITIVE

Economic Theory of the Multinational Enterprise
Room: Windjammer 3-4 Time: 1:30-3:00 p.m.

TUESDAY – 3:00-3:30 p.m.

Coffee Break

3.9 - Tuesday - 3:30-5:00 p.m.

Session 3.9.1 BALAS - PANEL

The Janet Kelly Balas Panel: The ABC of Discontent: Lessons for Businesses and Governments in Latin America
Room: Spyglass 1 Time: 3:30 -5:00 p.m.

Session 3.9.2 - Track 10 - COMPETITIVE

Global Marketing Strategy
Room: Spyglass 2 Time: 3:30 -5:00 p.m.

Session 3.9.3 - Track 4 - COMPETITIVE

Globalization and Studies of Performance in MNEs
Room: Big Sur 1-2 Time: 3:30 -5:00 p.m.

Session 3.9.4 - Track 4 - PANEL

Corporate Governance from a Comparative Perspective
Room: Big Sur 3 Time: 3:30 -5:00 p.m.

Session 3.9.5 - Track 3 - COMPETITIVE

International Environment
Room: Cypress 1-2 Time: 3:30 -5:00 p.m.

Session 3.9.6 - Track 5 - WORKSHOP

A Focus on the Multinational Enterprise
Room: Cypress 3 Time: 3:30 -5:00 p.m.

Session 3.9.7 - Track 1 - COMPETITIVE

The International Flow of Ideas and Knowledge
Room: Windjammer 1-2 Time: 3:30 -5:00 p.m.

Session 3.9.8 - Track 1 - PANEL

Building International Research Networks
Room: Windjammer 3-4 Time: 3:30 -5:00 p.m.

TUESDAY – 5:30-7:00 p.m.

Poster Session #3 with wine and cheese

Room: Monterey Ballroom Time: 5:30-7:00 p.m.

Track 1 - The Power of Ideas and International Business

Track 5 - Macro-Organizational Behavior and Organization/Institutional Sociology

Track 6 - Micro-Organizational Behavior and Human Resource Management

Track 8 - Economics

Track 9 - Finance, Accounting and Taxation

PAPER AND PANEL ABSTRACTS

SATURDAY – July 5, 2003

Panel: Meet the Editors (open to all)

Room: Big Sur 1-2 Time: 2:00-4:00 p.m.

Chair: Lloyd Russow, Philadelphia University, RussowL@PhilaU.edu

Panelists:
Arie Y. Lewin, Duke University, Journal of International Business Studies, ayl3@mail.duke.edu
Pervez N. Ghauri, UMIST, International Business Review, Pervez.Ghauri@umist.ac.uk
Kim Cahill, Temple University, Journal of International Management, kcahill@temple.edu
Michael Harvey, Southern Methodist University, Journal of World Business, mharvey@bus.olemiss.edu
Klaus Macharzina, Universität Hohenheim, Management International Review, klausmac@uni-hohenheim.de

Four to five editors, including the new JIBS editor, Dr. Arie Lewin will participate in a roundtable discussion about their journals. Each panelist will speak for approximately 15 minutes on the target audience of their journal, topics of particular interest in the upcoming year, the review process, acceptance rates, and guidelines. The remaining time would be left for questions and answers from the audience.

Attendee Benefits: This type of panel is particularly valuable for newer colleagues, and an important component in recruiting efforts. This panel will increase awareness of the many international business focused journals that are not typically promoted at marketing, finance, management and other function-focused conferences. Discussing issues related to target audience and guidelines will also improve acceptance rates among those already submitting articles. The “Meet the Editors” session will also promote collegiality and provide a networking opportunity among all members.

Panelist Benefits: The editors work hard in developing and maintaining the reputation of their periodicals. This panel can be used as one form of recognition. Interaction serves to increase respect for the editors’ work, and for those submitting articles. Through clarification of publication ideals, the editors can reduce the incidence of receiving papers that are ill-suited to their journal, and perhaps emphasize the importance of proper format. They may get ideas for a new special issue, or some direction that they may wish to pursue on a regular basis.

Academy Benefits: This panel will serve to strengthen the ties among members, both new and established. Strong ties lead to an active group, one committed to expanding AIB activities. If the organization is to grow, we must encourage participation. This is one method of encouragement for attendees and panelists alike.

SUNDAY – July 6, 2003

Conference Theme: Opening Plenary

The Power of Ideas and International Business

Room: Regency Ballroom Time: 8:30-10:00 a.m.

Chair: Udo Zander, Stockholm School of Economics, udo.zander@hhs.se

Session 1.1.1 - Track 7 - COMPETITIVE

Cooperation and Performance

Room: Spyglass 1 Time: 10:30 a.m.-12:00 p.m.

Chair: Malika Richards, Drexel University, richards@drexel.edu, mr26@drexel.edu
Discussant: Nitin Pangarkar, National University of Singapore, bizpn@nus.edu.sg

The Effects of Firm Ownership Structure on InternationalAlliance Investments
Jeffrey J. Reuer, Ohio State University, reuerj@cob.ohio-state.edu, reuer_1@cob.osu.edu
Roberto Ragozzino, Ohio State University, ragozzino_1@cob.osu.edu

A large body of international and strategy research has addressed the implications of agency theory for firm expansion. This work has focused on diversification in general or M&A, while the theory has received little attention in the alliance domain. We examine the influence of incentive misalignments on US manufacturing firms' decisions to engage in international joint ventures and non-equity agreements. The supporting results offer a contrarian perspective on the extension of firms' international alliance portfolios.

Joint Venture Sell-Offs: Ordinary Asset Sales or Specific Sell-Offs? A European Stock Market Analysis
Pierre-Xavier Meschi, Marseille-Provence Business School, pxmeschi@romarin.univ-aix.fr, pxmeschi@univ-aix.fr

Do joint venture sell-offs create value for shareholders? And from the viewpoint of stock market reaction, are joint venture sell-offs distinct from other asset sales? From an event study methodology, abnormal returns are estimated for a sample of 151 European companies which sold off their stake. The results show that stock market variations observed around the date of announcement are significant and positive. Consequently, the specific nature of the stock market reaction to joint venture sell-offs in relation to the more general reaction to asset sales is questioned.

Value Destruction in Joint Ventures? Why US Joint Ventures Abroad Are Less Profitable then Wholly-Owned Ventures
Benjamin Gomes-Casseres, Brandeis University, bgc@brandeis.edu
Mauricio Jenkins, INCAE, Costa Rica, JenkinsM@mail.incae.ac.cr

AIB Best Paper Finalist

This paper explores a striking empirical pattern that has gone unnoticed in the literature: U.S. multinationals' joint ventures abroad are substantially and systematically less profitable than their wholly-owned ventures. On average in BEA data, majority-owned affiliates in manufacturing earned a 6.4% return on assets in the years studied, compared to 4.3% for minority-owned affiliates. This pattern is found across many industries and regions, though the size of the "profitability gap" is not uniform. To explain these patterns, we develop a new framework that views both the ownership structure and the profitability of a foreign venture as functions of the value created by the ownership-specific capabilities that the multinational company brings to the host country. Where these capabilities are strong, the multinational is likely to choose whole ownership; its profits are also likely to be highest in these activities. Where the firm's capabilities are weak, it is likely to seek additional capabilities from local firms through a joint venture; these investments are also likely to yield lower profits. With few alterations, this same framework can be extended to explain "value destruction" among firms that go abroad or diversify into new industries. Conversely, we use the arguments of these studies to suggest that firms may suffer the same kind of value destruction in forming joint ventures.

Developing Successful International Strategic Alliance Partnerships

Matthew J. Robson, Cardiff University, RobsonMJ@Cardiff.ac.uk, Robsonmj@cf.ac.uk
Dionisis Skarmeas, Cardiff University, SkarmeasD@cf.ac.uk

Although the strategic alliance literature has devoted significant attention to both *ex ante* venture formation aspects and *ex post* relationship management issues, there is a dearth of empirical research explaining the role of variables applied at the time of alliance formation in influencing interfirm relationship development and success. To address this void in the literature, the present study proposes and tests a theoretically anchored model of the foreign investment decision process in international strategic alliances. We find that two formative forces shape a parent firm's alliance investment efforts, satisfaction, and outcomes: top management general attitude toward alliances, reflecting the strength of the initiating force behind the ISA investment; and scope of cooperation analysis, which is an integral constituent of ISA investigative extent. Our findings have important implications for international management and future research.

Session 1.1.2 - Track 9 - COMPETITIVE

Risk and Risk Measurement

Room: Spyglass 2 Time: 10:30 a.m.-12:00 p.m.

Chair: Harvey Arbeláez, Monterey Institute of International Studies, Harvey.Arbelaez@miis.edu
Discussant: David Bruce, Robinson College of Business, dbruce@gsu.edu

Financial and Political Risks in U.S. Direct Foreign Investment

Reid W. Click, George Washington University, rclick@gwu.edu

AIB Best Paper Finalist

This paper examines the risk of U.S. direct foreign investments over the period 1982-1998 in up to 59 countries using the income generated per dollar of foreign assets as a measure of the return on capital. The first part of the analysis builds a simple model to explain the time-series and cross-country patterns of this return on capital (ROK). The empirical part evaluates determinants of the return on assets (ROA). There are four main findings. First, the ROA in a majority of countries does not simply track the worldwide ROA, particularly because a few countries have an inverse relationship and a few countries have a relatively high direct relationship with worldwide returns. Second, additional risk is explained by macroeconomic and financial variables. Third, remaining unexplained country risk appears to be related to unobserved political risk in the cross section. Fourth, unexplained country risk is compensated with a higher ROA. The finding that there is a country risk premium adds credibility to the measure of unexplained country risk as a measure of unobserved political risk.

The Conditional Relations Between Risk Measures and Return: International Evidence

Gordon Y.N. Tang, Hong Kong Baptist University, gyntang@hkbu.edu.hk
Wai Cheong Shum, Hong Kong Baptist University, 01400444@hkbu.edu.hk

This paper examines the risk-return relations of 13 international stock markets for the period January 1991 to December 2000. Under unconditional situation, beta is not significantly related to realized returns. Adding other risk measures provide limited benefit in explaining the cross-sectional variations in stock returns. However, when a conditional framework is introduced, the beta-return relation is significant positive (negative) when the market excess returns are positive (negative). Investors are found not only compensated for bearing systematic risk but also for bearing unsystematic risk, providing evidence that investors do not hold international diversified portfolios. Skewness but not kurtosis plays a significant role in pricing international stock returns. Investors accept less positive returns for positively skewed portfolios. Total risk is significantly and positively (negatively) related to realized weekly returns during up (down) market. Our results support the usefulness of beta and other statistical measures in explaining the cross-sectional variations in international stock returns.

Using Political and Economic Risk Variables for Country Risk Analysis for Foreign Direct Investment Decisions
Carl B. McGowan, Jr., Oakland University, mcgowan@oakland.edu
Susan E. Moeller, Eastern Michigan University, susan.moeller@emich.edu

In this paper, we discuss an application of a Foreign Investment Risk Matrix (FIRM). FIRM may be used by a multinational corporation to develop a matrix that categorizes countries based on political risk and economic risk. We discuss the need for country risk analysis, methods of defining country risk, and research evaluating country risk services. We use gross national income and the index of economic freedom as measures of financial and political risk to develop a linear discriminant model to explain country credit ratings and develop the FIRM. The FIRM may be used to categorize countries as either acceptable for foreign direct investment, unacceptable for foreign direct investment, or uncertain for foreign direct investment. Subsequently, multinational companies can focus on further analysis of countries that are acceptable for foreign direct investment.

Risk Behavior of Trustees of Pension Funds in Calculus-Based Trust Relationship
Djoko Wintoro, Prasetiya Mulya Business School, dwintoro@yahoo.com

Trust relationship between trustees of pension funds and investment managers has been well recognized in investment management practice but studies risk behavior of trustees in their trust relationship are few. This study explores risk behavior of trustees as an important factor of trustee willingness to take risk in calculus-based trust relationship with investment manager. Case study research method is used to gather and analyze data collected from in-depth interviews with trustees and investment managers. The major research finding of this study shows that the key activities performed by trustees of pension funds are to evaluate investment performance of investment manager, to evaluate investment services provided by investment manager, and to build communication links with investment manager.

Session 1.1.3 - Track 4 – PANEL

Measuring and Tracking Knowledge in Multinational Corporations: The Search for Metrics and their Limitations

Room: Big Sur 1-2 Time: 10:30 a.m.-12:00 p.m.

Chairs:
Farok J. Contractor, Rutgers University, farok@Andromeda.Rutgers.edu
Ram Mudambi, Temple University and The University of Reading, rmudambi@syrfer.sbm.temple.edu

To track the international transfer of knowledge within and between multinational firms, scholars have used several measures, such as patent registrations, patent citations, patent assignments, licensing fees, intrafirm technology overhead charges, movement of technical personnel, scientific publication indicators, and R&D data. From such data, various studies have created indexes such as cross-citation ratios, co-publication indices, RTA for firms and countries, and patent share of firms normalized by output, etc. to name but a few.

Using Patent Citations to Understand Knowledge Flows in Multinational Firms: Advantages, Limitations and Inferences
Tony Frost, University of Western Ontario, tfrost@ivey.uwo.ca

The Use of Corporate Patent Statistics to Measure Knowledge Creation in MNCs: What We Have Achieved, and What Remains to be Done
John Cantwell, Rutgers University, Cantwell@rbs.rutgers.edu

Measuring the Knowledge Associated with Corporate Patents: Impact and Duration Effects
Ram Mudambi, Temple University and The University of Reading, rmudambi@syrfer.sbm.temple.edu

Measuring Corporate Knowledge: The Use of Patent-based Indicators in the Research of International Business
Mariko Sakakibara, University of California at Los Angeles, Mariko.Sakakibara@Anderson.ucla.edu

Metrics for Knowledge Transfers and Valuation in International Alliances
Farok J. Contractor, Rutgers University, farok@Andromeda.Rutgers.edu

Session 1.1.4 - Track 4 - PANEL

The Liability and Benefit of Foreignness

Room: Big Sur 3 Time: 10:30 a.m.-12:00 p.m.

Chair: Lorraine Eden, Texas A&M University, leden@tamu.edu
Opening Comments: Srilata Zaheer, University of Minnesota, zahee001@umn.edu
Discussants:
Charles Dhanaraj, Indiana University, dhanaraj@iupui.edu
Tatiana Kostova, University of South Carolina, kostova@sc.edu
Lilach Nachum, The City University of New York, Lilach_Nachum@baruch.cuny.edu

Liability of Foreignness, Intangible Assets, and the Longevity of International Subsidiaries
Keith D Brouthers, University of East London, k.d.brouthers@uel.ac.uk
Lance Eliot Brouthers, The University of Akron, lance@uakron.edu
Jorma Larimo, University of Vaasa, jorma.larimo@uwasa.fi

The Bald Eagle Cannot Find Its Way in the Rainforest: Sources and Solutions to the Difficulties in the Internationalization of Developed Country MNEs Into Developing Countries
Alvaro Cuervo-Cazurra, University of Minnesota, cuerv001@umn.edu
C. Annique Un, Cornell University, cau3@cornell.edu

How to Identify Liabilities of Foreignness and Assess Their Effects on Multinational Corporations
John M. Mezias, University of Miami, jmezias@miami.edu

Multinationals and the Organizational Legitimacy Costs of Doing Business Abroad
Stewart Miller, University of Texas at Austin, stewart.miller@bus.utexas.edu
Lorraine Eden, Texas A&M University, leden@tamu.edu

Session 1.1.5 - Track 3 - COMPETITIVE

Multinational Performance

Room: Cypress 1-2 Time: 10:30 a.m.-12:00 p.m.

Chair: Ivan M. Manev, University of Maine, imanev@maine.edu
Discussant: Daniel Van Den Bulcke, University of Antwerp, daniel.vandenbulcke.1@ua.ac.be, daniel.vandenbulcke@ufsia.ac.be

Multinationality and Performance: Empirical Test of the Three-Stage Theory in the Indian Pharmaceutical Industry Context
Vikas Kumar, Saint Louis University, kumarv@slu.edu
Sumit K. Kundu, Florida International University, Sumit.Kundu@fiu.edu

The findings pertaining to the relationship between performance of multinationals and their degree of multinationality have been inconclusive. The literature suggests linear (positive or negative), curvilinear (U-shaped and inverted U-shaped), and S-shaped curves to emerge from the multinationality-performance relationship. Moreover, all the previous studies in this area have tested multinationals from the developed economies, primarily from US and UK. This study extends the present knowledge on multinationality and performance by testing the three-stage theory in an emerging market context. This is the first ever study to examine the pattern of multinationality and firm financial performance in an emerging economy (India). The unique research setting helps in analyzing the multinationals from the emerging economies and provides for a mechanism to validate the recently proposed three-stage theory of international expansion.

Host country product diversity and foreign investment performance: Japanese foreign subsidiary survival

Dean Xu, Peking University, dxu@gsm.pku.edu.cn
Andrew Delios, National University of Singapore, bizakd@nus.edu.sg
Paul W. Beamish, University of Western Ontario, pbeamish@ivey.uwo.ca

AIB Best Paper Finalist

Theory and empirical evidence for product diversity shows that firm performance is initially positive but becomes negative with higher levels of product diversification. Recent advances show that the product diversity and international diversification have moderating influences such that firms pursuing a product diversification strategy might have a higher threshold level of product diversity before performance declines, when internationally diversified. Theory also suggests that optimal product diversity levels for a firm vary by the host institutional environment. We combine these perspectives to investigate the performance consequences of the product and geographic diversity strategies a firm pursues in its international markets. Contrary to the evidence compiled by cross-national research on product diversity levels across countries, we find that product diversification strategies yield better performance outcomes in institutionally strong, not institutionally weak, countries. The results of this study provide evidence that the institutional context exerts important moderating influences on the success of an international strategy.

An Examination of the Internationalization-Performance Relationship Across Emerging Markets

B. Elango, Illinois State University, elango@ilstu.edu

Haynes Prize Finalist

The phenomenon of internationalization and its underlying relationship with performance has been a topic of significant interest to international business scholars despite inconsistent findings in the past. This study seeks to test for this relationship using a sample of 812 firms from 29 emerging markets across 7 industry sectors for the years 1996 to 2000 and provide new empirical evidence on the internationalization-performance relationship. Previously published studies on this topic have been based on firm samples exclusively from Western Europe, Japan, and the United States. This study's findings indicate that the relationship between a firm's internationalization and its performance is positive up to a certain threshold level. This threshold level occurs when international revenue exceeds 53% of its domestic revenue, after which the relationship between internationalization and performance is negative. Stated differently, support was found for an inverted U-shaped relationship between internationalization and performance. In countries with low political risk, the benefits accrued to a firm during internationalization are much higher than in countries with high political risk. This study also found interactive effects wherein excessive internationalization in countries with high political risk leads to large decreases in performance.

Market Share Performance of Multinational Enterprises in Transitional Economies

Yigang Pan, York University, ypan@ssb.yorku.ca

In this study, we examine the market share performance of multinational enterprises (MNEs) in the transitional economies. We hypothesize that MNEs have higher market shares in product sectors where state dominance is weaker, sector concentration is higher, and local firms are less competitive. Individual MNE's performance is related to the group performance of foreign firms in the product sector. Performance also relies on MNE's own competitiveness. Finally, small MNE affiliates perform worse in product sectors with heavy state dominance. The empirical findings are based on over 10,000 MNE operations in China.

Session 1.1.6 - Track 6 - COMPETITIVE

Coming "In" from the Outside: Sensemaking, Acculturation and Socialization

Room: Cypress 3 Time: 10:30 a.m.-12:00 p.m.

Chair: Sonja Sackmann, University of Munich, Sonja.Sackmann@UniBw-Muenchen.de
Discussant: Davina Vora, The University of Texas at Dallas, davina.vora@utdallas.edu

Surprise, Sensemaking and Expatriate Perceptual Change
Danielle Cooper, University of Illinois, dcooper@uiuc.edu

The relationship between cultural novelty, the degree of difference between an expatriate's home country and the host country, and adjustment has produced a number of conflicting findings in the expatriate literature (Thomas, 1998). While some researchers have found positive relationships between cultural novelty and adjustment, others have found negative relationships. These conflicting findings suggest that the processes that relate cultural novelty and adjustment deserve more exploration. In this paper, the concept of sensemaking is used to explore how surprise relates to perceptual changes during an expatriate assignment and to reveal factors that contribute to the development of accurate perceptions of the host environment. It is suggested that because culturally novel environments are likely to evoke more surprise, expatriate managers may be more likely to adjust their perceptions in culturally novel environments. However, how sense is made of those surprises determines whether surprise leads to more accurate perceptions of the host environment and contributes to adjustment.

Social Networks, and Acculturation: A Conceptual Framework
Mourad Dakhli, Georgia State University, iibmdd@langate.gsu.edu
Gundula Luecke, University of South Carolina, luecke@mailbox.sc.edu
Xiang Zhan, Georgia State University, xzhan1@student.gsu.edu

There has been a growing interest in understanding not just how cultures differ, but also the processes through which different cultures or institutional environments interact at different levels. During the Theme Plenary Panel at the Academy of International Business conference in Puerto Rico (2002) discussants emphasized that what is lacking in international business and international management research is a deeper understanding of areas of "messy" overlap of geographies and international business. In other words, what is needed is not just to understand how countries and institutional systems differ, but also what happens when these differences meet, whether in a cooperative or a conflictual manner. We argue in this paper that acculturation research offers a good opportunity to look at interaction between different cultures, or more comprehensively, different institutional systems, especially in the manner in which such interactions affect individual-level processes. Building on recent developments in social network theory, we develop a conceptual model of social networks and acculturation. In our model, specific network attributes, namely network size, network density, and network diversity, are posited to affect the resulting mode of acculturation. We also advance institutional distance as a contextual factor that shapes the acculturation processes described in our model. We conclude by discussing the theoretical and practical implications and offer directions for future research.

Acceptance Process of Foreign Newcomer in an Existing Group
Arpita Joardar, University of South Carolina, arpita@sc.edu

This paper tries to develop a model for explaining the process by which a newcomer from a different culture is accepted into an existing group. The model uses acculturation as the underlying mechanism. I argue that when a newcomer is perceived to be acculturated to the group culture, then the group maybe more willing to accept the individual as a group member. Three variables were identified as indicators of acculturation and these were the factors affecting the group acceptance directly – the newcomer's adaptive behavior, the cultural fit between the individual's and the group's culture, and the individual's previous cross-cultural experiences. However, I also argue that the relationship between culturally adaptive behavior and acceptance would be moderated by two variables, i.e. the group's perception of sincerity of the individual's adaptive behavior and the group's culture on the individualism-collectivism dimension.

Time will Tell? Socialisation towards similar employee preferences regarding interpersonal leadership

Lena Zander, Stockholm School of Economics, Lena.zander@hhs.se
Ciara Sutton, Stockholm School of Economics, Ciara.Sutton@hhs.se

Socialisation theory has as a starting point an assumption of convergence of individuals' behaviour and values over time. In this paper we develop hypotheses based on existing socialisation theory development and examine the patterns of variance of employees preferences for interpersonal leadership over consecutive tenure periods.
Our overarching purpose is to look at the question of whether leadership preferences remain stable over time or whether there is an impact of organisation or co-location membership on these preferences. Using a database of over 3,000 respondents covering nine co-located units in four countries, Sweden, Germany, the United States and France we have additionally added a culture perspective to our hypothesis formulation and analysis. Our results point to a clear inconsistency between variance patterns of interpersonal leadership preferences and the accepted assumptions of socialisation literature. No support was found for a step-wise reduction of preference variance among employees either at an organisational level or within co-located groups. We have, however, identified nationally distinctive socialisation receptiveness patterns that indicated a need for culturally sensitive socialisation theory development.

Session 1.1.7 - Track 1 - COMPETITIVE

Scholarly Ideas Revisited: Core Competence, Hymerisms, Transaction Costs, and Economic Man

Room: Windjammer 1-2 Time: 10:30 a.m.-12:00 p.m.

Chair: Peter Buckley, University of Leeds, pjb@lubs.leeds.ac.uk
Discussant: Yves Doz, INSEAD, Yves.DOZ@insead.edu

Ideas Versus Reality: Core Competence at NEC and GTE

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

AIB Best Paper Finalist

One of the most influential ideas that has emerged in the strategy and international business fields over the last two decades has been that of "core competence". The article that popularized the concept, Prahalad and Hamel's "The Core Competence of the Corporation" (Prahalad and Hamel, 1990), won the McKinsey Award for the best *Harvard Business Review* article of the year; eventually became the best-selling *Harvard Business Review* reprint of all time; and fostered an enormous amount of corporate, consulting, and academic activity. The present paper traces the development of the two companies that were used to motivate the idea of core competence in the original *Harvard Business Review* article. A relatively simple analysis of Japan's NEC and the US-based GTE, shows that there were substantial differences in the performance of the two firms, but that the performance differential was *exactly opposite* to that claimed by the authors. In other words, the company that focused on core competence exhibited significantly worse, not better, performance over time. The paper stands as a warning for those who accept ideas in the absence of convincing evidence.

Stephen Hymer, The Multinational Firm and 'Multinational Corporate Capital' ?

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

We critically assess the contribution of Stephen Hymer to the theory of the multinational enterprise (MNE) and the political economy of multinational corporate capital. We suggest that as concerns the theory of the MNE, Hymer's contribution has in effect predated most current extant theory. His contribution to the political economy of multinational capital is less known, yet of extraordinary insight and foresight. Hymer pre-dates most important debates on what today is called 'globalisation' and came up with analysis of the highest quality and predictions which in the main stood the test of time. The main limitations in Hymer's work concern the lack of a theory of (endogenous) growth of the firm and a tendency to emphasise the monopoly attributes of large MNEs, albeit without failing to see their efficiency advantages. In part because of this tendency some of his later work involved predictions that did not necessarily and/or fully follow from his analytical framework, but were arguably shaped by 'ideology'. Despite limitations, Hymer's overall contribution and impact fully deserves the nearly 'cult' status he has now acquired in the history of economic thought and international business scholarship.

Transaction Cost Economics and the Emerging 'Science of Organization' - How the Trick is Played, for Analysts and Practitioners

Malcolm Chapman, University of Leeds, malcolm.chapman@btinternet.com

This paper looks at transaction cost economics, arguably the dominant paradigm in the analysis of companies engaged in both domestic and international business. The paper argues that transaction cost economics, as propounded by Oliver Williamson, is ambiguous about important issues – the identity of the analyst, when knowledge is available, the relative value of this knowledge – and that this ambiguity is both central to the appeal of the paradigm, and also disabling. This is demonstrated through detailed analysis of existing publications. Reasons why this is not more generally noticed are also discussed, raising issues in the philosophy of the social sciences very generally, and in the constitution of international business academia more particularly.

Let's Stop Teaching Greed! New Insights into the Foundations of Free Enterprise Theory and Economics from Evolutionary Neuroscience

Gerald A. Cory, San José State University, augustuscory@msn.com

This presentation builds upon the triune modular brain concept of leading evolutionary neuroscientist Paul MacLean of the NIH to create a new model of our neural architecture called the conflict systems neurobehavioral (CSN) model. It develops reciprocal algorithms of behavior, expressing the tug and pull between ego and empathy, abstract neocortical representations of established self-preservation and affectional brain circuitry. The algorithms, expressed in three ways: graphically, descriptively, and mathematically, are the underlying dynamic of social exchange, the transactional market governed by the so-called laws of supply and demand, and the invisible hand. The new findings ground free enterprise theory firmly in neuroscience and definitively counter the long-prevailing, inaccurate, and troubling self-interested bias of microeconomic theory—a bias that gives our valued free enterprise system an unnecessarily bad press in many parts of the world—on a sole self-interested premise that won't work for globalization. Adam Smith himself, without benefit of the recent findings of neuroscience, nevertheless sensed the dual primary motives driving the market in his *Wealth of Nations* and his *Theory of Moral Sentiments*. This paper newly extends the author's internationally recognized integrative work in the unification of the natural with the social sciences.

Session 1.1.8 - Track 2 - COMPETITIVE

Limits to Convergence: Innovation Systems, National Competitiveness and Diversity in Manufacturing

Room: Windjammer 3-4 Time: 10:30 a.m.-12:00 p.m.

Chair: Yusaf Akbar, Southern New Hampshire University, yusafakbar2003@yahoo.co.uk
Discussant: Gabriele Suder, CERAM Graduate School of Management and Technology, gabriele.suder@ceram.fr

Managing Institutional Reform in Biotechnology Industry: The Role of Public Sector in Germany and Japan .

Mark Lehrer, University of Rhode Island, LEHRER@URI.EDU
Kazuhiro Asakawa, Keio University, asakawa@kbs.keio.ac.jp

AIB Best Paper Finalist

German and Japanese biotech reforms cast a novel perspective on the specific sectoral system of innovation (SSI) in biotechnology. While prior accounts of the biotech SSI underline the role of basic scientific knowledge, industry-university links, entrepreneurship and venture capital, the German and Japanese cases highlight the importance of other mediating variables such as civil service traditions within national research institutions, the autonomy of the university/research sector, and the historical role of the public sector generally. These cases also illustrate the fundamental importance of the comparatively high "appropriability" of innovation in this sector.

National Competitiveness: Theory, Methodology and Policy Implications
Dong-Sung Cho, Seoul National University, cho@ips.or.kr
Hwy-hang Moon, Seoul National University, cmoon@snu.ac.kr

For a comprehensive study of national competitiveness, this paper introduces a nine-factor model, with an integration of multinational activities as suggested by the generalized double diamond model. The new approach of this paper is a significant extension to Michael Porter's original single diamond model. A number of 68 countries are analyzed and given rankings. In addition, an in-depth case study of Korea's competitiveness is conducted, by using statistical techniques such as cluster analysis and sensitivity analysis. This paper improves theory, methodology, and policy implications of national competitiveness study.

Poster Session #1 with light lunch

Room: Monterey Ballroom Time: 12:00-1:30 p.m.

Chair: Ivo Zander, Stockholm School of Economics, Ivo.zander@hhs.se

Track 2 - International Political Economy and Business History

Epistemic Communities, Regime Theory, and the Case of Corporate Governance Convergence.
David Detomasi, Queen's University, ddetomasi@business.queensu.ca

The phenomenon of corporate governance convergence among major industrial countries has been well studied in the finance, legal, and management literatures. Rarely, however, has this phenomenon been studied from the perspective of international relations and international political economy. This paper will use regime theory as a tool to examine the convergence of these standards, and will focus on epistemic communities as the primary agents of this convergence. The paper is primarily theoretical at this stage, as data for this study is still being collected.

Japan's New Trade Policy: A Free Trade Agreement with Singapore
Terry Wu, University of Regina, terry.wu@uregina.ca
Doren Chadee, The University of Auckland, d.chadee@auckland.ac.nz

Japan is the world's third largest trading nation, after the United States and Germany. Until now, Japan has been the only major industrialized country to have relied exclusively on multilateral organizations, such as the World Trade Organization (WTO), for trade liberalization. Frustrated by the slow progress in multilateral trade negotiations, Japan is quietly pursuing a parallel policy of negotiating bilateral free trade agreements. In October 2001, Japan concluded a free trade agreement (FTA) with Singapore, the first such bilateral agreement for Japan. The FTA was signed by Japanese Prime Minister Junichiro Koizumi and Singaporean Prime Minister Goh Chok Ton in January 2002. The shift in Japanese trade policy is striking because until now Japan has been one of the strongest champions of the multilateral trading system. Why did the Japanese government suddenly shift its trade policy from multilateralism to bilateralism? What motivated Japan to negotiate a free trade agreement with Singapore? What are the major issues in the bilateral trade agreement? The purpose of this paper is to examine the Japan-Singapore Free Trade Agreement from the Japanese perspective.

A Holistic Approach to Project Finance Risk Analysis: Caspian Basin Energy Projects.
Dennis Michaud, Brown University, Dennis_Michaud@Brown.edu

The focus of this paper is the dynamic interests of multinational energy firms (MEFs) and nation states in the Caspian Basin. I adopt a holistic analytical approach to explain this interaction. Firms' preferences are more driven by economic and strategic considerations than by the political and cultural considerations that motivate states. Therefore firm preferences conform closely to rational choice and game theory, two models developed from tenets of classical economics and applied mathematics. I argue that corporate decisions are not only based on simple economics. Senior management of MEFs utilizes a sophisticated strategic decision making process when establishing corporate investment policy. An MEF's decision to institute a major oil and gas exploration and program (E&P) and related transshipment schemes is made under the rubric of formal strategic decision models. Factors that are incorporated into this decision matrix include: production risk, transportation issues, political risk, and the firm's relative market position.

A Comparative Analysis of Investment Patterns of Taiwanese Firms in China and Taiwan's Policy Response Before and After WTO Accession.
Daniel Chang, Nova Southeastern University, dchang@knology.net
Robert A. Berg, Nova Southeastern University, berg@huizenga.nova.edu

Taiwanese firms with interests in China and Taiwan's Government needs a response to the recent WTO accession by both Taiwan and China. WTO entry affects the economic interaction across the Taiwan Strait. According to the analysis in this paper, WTO entry is expected to boost trading across the Taiwan Strait and provide positive factors in encouraging investment by Taiwanese medium-size and large enterprises in China. However, it is worth noting that Taiwan occupies an inferior trading position in the economic interchange across the Taiwan Strait. The higher the degree of economic interdependence that Taiwan has with China, the more difficult it is for Taiwan to pursue steady growth, under this situation of being impossible to control China's economic policies.

Track 3 - Emerging Markets and Transition Economies

Foreign Aid, Foreign Direct Investment and Economic Growth: Evidence from Asian Countrie s
Len J. Trevino, The University of Southern Mississippi, trevino@cba.usm.edu
Kamal P. Upadhyaya, University of New Haven, KUpadhyaya@newhaven.edu

This paper examines the effectiveness of foreign aid and foreign direct investment (FDI) in five developing Asian countries. A model that includes total labor force, capital stock, foreign aid, foreign direct investment, government expenditure and real exchange rate to explain the output level is developed. Pooled annual time series data from 1990 to 1999 is used to estimate the model. Before carrying out the estimation the time series properties of the panel data are diagnosed and an error correction model is developed and estimated. Overall results suggest that both foreign aid and FDI have positively contributed to economic growth. The impact of FDI on economic development is found to be greater than the impact of foreign aid on economic development for comparatively open economies in the sample.

Explaining the Performance of Firms in Transition Economies
Stanley Nollen, Georgetown University, nollens@georgetown.edu

In this paper, I review the theoretical arguments and empirical evidence that explains why some firms in transition economies were better business performers than others. My focus is on the productivity, profitability, and revenue growth achieved by the firm and its management, not macroeconomic outcomes. Three key variables are international linkages, management characteristics, and ownership and governance. Firms that were privately owned had better business performance than firms that remained state-owned, and firms with foreign owners achieved better performance than domestic private firms. The effects of outside versus inside domestic ownership, and the effects of concentrated versus dispersed ownership are contingent on other variables. The results suggest that private, foreign, and possibly outside owners boost performance because these owners engage in more strategic restructuring. A need for new research is to address how and why questions. For example, we do not know how or why foreign owned firms are able to restructure more thoroughly except to suggest it is not via physical capital but rather via technology transfer and management.

Strategies for Closed Markets: Camping at the Gates – Foreign Telecoms Operators and China

Malcolm Chapman, The University of Leeds, malcolm.chapman@btinternet.com
Jeremy Clegg, The University of Leeds, ljc@lubs.leeds.ac.uk
Mary Leung, The University of Leeds, ecowml@leeds.ac.uk

In China, telecommunications network operation is currently prohibited to foreign operators, and along with this the major equity-based forms of international business. As a result, foreign operators' strategy towards China represents something of a challenge to conventional international business thinking. Instead of the textbook selection of entry mode, we see the extensive use of a form of entry associated with an embryonic market — the representative office. The activities of these offices in China encapsulate the role of pre-entry strategy and also the idiosyncrasies of doing business in China. Under the aegis of the representative office, crucial relationship building is conducted, involving substantial investments in time and in kind. These relationships are wide-ranging — with business clients and partners, with government and related bodies, and with the public at large. In liberalising markets there is all to play for, as multinational firms have a natural interest in influencing the evolution of the 'rules of the game' and the rate of opening of the market. However, relatively little is known about this process in China. The findings of this research bear witness to the intensity and complexity of international business activity that can be conducted via the humble representative office.

Institutional Arrangements for Business in Mainland China: An Exploratory Framework of Resource Dependence and Organizational Isomorphism

Yuwei Shi, Fisher Graduate School of International Business, wei.shi@miis.edu
Dawei Cheng, Beijing WTO Research and Consultation Center, chengdawei@bjwto.net

This article asks how business and government relationship in China will change in the form of institutional arrangement after its accession to the World Trade Organization last year. We introduce a working definition of institutional arrangement analogous to that of organizational structure. We specify two dimensions in which institutional players are organized: the scope of economic decisions and means to participation in an economy. We illustrate the concept through comparing the American institutional arrangement with three typical forms of institutional arrangement in China's economy, namely the state-owned enterprise, collective-owned enterprise and private enterprise, assuming enterprise ownership underlies institutional roles. We further propose a framework that views China's institutional arrangement and its transition through resource dependence and organizational isomorphism.

Analysis of The Growth of China's IT Services Exports

Ying Shi, University School of Management, The Netherlands, s712yangela@yahoo.com

Since the late 1970s, the service sector in China has grown dramatically due to the open-door policy. In order to sustain economic growth, bring down high unemployment and connect with the world market, China has been taking measures to further liberalize its service sector and stimulate its development. There is considerable evidence that the Information Technology services industry is expanding significantly with China's booming economy. While worldwide IT services development has slowed down, the Chinese IT services companies continue to flourish. This paper analyses the current situation of this industry and determines its potential internationalization by focusing on a case study of Huawei Technologies Co., which is currently China's largest telecom equipment manufacturer. The findings support the belief that China's IT services industry will have a brilliant future if China puts more effort into grasping key technologies, boosting innovations and R&D activities, and establishing global logistics networks.

Firm resource and its impact on Singaporean companies' performance in China

Qiu Yiyun, Nanyang Technology University, Singapore, p149768798@ntu.edu.sg
Xia Yang, Nanyang Technology University, Singapore, AYXIA@NTU.EDU.SG

This study has investigated two issues for Singaporean companies operating in China: (1) firm resources as competitive advantages (FRAs), and (2) the impact of some identified firm resources on firm performance in China. The firm resources under analysis are: (1) technological resources; (2) owner/top manger's capability; (3) employee's Guanxi skills; (4) employee's professional knowledge; (5) firm's internal relationships; (6) firm's external relationships.A survey has been conducted on Singapore-China joint ventures and Singaporean wholly owned enterprises in China. 81 valid questionnaires were gathered and the data from the questionnaires were statistically tested. The results showed that Singaporean companies possess more FRAs over China's domestic firms, but less so when compared to foreign-invested enterprises (FIEs) in China. Specifically, Singaporean companies hold a different combination of FRAs when compared to each type of competitors. The results have also indicated that the variance in the firm performance can be largely explained by the six dimensions of firm resources, within which employees' professional knowledge and Guanxi skills, and firm's internal and external relationships are significant predictors of Singaporean companies' performance in China.

Left-Wing Influences on Future Brazilian Poicy Initiatives

John Patton, Florida Institute of Technology, jpatton@fit.edu

The election of Mr. Luis Inacio Lula da Silva, the Brazilian president-elect known to his compatriots simply as Lula, a name he legally adopted twenty years ago, has brought the largest country in South America into the socialist camp. As founder and long-time leader of the Workers Party (PT), he is a leftwing labor union activist whom undoubtedly will change many of the country's political, social, economic, trade, and foreign policy goals following his inauguration as president of Brazil on January 1, 2003. This paper looks at some of the campaign promises and priorities as well as the many handicaps that he inherits from the previous administration, to include external debt of $400 billion and a new loan from the International Monetary Fund (IMF) of $30.4 billion that includes stringent conditions that he has agreed to honor. The specter of a sovereign debt default and what may be done on the policy front to avoid such a catastrophic action is addressed in the paper, to include more openness in the economy and an eventual agreement to the Free Trade Association for the Americas (FTAA) by 2005.

Reassessing Intellectual Property Harmonization in Emerging Markets and Transition Economies

David Silverstein, Suffolk University, hihosilver@attbi.com

During the last decade, intellectual property (IP) law harmonization has been a centerpiece of several key multilateral trade treaties, such as those establishing the World Trade Organization (WTO) and the North American Free Trade Agreement (NAFTA), which were heavily promoted by Western, industrialized countries. The United States in particular has further pursued efforts at international harmonization of IP protection by incorporating such provisions in various bilateral treaties and agreements and even through unilateral threats of trade sanctions against offending nations. Emerging markets and transition economies which historically paid lip service to the IP rights of foreign nationals or were actively hostile to such rights have found themselves under increasing pressure to conform to the international order by establishing and enforcing IP rights as part of the price for joining the growing global economy. Such countries are invariably advised that whatever shortrun economic pain may result, over the longer term such measures will benefit these countries. This paper examines the role of intellectual property protection in promoting economic development in emerging markets and transition economies. This study concludes that, because of economic and cultural differences in these societies, an internationally harmonized system for protecting intellectual property based on rigid adherence to a Western-based legal model may not be successful in alternative cultures.

Chinese Foreign Direct Investment in Developed Countries – A Conceptual Framework and Research Propositions

Henry Yu Xie, Saint Louis University, xiey@slu.edu
Janet Y. Murray, Saint Louis University, murrayjy@slu.edu

Various factors affect a firm's decision on foreign direct investment. Given the uniqueness of China's economic development, it is impossible to rely on one single theory to explain the new phenomenon of Chinese foreign direct investment in developed countries. This paper intends to fill the research gap by examining this phenomenon and by proposing an integrated conceptual framework for the factors affecting Chinese firm's foreign direct investment in developed countries. Based on a literature review and several examples, a number of propositions are developed. We propose that both country- and firm-levels factors affect Chinese firms when they consider investing in developed countries. Country-level factors consist of different characteristics of host and home countries; strategic and organizational factors make up the firm-level factors. In general, this paper sheds light on the scope and direction of further research in related topics.

The Impact of Foreign Direct Investment on Ethical Standards in Host Countries

Katherina Glac, Rutgers, The State University of New Jersey, glac@pegasus.rutgers.edu

The paper develops hypotheses about the impact of foreign direct investment (FDI) on selected ethical issues in the host countries and tests the hypotheses empirically using cross section analysis of child labor and corruption data for 103 countries for the years 1990-1995 and 1996-2000, respectively. First, exploratory, results suggest that FDI is correlated with the level of corruption in a country and the percentage of children under 15 years of age who are working. FDI is overall negatively correlated with child labor, i.e. it contributes to a reduction of child labor by impacting the major determinants of child labor. FDI also contributes to higher corruption in countries that are in the category of least developed countries or are undergoing a transformation of their economic system, whereas in developed countries FDI contributes to less corruption. The paper also discusses limitations of the available data and method used.

Global Shock Transmission to Emerging Markets

Tej S. Dhakar, Southern New Hampshire University, dhakar@attbi.com
Usha Dasari, Southern New Hampshire University, ushadasari@hotmail.com
Massood V. Samii, Southern New Hampshire University, msamii@minerva.snhu.edu

The process of global integration has intensified the competition in world markets during the 1990s. In view of growing global integration, this paper attempts to analyze whether Indian, Hungarian and Polish economies have become more internationalized as a result of economic reforms embraced by each of these countries in the early 1990s and hence vulnerable to global economic cycles. The paper applies variance decompositions derived from vector auto regression to assess the degree of economic integration of the three economies with U.S. economy. The study concludes that, in the pre-liberalization period U.S. economy did not have major influence on the Indian, Hungarian and Polish economies. Shocks from U.S. had little or no impact on their aggregates. In the post liberalization period, however, the results are mixed. Indian aggregates show high degree of integration with US followed by Poland and Hungary. Although all the three countries have shown varying degrees of integration in the post-liberalization period, none of the economies are found to be overly vulnerable to international shocks.

Macro-economic determinants of infrastructure projects success in Central and Eastern European economies in transition

Nevena Yakova, Rutgers The State University of New Jersey, nvyakova@pegasus.rutgers.edu

The development of modern and efficient infrastructure is one of the crucial factors for revitalising an economy in transition because infrastructure is considered a key determinant in facilitating and sustaining economic growth. In most transition economies government budgets are so impoverished and the tax revenues have dwindled so much that all public projects have to compete fiercely for the scarce government resources. That is why, governments are continuously searching for new private financing techniques for the construction and provision of infrastructure facilities. Build-Operate-Transfer schemes are considered one method that could allow for competition for the right to serve a market where competition is practically non-existent. The present paper is a proposition for an empirical investigation of the host-country, macro-level determinants of successful implementation of infrastructure projects (with a focus on the BOT schemes) in Central and Eastern Europe.

Impact of Quality Management Interventions in Indian Service Firms: An Exploratory Study

Kunal Banerji, Florida Atlantic University, kbanerji @fau.edu
David E. Gundersen, Stephen F. Austin State University, dgundersen@sfasu.edu
Ravi S. Behara, Florida Atlantic University, rbehara @fau.edu

The success of Indian software firms, which is partly attributable to their quality, provided the motivation for the study presented in this paper. It would be useful to know the state of quality management efforts in the Indian service sector, and its impacts at a firm level. It is conceivable that other services could model themselves after the software sector, and develop capabilities to successfully compete in the global economy. Such an evolution of the service sector could then contribute significantly to the continued emergence of the Indian economy. The intent of this study is also to extend the current literature in Quality Management research that focuses exclusively on firms in the advanced economies, by investigating firms in an emerging economy. This study is based on a survey administered in India in which a total of 163 respondents participated. They represent a variety of industries including Banking, Hotels, Information Technology, Healthcare, Trading, Entertainment, Courier, Transportation, and Construction services. The responses of the survey are analyzed and discussed in the paper. This study begins to shed light on the quality management methods that seem to be effective in emerging economies. It represents a first-step in understanding such issues further.

Valuation of the Chinese Currency: A Background Study

Jiawen Yang, The George Washington University, jwyang@gwu.edu
Haiyan Yin, The George Washington University, haiyany@gwu.edu

As China joins the World Trade Organization (WTO), full convertibility of the Chinese currency, the Renminbi (RMB), has been on the agenda of China's further integration into the global economy. Is the currency over-valued or undervalued at its current level? What is the likely direction of change in its value upon full convertibility? This paper intends to provide some background analyses of these issues. Our results show that the RMB is undervalued against the U.S. dollar according purchasing power parity - using the Big Mac prices as a benchmark and relative consumer prices for comparison. China's increasing international reserves also suggest that, at the current official exchange rate, there has been an excess demand for Chinese goods and assets, which are evidenced by China's trade surplus and net capital inflows. On the other hand, there are downward pressures on the RMB. China's daunting non-performing loans are seen as reminiscent of the financial crises that many emerging markets have experienced in the past decade. The existence of capital flight despite capital control may serve as a clue of potential capital outflow upon convertibility, exerting downward pressure on the currency.

Why is property right protection lacking in China? An institutional explanation

Shaomin Li, Old Dominion University, sli@odu.edu
Seung Ho Park, CEIBS/Rutgers The State University of New Jersey, psam@ceibs.edu

China is one of the most important markets in attracting foreign investment in both volume and growth. However, property rights protection in China is extremely weak and expropriations by both public and private actions are rampant. How can the booming of foreign investment and the looting of property co-exist? Why protecting property rights is so difficult in China? This article offers an institutional explanation to these questions. It is argued that the different paces of institutional change between formal and informal constraints are the major cause behind the lack of property right protection in China. In conclusion, the paper discusses policy considerations for China to improve property right protection and strategic choices for multinationals to minimize the expropriation risk.

The Impact of Copyright Protection on the Choice of Governance Mode in the Country with Market Duality: An Integrative Perspective of Transaction Cost Economics and Resource-Based Theory

Wijin Park, Seoul National University, wjpark1@hanmail.net
Dong-Sung Cho, Seoul National University, cho@ips.or.kr

The enforcement of intellectual property laws has been a critical issue, particularly in international business between developed and developing countries. Much of previous research on the relationship between intellectual property right (IPR) and international business are based on the transaction cost economics, even though resource-based perspective may be more pertinent to certain situations. The previous researches focused mostly on patents even though copyright is another important IPR that is the key determinant in entertainment industry. Transaction cost perspective focuses on the opportunism and subsequent appropriation of rents by partners, and recommends more hierarchical governance mode. In developing countries with dual market because of weak IPR protection, resource-based perspective can induce multinationals to choose less hierarchical governance mode such as licensing because of rent erosion by illegal copiers. This paper analyzes evolution of the governance mode of entertainment multinational in Korean market and shows integrative perspective of transaction cost economics and resource-based theory. This paper is the first in the analysis of the relationship between copyright and governance mode choice in global entertainment industry. More research needs to be done in the field of entertainment industry.

Why Poland Avoided the Late Nineties Financial Crises and What the Future Holds

Alojzy Z. Nowak, Warsaw University, ANowak@mail.wz.uw.edu.pl
Paul M. Mason, University of North Florida, pmason@unf.edu
Jeffrey W. Steagall, University of North Florida, jsteagal@unf.edu

There are four predominant factors that drove the Polish economy as the twentieth century ended. Among them are the influences of financial crises in other countries, Polish monetary policy, Polish fiscal policy and federal deficits, and the Polish banking system. Each has contributed to both the expansion and retrenchment of the Polish economy over the last few years. However, Poland's position resulting from them allowed for avoidance of the crises seen elsewhere. The discussion that follows presents both the implications of these events, and the impacts felt in Poland. We conclude with considerations for the future of the Polish economy. The fundamental conclusions are that Poland has whethered the storm of financial crisis thus far, but conditions may be favourable for a financial crisis without vigilance.

Getting to the (Virtual) Table: Preparing for Electronic Commerce in Low Income Countries

Jeanie M. Welch, University of North Carolina at Charlotte, jmwelch@email.uncc.edu

This poster session examines electronic commerce in countries designated by the World Bank as low income. Almost half of these 63 countries are in Subsaharan Africa, with the remainder in Asia, a few former Soviet bloc countries, and a few smaller countries in Latin America and the Middle East. As global electronic commerce grows, low income countries face the challenges of limited resources, inadequate infrastructure and education, and legal and social environments that may not be conducive to the implementation of e-commerce. It examines the "digital divide"—the lack of access to information and communication technology in these countries, the conditions necessary to promote electronic commerce, and the economic, technical, and cultural barriers to e-commerce that these countries encounter. This paper includes a section on initiatives to facilitate the development of e-commerce in low income countries. These initiatives include international, regional, and national programs as well as public-private partnerships. It includes a study on the status of electronic commerce in Vietnam, including examples of initiatives to facilitate the development of e-commerce. This paper concludes with a summary of the advantages and disadvantages of e-commerce for low income countries.

Government Efficiency and Inward Foreign Direct Investment: An empirical study in emerging economy

Weilei Shi, University of Pittsburgh, weilei.shi@student.utdallas.edu

The relationship between Government and MNC continually receive hot debate among researchers. This paper tries to center on the part of the government, especially host government to explore the state institutional dependence on the MNC. I develop a dual triangular framework to further study the insight of the analysis. An empirical study was also organized to test the proposed hypothesis. My result indicated increased inward FDI in the developing countries do have significant effect on the improvement of government efficiency.

Marketing Competencies and Export Performance of International Joint Ventures
T. Steven Chang, Long Island University, tchang@liu.edu

Previous studies reveal that multinationals with excellent marketing competencies tend to be more successful in their export performance. As an emerging market, China has attracted a great number of international joint ventures (IJVs) and has become a major exporting country in the recent years because of its location advantage as a low cost offshore production site. This paper is to study the relationship between marketing competencies and export performance of international joint ventures (IJVs) in China. The author will examine the major marketing competencies that affect the export performance of these IJV firms by controlling the market focus, partnership, motive and business risk of such IJV firms. The strategic and marketing implications of the findings will be addressed.

Richard N. Farmer Award Finalists Plenary

Presentations by the 2003 AIB Richard N. Farmer Doctoral Dissertation Award Finalists

Room: Regency Ballroom Time: 1:30-3:00 p.m.

Chair: Kiyohiko Ito, University of Hawaii, kito@cba.hawaii.edu

Selection Committee:
Bernard L. Simonin, Tufts University, bernard.simonin@tufts.edu
D. Eleanor Westney, Massachusetts Institute of Technology, ewestney@SLOAN.MIT.EDU, ewestney@mit.edu
Cristina B. Gibson, University of California, Irvine, cgibson@uci.edu

Presenters:

Mourad Dakhli, Georgia State University (Ph.D. from University of South Carolina), iibmdd@langate.gsu.edu
Structural Holes and Strong Ties in Organizations: A Cross-Cultural Perspective

C. Fritz Foley, University of Michigan (Ph.D. from Harvard University), ffoley@umich.edu
Essays on the Economics of Multinational Enterprises

Camilla A. Noonan, University College Dublin (Ph.D. from University of Reading), Camilla.noonan@ucd.ie
The Regional Dynamics of Technology Sourcing by MNEs – The Case of Germany

Robert Salomon, University of Southern California (Ph.D. from New York University), salomon@marshall.usc.edu
Spillovers to Foreign Market Participants: Assessing the Impact of Exporting and Firm Heterogeneity on Innovative Outcomes

Session 1.2.1 BALAS

Macro-Latin America

Room: Spyglass 1 Time: 3:30-5:00 p.m.

Chair: Charles Crespy, University of Texas at El Paso, crespyct@utep.edu
Discussant: John Sargent, University of Texas Pan American, jsargent@panam.edu

Economic and Strategic Impact of US Economic Sanctions on Cuba

Hildy Teegen, The George Washington University, teegen@gwu.edu
Hossein Askari, The George Washington University, HGAskari@aol.com
John Forrer, The George Washington University, jforrer@gwu.edu
Jiawen Yang, The George Washington University, jwyang@gwu.edu

This paper presents research concerning unilateral economic sanctions imposed by the United States on Cuba. The various sanctions in place are identified and are discussed in terms of their underlying policy rationales and motivations. The cumulative impact of these various sanctions is assessed from the perspective of the sanction target, Cuba, in both economic and social terms. We then extend this analysis of sanction impact by identifying the impact on the sender country, the United States, and on third countries harmed and benefited by U.S. sanctions on Cuba. The paper concludes by assessing the efficacy of current U.S. sanction policy on Cuba by highlighting economic as well as strategic costs and benefits of these sanctions and discusses implications of our assessments for future economic relations between the U.S. and Cuba.

What does Latin America Want and Need?

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

Credible answers to this provocative question must be rooted in different perspectives which are not necessarily mutually exclusive. How to deal with the situation of extreme poverty? What went wrong with reforms? Why a "half a lost decade" trend? How to face the challenges and opportunities to achieve sustainable development? Why the pendulum of democracy swings? Is information technology the last resort to muddle through? What are the implications of migratory policies? What is the ultimate attractiveness of the region? This paper proposes a framework that aims at integrating the different perspectives sought over the years to characterize Latin America's performance. From import substitution to export promotion to Washington Consensus initiatives, the framework considers macro- and micro-factors subsystems embedded in policy and strategy considerations to address the wants and needs of the region. First, estimates of relative marginal of product capital are discussed. Second, a panel data of key indicators is analyzed as determinants of Latin America's attractiveness. Third, a road map is proposed as an agenda to deal with the issue of how "reform the reforms" to meet the needs and wants of the region. To sum up, the paper argues that economic, geopolitical, strategic and behavioral aspects must be articulated to foster social and economic progress to the region and strengthen growth and development.

Desarollo Empresarial y Competitividad en Mexico

Javier Florez, UNAM, Mexico
Juan Carlos Villa Soto, UNAM, Mexico, visar@servidor.unam.mx
Guillermo Cardoza, Instituto de Empresa, Madrid, Guillermo.Cardoza@ie.edu

The Import Substitution Industrialization Strategy (ISI) constitutes a heavy legacy that conditions the coming-out of the crisis and the design of a new development model for Mexico. It is argued that industrial modernization and economic take-off demand the adoption of an outward growth model, and that the export of manufactures and services of high value added should contribute to generating the necessary resources for creating jobs, increasing income, augmenting domestic savings, and stimulating industrial growth through internal demand. The article proposes a conceptual framework that takes into consideration the dynamic and systemic nature of Mexico's economic and social development, and analyzes the established relations between the main factors that inhibit industrial development and determine a vicious circle of low levels of investment, technological backwardness, and stagnant economic growth. The study identifies useful elements for the design of public and corporate policies oriented towards promoting business development and creating the conditions for capitalizing on the opportunities offered by the globalization of trade, financial and technological flows.

Background Studies Under the Classification of Country Origin: A Research Review

Jorge Wise, ITESM - Campus Monterrey, Mexico, jwise@itesm.mx
Elisa Cobas Flores, ITESM - Campus Monterrey, Mexico, ecobas@itesm.mx

Probably one of the most studied areas in international marketing is country-of-origin. The literature offers a countless amount of papers, studies, proceedings, work-in-progress, and similar related to country-of-origin and its effects on consumer behavior. To advance in the knowledge of the area, background studies are examined following a classification of country-of-origin studies previously introduced. Background studies are reviwed using three major groups: literature reviews, consumer behavior using country-of-origin as a research frame, and methodology and theory construction. Using this classification, the reader will be able to realize what others have done and how generalization can be attained. Holistic studies, which combine foreground and background studies, are also included.

Session 1.2.2 - Track 10 - COMPETITIVE

Emerging Issues in Global Marketing

Room: Spyglass 2 Time: 3:30-5:00 p.m.

Chair: Aysegul Ozsomer, Koc University, aysegul.ozsomer@anderson.ucla.edu
Discussant: Linda Ueltschy, Bowling Green State University, ueltsch@cba.bgsu.edu

Why the Real Thing is Sometimes Less Attractive: Insights into the Purchasing Behavior for Counterfeit Good

Barbara Stoettinger, Wirtschaftsuniversität Wien, barbara.stoettinger@wu-wien.ac.at
Elfriede Penz, Wirtschaftsuniversität Wien, elfriede.penz@wu-wien.ac.at
Bodo B. Schlegelmilch, Wirtschaftsuniversität Wien, bodo.schlegelmilch@wu-wien.ac.at

Counterfeiting has emerged as a major problem for global marketers taking a dramatic raise over the past years. US manufacturers, for example, now loose about $ 200 bn annually through trademark counterfeiting compared to $ 61 bn in 1986. Surprisingly, factors influencing the demand for counterfeits have attracted far less efforts than supply side remedies. Within this paper, we consolidated existing findings and developed a comprehensive, yet parsimonious model of the antecedents and drivers of voluntary counterfeit purchases. Following the frequent call for more cross-national comparisons, we used a sample of four countries to test our model. The analysis showed that the general model structure we proposed appeared to be universal with an acceptable fit across the four countries under investigation. Above all however, the general price advantage seems to have the strongest influence on the intention to purchase regardless of the actual price difference and the country background. In addition, the demand for counterfeits appears to be rather price-insensitive, so efforts to make counterfeits more expensive have only limited success. Another interesting finding was the fact that knowledge on the effects of counterfeiting has a strong impact on attitudes and the intention to purchase counterfeits. So communication campaigns should focus on knowledge development among consumers.

An Analysis of the Emergence of Gray Markets: A Generic Model

Victor Cordell, Monterey Institute of International Studies, vcordell@miis.edu
Peggy E. Chaudhry, Villanova University, peggy.chaudhry@villanova.edu
Alan Zimmerman, City University of New York, Zimmerman@postbox.csi.cuny.edu

The primary purpose of this research is to develop both a conceptual framework and subsequent model to explain the variables that are related to the probability of a gray market occurring across national markets. The main themes advanced in the literature involve the development of managerial strategies designed to combat gray markets, the analysis of legal implications of gray markets, and a discussion of factors that encourage a gray market. However, the current research does not offer any generic model to address the question of "why do gray markets emerge across national markets?" The model developed in this research demonstrates that four primary factors, price differentials, market access, volume of demand, and legal status of gray markets, can be used to assess the emergence of gray markets. The model will be tested using ordinary least squares and logit analysis.

The Effect of National Culture and Buyer-Seller Relationships on Repurchase Intention in Business-to-Business Markets

R. Bruce Money, University of South Carolina, moneyb@moore.sc.edu
Kelly Hewett, Winthrop University, hewettk@winthrop.edu
Subhash Sharma, University of South Carolina, sharma@moore.sc.edu

In a cross-national context, this study examines whether the strength of a buyer-seller relationship leads to increased repurchase intention. It moreover examines the moderating effect of national culture, defined with four of Hofstede's five dimensions, on that link. With business-to-business customer data from the U.S. and six Latin American countries, the effects of national culture on the relationship-repurchase phenomenon are explored. Results show that national culture does indeed moderate the relationship quality – repurchase intentions relationship. In cultures characterized as collectivistic, and as high in power distance, relationship quality has a stronger effect on repurchase intentions in our context. Managerial implications of our findings and future research directions are offered.

Integrative Theoretical Model of Different Consumers Feelings, Attitudes and Behavioral Manifestations Linked to National Identity

Sergio W. Carvalho, The Graduate Center of the City University of New York, scarvalho@gc.cuny.edu

This paper draws on the theories of self-concept, social identity and intergroup relations to present an integrative theoretical national identity-based analysis of consumer behavior. It looks at citizens as consumers and seeks to propose how these consumers make sense of, interpret and negotiate what their nation and their national identity mean to them not only in routine times but also in times of crises when the national identity has been threatened by outsiders. It conceptualizes consumer patriotism – consumption as expressions of attachment love and loyalty to one's nation that has special power to motivate self-sacrifice for the nation's good (Daser & Meric 1987; Han 1988); consumer ethnocentrism – consumption as expressions of feelings of superiority to other nations and protective behavior toward one's own nation (Shimp & Sharma 1987; Durvasula et al. 1997); consumer animosity – consumption as expressions of feelings of antipathy toward other nations (Klein et al. 1998; Klein & Ettenson 1999); and consumer nationalism – consumption as expressions of rivalry and hostility toward other nations (Balabanis et al. 2001).

Session 1.2.3 - Track 4 - WORKSHOP

Technology and Innovations in MNEs: Technology Acquisition in MNEs (1): Sourcing

Room: Big Sur 1-2 Time: 3:30-5:00 p.m.

Chair: C. Annique Un, Cornell University, cau3@cornell.edu

Technology Sourcing Through Acquisitions: Evidence from the U.S. Drug Industry

Karen Ruckman, Concordia University, kruckman@jmsb.concordia.ca

There were a large number of U.S. drug company take-overs in the 1990s by both foreign and domestic acquirers. Observing the absolute difference between target and acquirer R&D intensity suggests there is no difference between foreign and domestic acquisition patterns. However, an estimation of the acquirers' choice of targets reveals that foreign and domestic acquirers differ with respect to the relationship between target and acquirer R&D intensity. Foreign acquirers choose targets with high R&D intensities the lower is their own R&D intensity and domestic acquirers prefer targets with high R&D intensities the higher is their own R&D intensity.

Knowledge Sources and Foreign Investment Location in the US
Wilbur Chung, University of Pennsylvania, wcchung@wharton.upenn.edu
Juan Alcacer, New York University, jalcacer@stern.nyu.edu

Recent research demonstrates that firms, motivated by differences in nations' technical capabilities, expand abroad to seek knowledge. Unclear is what knowledge it is that these firms are seeking and how firms' preference for knowledge varies with their own technical capabilities. We investigate the attractiveness of industry, academic, and government knowledge sources using locations' stock of patent counts. We use both broad and finer grained counts along industry and geographic dimensions. For foreign entrants in the US from 1987-1993, we find that foreign firms are attracted primarily to locations rich with industry patents. Interestingly, lagging tecknical firms are more attracted to academia while leading firms find government research more desirable. This suggests that laggards catch up using academia while leaders look to government research to support their lead.

Determinants of cross-national knowledge sourcing and its effect on firm innovation
Masaaki Kotabe, Temple University, mkotabe@sbm.temple.edu
Harsh A. Mishra, State University of New York, mishrah@newpaltz.edu
Denise Dunlap-Hinkler, Temple University, ddunlap@temple.edu

This study examines the determinants of international knowledge flow. From a learning perspective, it evaluates the impact of cross-national knowledge sourcing on firm innovative performance. In a sample of 53 U.S. pharmaceutical firms, using U.S. patent based pooled data, the results suggest that innovative performance is a curvilinear function of the international knowledge content used by a firm to innovate. As hypothesized, it was found that at (1) low and moderate levels of international knowledge content, a firm's strategy to source international knowledge improves its innovative performance and at (2) higher levels of international knowledge content, there are diminishing marginal returns to sourcing knowledge from overseas.

Technology Sourcing by Foreign-owned MNEs in Germany — An analysis using patent citations
John Cantwell, Rutgers University, Cantwell@rbs.rutgers.edu
Camilla Noonan, University College Dublin, Camilla.noonan@ucd.ie

This paper presents a preliminary examination of technology sourcing and knowledge localisation in the context of Germany. We use US patent citation data to examine the technology sourcing activities of foreign-owned multinational firms located in Germany over the 1975-1995 period. Particular attention is given to the age profile, the home-base augmenting/exploiting characteristics of such activity and the degree to which local sourcing might be deemed regionally bounded. While regionally bounded activity is seen to depend upon the technological specialisation of foreign firms, a strong relationship exists between the technological specialisation of the indigenous sector and inter-regional sourcing by foreign firms.

Session 1.2.4 - Track 3 - COMPETITIVE

International Finance

Room: Big Sur 3 Time: 3:30-5:00 p.m.

Chair: Paul M. Vaaler, Tufts University, paul.vaaler@tufts.edu
Discussant: J. Jay Choi, Temple University, jay.choi@temple.edu

Democratization's Risk Premium: Partisan and Opportunistic Political Business Cycle Effects on Sovereign Ratings in Developing Countries

Paul M. Vaaler, Tufts University, paul.vaaler@tufts.edu
Steven Block, Tufts University, steven.block@tufts.edu
Burkhard N. Schrage, Instituto Superior Técnico, Lisbon, bschrage@web.de

Though traditionally used to explain election-period interactions between incumbent politicians and voters, PBC theory has recently found application with non-voting business and financial actors concerned with risks associated with election-period economic policies in nascent democracies of the developing world. We use PBC considerations to develop a framework to explain election-period risk assessments made by major credit rating agencies ("agencies") publishing sovereign risk ratings for developing countries. Testing framework predictions with 482 agency ratings for 19 countries holding 39 presidential elections from 1987-2000, we find overall that agencies assess a risk premium on developing countries where the partisan orientation of candidates likely to win elections will lead to economic policies undermining sovereign financial commitments (i.e., left-wing victories leading to higher-inflation, deficits and possible debt repudiation). Downgrades are greater as agency expectations of right-wing (left-wing) re-election (ouster) decrease. Rating changes for right-wing (left-wing) incumbents are larger (smaller) in absolute magnitude due to the reinforcing (counteracting) effect of various PBC considerations. PBC considerations improve our understanding of risk assessment and risk-related behavior by agencies and, perhaps, other business and financial actors potentially affected by factors related to individual elections and or to the broader trend of democratization in the developing world.

The value of real options investments under abnormal uncertainty: The case of the Korean economic crisis

Seung-Hyun Lee, University of Texas at Dallas, Lee.1085@utdallas.edu
Mona Makhija, The Ohio State University, makhija_2@cob.osu.edu

Real options investments are expected to take their greatest value during periods of abnormally high uncertainty. Yet, this important proposition of real options is empirically difficult to test, since one cannot readily find such well-defined unanticipated periods affecting large numbers of firms. We attempt to address this problem in the real options literature in this research by focusing on the case of Korean firms during the recent Korean economic crisis in 1998. The largely unanticipated nature of this Korean economic crisis, along with its highly uncertain implications, created the conditions of a "natural experiment" for investigating this issue. Our findings support the notion that real options investments provide value both in themselves, and relative to those investments made by peers within their industry. We also find support for the notion that the value of real options varies with the level of uncertainty faced by the firm.

The real options value of international investments by Korean firms

Seung-Hyun Lee, University of Texas at Dallas, Lee.1085@utdallas.edu
Mona Makhija, The Ohio State University, makhija_2@cob.osu.edu

International investments provide firms with important real options that allow them to gain strategic flexibility during periods of uncertainty. While firms' international investments include those relating to exporting capability as well as foreign productive capability (i.e., FDI), prior empirical work has focused overwhelmingly on only FDI. Since exports and FDI may have overlapping as well as synergistic characteristics, we investigate several hypotheses comparing the real options value of both types of investments for Korean firms in the highly uncertain period of the recent Asian economic crisis. We find evidence that firms' values during the crisis were consistent with the differential real options values of *a priori* export and FDI investments made by these firms. We further find important differences in the real options value of such investments made by firms imbedded in a closed network and those in embedded in an open network.

Session 1.2.5 - Track 3 - WORKSHOP

Competitive Advantage and Performance

Room: Cypress 1-2 Time: 3:30-5:00 p.m.

Chair: John Patton, Florida Institute of Technology, jpatton@fit.edu

Corporate Governance Influences Post-Privatization Performance: A Country Characteristics Framework

Kalpana Seethepalli, The George Washington University, kalpanac@gwu.edu

This paper draws on the international business strategy and finance literatures to address a critical gap in extant privatization literature concerning systematic differences in the post-privatization performance improvements across developing countries and transition economies. The paper develops a model that relates different country characteristics to different types of post-privatization performance improvements. In particular, it argues that differences in country characteristics between developing countries and transition economies translate into different mechanisms of corporate governance, which then influence post-privatization firm performance. As a corollary, different mechanisms of corporate governance across countries would lead to different sources of performance improvements after privatization. The model therefore throws light, for the first time, on why different countries have adopted different methods of privatization, what the role of corporate governance is in the choice of the form of privatization adopted, and how corporate governance mechanisms in countries contribute to the performance enhancing effects of privatization. In addition, the argument presented in this paper can be further sophisticated to better inform managerial practice and public policy in different privatizing emerging economies.

Foreign Subsidiary Innovation and Local Environment in Developing Countries - Evidence from Singapore and Thailand

Zi-Lin He, National University of Singapore, fbap9059@nus.edu.sg
Poh-Kam Wong, National University of Singapore, bizwpk@nus.edu.sg

This paper adopts a "subsidiary view" of the MNC to systematically investigate the impacts of local environment on the propensity and level of foreign subsidiary innovation in the context of two East Asia developing countries at different stage of economic development. It is found that Singapore has an overwhelmingly better innovation environment evaluated by subsidiary managers than Thailand, and foreign subsidiaries in Singapore also have higher incidence and level of innovation behavior. The regression analysis shows that two dimensions of local environment—manpower and customers/suppliers, have positive and significant impacts on foreign subsidiaries' incidence and level of innovation. Specifically, the manpower dimension is prominent in the Thailand sample, while the customers/suppliers dimension in the Singapore sample. The influence of the government dimension is marginally significant. However, the location advantage alone is very limited in explaining the variation in foreign subsidiary innovation. It seems that foreign subsidiary development in developing countries could be very parent-driven, rather than location-driven (especially regarding R&D investment), although many studies have concluded the paramount importance of location advantage in developed countries to attract foreign technological activities.

The Determinants of Competitive Advantage of IJVs in Transition Economies: The Case of Vietnam
M. Krishna Erramilli, Nanyang Technological University, amkerramilli@ntu.edu.sg
Wu Zhan, Nanyang Technological University, PG01043492@ntu.edu.sg
Duc Tri Nguyen, Ho Chi Minh City University of Economics, ductrin@hcm.vnn.vn

Many studies have examined the determinants of resource acquisition in the context of IJVs in transition economies. However, very few studies have focused on the consequences of resource acquisition. Moreover, among the few studies investigating the impact of resource acquisition on the competitive advantage of IJVs in transition economies, little effort has been made to distinguish between intangible resources and tangible resources in terms of their implication for the competitive advantage of IJVs in transition economies. Based on both Resource-based View and Organizational Capability Perspective, this study examines the determinants of competitive advantage of IJVs in Vietnam. We found that acquisition of tangible resources and the learning capacity of local partners significantly affect the competitive advantage of IJVs in Vietnam. Although acquisition of intangible resources does not directly and positively impact on the competitive advantage, it does increase competitive advantage as foreign ownership of the IJV increases. Implications for future research are discussed.

Lessons Learned from Unsuccessful Retailer Internationalization Attempts: An Exploratory Study of the Internationalization Process of U.S. Retailers to South American Markets
Constanza Bianchi, Universidad Adolfo Ibáñez, Chile, constanza.bianchi@uai.cl
Enrique Ostale, Universidad Adolfo Ibáñez, Chile, eostale@uai.cl

A critical issue facing internationalising firms is how to succeed in foreign markets. A major challenge for a subsidiary's adequate operation in the host country lies in transferring the home-based source of competitive advantage, while at the same time being responsive to the local environment. In the retail context, there is evidence that several retailers that are successful in their own market, have failed in their effort to expand to foreign markets. Despite the increasing number of studies related to firm internationalisation in the retailing and marketing literature, more research is needed to understand the factors that affect international retailer performance. This exploratory study drew form an institutional framework to conceptualise country environments, and investigated the factors that affect the performance of U.S. internationalising retailers to South American markets such as Argentina and Chile. Interview data showed that the main factors that lead to unsuccessful results when operating in foreign countries were: (1)inadequate mode of entry, (2)improper expatriate management team to lead the host operation, (3)elevated operating costs, and finally (4)forgetting to account for the host competition.

Session 1.2.6 - Track 5 - WORKSHOP

Macro Effects on Organizational Strategies and Behaviors

Room: Cypress 3 Time: 3:30-5:00 p.m.

Chair: David McArthur, University of Nevada, dmcarthu4@ccmail.nevada.edu

Co-Evolution of National Innovation System and Organizational System: A Situation of Biotechnology Sector in Japan
Kazuhiro Asakawa, Keio University, asakawa@kbs.keio.ac.jp

This paper explores the way institutional changes are taking place within the national innovation system in Japan, in relation to the growing domestic biotechnology sector. The national science base in Japan cannot satisfactory meet all the requirements of rapidly advancing life science, and there are clear disadvantages pertinent to Japan's innovation system relative to that of the United States. However, the prospects of the industry are not necessarily pessimistic in light of recent changes in various levels of innovation policies: national policy level, inter-organizational level, and individual organizational level. A careful investigation into the phenomenon revealed that institutional changes in biotechnology sector are the result of co-evolution of macro innovation policy at the national level and micro R&D and venture strategies at the organizational level. Co-evolution consists of changes at various levels: recent policies in favor of life science research promulgated by the Japanese government, fostering of university-industry technology linkages, growing incentives for biotech venture companies in biotech research due to financial deregulation in capital markets, as well as shifting business and R&D strategies in favor of life science research and cross-border research alliances. Through the analysis of Japanese biotech industry, the author provided a framework for a dynamic approach in institutional analysis at multiple levels.

Institutional Effects on MNC Learning Behavior: A Look at the European Chemical Industry

Ayse Saka, University of Groningen, a.saka@eco.rug.nl

This study presents a multi-level comparative approach to investigating the extent to which multinational corporations (MNCs) in their relationship with their affiliate firms engage in single- and double-loop learning with implications for organisational performance. The focus is on the impact of institutional and organisational variation on the intensity of organisational learning. Neo-institutional and multinational corporation perspectives are furthered in the study by linking environmental adaptation to intentional action in which adaptation is implicated. It is argued that learning within MNCs occurs in a context of translating existing behavioural and cognitive templates. The research, which is ongoing at present, is based on in-depth case studies that are aimed at systematically comparing the ways in which i) parent company templates diffuse to Polish, Turkish, Italian and German affiliate firms and ii) affiliate company templates diffuse to German and British parent companies in the chemical industry. The study contributes to arguments on the diversity of institutional systems or in cross-national patterns in the midst of globalisation, where multinational diversity provides alternative opportunities for learning and capability building. It is argued that an MNC is likely to engage in double-loop learning upon increased international diversity and acquisitions in developed countries. The difference in the levels of economic advancement between home and host environments tends to encourage incremental adaptation or single-loop learning.

Knowledge-seeking foreign investment, clustering and retained earnings

Sarianna M. Lundan, University of Maastricht, S.Lundan@mw.unimaas.nl

This paper explores the consequences of the internationalization of corporate research and development (R&D) on the locational patterns of innovative activity, and the role foreign investment plays in the financing of such activity. Although the number of research-intensive small firms continues to grow, both in terms of output as measured by patent citations as well as input as measured by R & D expenditures, large firms claim the lion's share of innovative activity in many sectors. At the same time, the key aspect of the transformation of the multinational firm over the past decade has been the changing of focus away from the exploitation of home-based capabilities towards the establishment of corporate networks aimed not only at the diffusion, but also at the exploitation of disparate knowledge-based resources. We present aggregate evidence on the patters of innovative activity within Europe, paying particular attention to the clustering of American direct investment in European R&D activities. We contrast these patterns with the levels of retained earnings as a source of investment, and find that at least in terms of magnitude, retained earnings offer sufficient funding for American R&D activities in Europe. We discuss the implications of this finding in terms of investment retention and the sustained growth of innovative clusters.

Collaborate or Do It Alone? Trade of Strategic Resources, Interorganizational Embeddedness, and Value Creation

Hengchiang Huang, National Taiwan University, bhchuang@mba.ntu.edu.tw
Hsin-Mei Lin, National Taiwan University, lin1117@mba.ntu.edu.tw

We try to explain the interorganizational collaboration and their success of value creation (related to time-to-market and cost benefit in innovation) by adopting the concept of network embeddedness and IORs that influence the exchange mode of strategic resources combining and exchanging under the resource-based obstructs like information asymmetry, resources inimitability, and resources immobility. We identify the antecedents of transaction difficulties in interfirm complementary strategic resources combine and exchange from perspectives of resources-based view, which lead to a more hierarchical mode of exchange in logic of TCE. Furthermore, the importance of role of relational embeddedness in moderating the information problem, the role of structural embeddedness in offering informal safeguarding mechanism to lessen coordination difficulty, and the role of positional embeddedness in strengthening the benefits of the other kinds of embeddedness is elucidated to explain the prevalence of using interorganizational collaboration rather than M&A (do it alone) on acquiring complementary strategic resources for value creation in innovation under the situation that transaction cost is high. We offered a supplemental role of interorganizational embeddedness on facilitating value creation through interfirm collaboration on resources exchange and combination when transaction cost theories and resources-based view are concerned in the exchange process and modes.

Session 1.2.7 - Track 1 - PANEL

TCE: The Next Generation - The Enduring Influence of Williamson's Transaction Cost Economics Theory on International Business Research

Room: Windjammer 1-2 Time: 3:30-5:00 p.m.

Chair: Brian Silverman, University of Toronto, Silverman@Rotman.Utoronto.Ca
Discussant: Oliver E. Williamson, University of California Berkeley, owilliam@haas.berkeley.edu

For more than 25 years, transaction cost economics has had an immense impact on international business research. This panel explores the enduring influence of transaction cost economics within international business scholarship, particularly related to foreign direct investment decisions, alliance formation and governance, and the influence of political institutions on multinationals' location and organization decisions. The panel includes studies that both survey recent refinements in the application of transaction cost economics to IB, and invoke and elaborate transaction cost reasoning to provide new insight to longstanding challenges in the international business field.

The Prevalence of Transaction Cost Logic in Current IB Research
Jeffrey T. Macher, Georgetown University, Jtm4@georgetown.edu

Governance and Competence Perspectives on International Alliances: Family Feud or Happy Marriage?
Joanne E. Oxley, University of Michigan, oxley@umich.edu

Explicating Political Hazards
Witold J. Henisz, University of Pennsylvania, henisz@wharton.upenn.edu
Bennet Zelner, Georgetown University, zelnerb@georgetown.edu

Efficient Organization and Endogeneity Issues in Foreign Direct Investment Research
J. Myles Shaver, University of Minnesota, James054@umn.edu

Session 1.2.8 - Track 8 - COMPETITIVE

Financial Perspectives on Multinational Enterprise

Room: Windjammer 3-4 Time: 3:30-5:00 p.m.

Chair: Bernard Yeung, New York University, byeung@stern.nyu.edu
Discussant: David Reeb, University of Alabama, dreeb@cba.ua.edu

A Multinational Perspective on Capital Structure and Internal Capital Markets
Mihir Desai, Harvard Business School, mdesai@hbs.edu

How do firms alter their financing choices in response to tax incentives and the quality of the contracting environment in which they operate? This paper employs detailed data on how U.S. multinationals finance foreign affiliates to isolate the role of tax incentives and legal regimes on capital structure and the workings of internal capital markets within multinational firms. First, the paper identifies significant tax effects for capital structure choice by examining how multinationals respond to distinct tax incentives around the world. Second, by examining the interest costs faced by multinationals around the world, the paper isolates how weak creditor rights and underdeveloped capital markets translate into higher costs of external finance and how firms respond to these higher costs by changing the level and composition of their borrowing decisions. Third, the papers identifies a significant substitutability between internal borrowing and external borrowing for multinational firms suggesting that multinational firms rely on opportunities not available to local firms. Multinational firms appear to capitalize significantly on tax advantages and global borrowing capacity in their worldwide operations.

A Portfolio Analysis of MNCs and Industrial Structure in a Small Open Economy: Ireland 1974/75-1998/99

Colm Kearney, Trinity College, colm.kearney@tcd.ie

There is a contradiction between the implications of international trade theory and those of portfolio theory. Trade theory suggests that countries should *specialize* in line with comparative advantage, while portfolio theory emphasizes the benefits of *diversification*. Multinational firms have contributed enormously to the development of Ireland's economy during the past 25 years, transforming it from a poorly developed agrarian economy to one of the most open and competitive economies in the world. Recently, however, concern is emerging about Ireland's specialization in a narrow range of sectors that are dominated by foreign-owned corporations, and which are highly vulnerable to fluctuations in the world economy. This study uses the principles of portfolio theory to evaluate the development of Ireland's industrial structure. Using 25 years of data on employment by manufacturing sector in indigenous and foreign firms, it shows that foreign firms have raised the growth of employment in Ireland while reducing its volatility. In this sense, the policy of fostering economic and industrial transformation by attracting multinational firms can be considered to be efficient in mean-variance space.

Effects of Diversification on Innovation: Old Question, New Evidence

Ishtiaq P. Mahmood, National University of Singapore, bizipm@nus.edu.sg

This paper examines the effects of diversification on innovation. Using Taiwan as the empirical setting, we look at the effects of diversification on both patents and R&D. Two recent econometric approaches for causal inferences are applied in order to tackle the possible endogeneity between diversification and innovation. Our evidence suggests that diversification has a negative effect on innovation. This result is robust to a variety of statistical techniques and measures

JIBS Decade Award

Presentation of the 2003 AIB JIBS Decade Award

Room: Regency Ballroom Time: 5:00-6:00 p.m.

Chair: Arie Lewin, JIBS Editor-in-Chief, aylewin@attglobal.net

MONDAY – July 7, 2003

Session 2.3.1 - Track 7 - COMPETITIVE

Organizational and behavioral issues in cooperation

Room: Spyglass 1 Time: 8:30-10:00 a.m.

Chair: Lin Lerpold, Stockholm School of Economics, lin.lerpold@hhs.se
Discussant: Alex Mohr, Bradford University, a.t.mohr@bradford.ac.uk

Understanding the Consequences of Control and Trust: A Three-Party Perspective on International Joint Ventures in China

Dong Chen, Rutgers The State University of New Yersey, dongchen@pegasus.rutgers.edu
Seung Ho Park, CEIBS/Rutgers The State University of New Yersey, psam@ceibs.edu

In order to sustain satisfactory international joint ventures (IJVs), it is necessary for parent firms to build control mechanisms and trust relationships. This paper explores the performance consequences of parent control and inter-firm trust in IJVs from the perspectives of three different parties, i.e., two parent firms and IJV management. It is hypothesized that parent control asymmetry, IJV autonomy, and inter-parent trust jointly affect parent satisfaction and IJV managerial performance. Using primary survey data on 117 IJVs in China, we find that a parent's control dominance is positively associated with the achievement of its own goals, but not related with IJV managerial performance; and IJV autonomy is a critical factor for both foreign and Chinese parent satisfaction as well as IJV managerial performance. Study results also suggest that inter-parent trust is more important for Chinese firms in IJV operations, while foreign firms tend to be more concerned with gaining dominant control. Additionally, inter-parent trust can enhance the impact of foreign parents' control dominance on their satisfaction towards IJVs, and subdue the positive influence of IJV autonomy on Chinese parent satisfaction.

The Influence of Behavioural And Organisational Characteristics on the Success of International Strategic Alliances

Saleema Kauser, Manchester Business School, skauser@man.mbs.ac.uk
Vivienne Shaw, University of Otago, vshaw@business.otago.ac.nz

With the current trend toward globalisation and the increasing competitive and technological challenges of today's environment the formation of international strategic alliances has become an important part of many firm's international business strategies. Experience with international strategic alliances has shown that they face a number of problems, which can often result in the termination of the alliance. This study, therefore, aims to assess the impact of both behavioural and organisational characteristics on the success of international strategic alliances. The results show that behavioural characteristics play a more significant role in explaining overall alliance performance compared to organisational characteristics. High levels of commitment, trust, coordination, interdependence and communication are found to be good predictors of international strategic alliance success. Conflict, meanwhile, is found to hamper a good performance. By contrast organisational characteristics such as structure and control mechanisms are found not to strongly influence the success of international strategic alliances.

An Empirical Analysis of Factors Influencing Alliance Duration

Nitin Pangarkar, National University of Singapore, bizpn@nus.edu.sg

This study examines the factors influencing alliance duration. Our model is grounded in three key theoretical perspectives: transaction costs, interorganizational trust and organizational learning. These three perspectives suggest the following variables: previous alliance experience of each of the partners, previous relationship among the partners, previous alliance terminations by the partners and whether the alliance involves the purchase of equity stakes. Based on a (logistic) regression analysis of 83 alliance terminations in the biotechnology sector during the time period 1980-96, we find that equity alliances tend to last longer. Alliances where both partners have previous alliance experience also tend to last longer. We do not find support for the two remaining hypotheses—previous termination by partners, or previous

relationship among partners have no impact on alliance duration. The implications of these results for the formation and management of alliances in uncertain and evolving industry environments are discussed.

Effects of structural conditions and process characteristics on international alliance outcome

Rekha Krishnan, Tilburg University, R.Krishnan@uvt.nl
Niels G. Noorderhaven, Tilburg University, N.G.Noorderhaven@uvt.nl

Prior research on international strategic alliances has tended to explain alliance outcomes primarily on the basis of the structural conditions of the alliance, neglecting the influence of characteristics of the interaction processes between partners. Though in recent research the focus is shifting towards process aspects of alliances, as yet, studies undertaking this perspective are not only few and fragmented but also remain distanced from outcome theories. In this paper, building on the “relational quality” approach, we construct a process-outcome model of alliances in which relationship quality, influenced by process characteristics, moderates the relationship between structural conditions and alliance outcomes. Hypotheses derived from the model are tested on data from Indian-foreign alliances. Our findings show that relationship quality is indeed influenced by process characteristics, and that relationship quality has a strong moderating effect on alliance outcomes. These results emphasize on an integral approach-combined influence of structure and process on alliance outcome-to the study of alliances.

Session 2.3.2 - Track 9 - WORKSHOP

Financial Markets: Currency Rates and Stock Market Issues

Room: Spyglass 2 Time: 8:30-10:00 a.m.

Chair: Carl B. McGowan, Jr., Oakland University, mcgowan@oakland.edu

Who Carried the Flu Virus in the Asian Crisis?

Kraiwinee Bunyaratavej, George Washington University, tweety@gwu.edu

A growing number of studies have looked at the reasons for the currency crises and for the contagion effect. However, the studies have been done in the absence of an empirical criterion for knowing the actual directions of how currencies affected one another. This paper empirically examines the direction of how the currencies impacted one another before and during the Asian crisis. In general, the currencies that were severely hit by the crisis influenced other currencies during the crisis the most. However, a currency that is affected by others may not necessarily be hit by a crisis. Empirically verifying the direction of the currency linkages seems to be a promising avenue for examining how contagions occur.

The Statistical Moments of European Currency Returns: An Empirical Study

Gordon Y.N. Tang, Hong Kong Baptist University, gyntang@hkbu.edu.hk
David T.W. Lui, Dah Sing Bank Ltd., davidlui@dahsing.com

Investment in international stock markets not only needs to concern the individual national stock market’s performance but also the exchange rate risks. Quite often, positive stock's returns offset by negative movements in the foreign exchange rates. Hence, knowing the properties of different currencies is important to investors. This paper examines the day-of-the-week effect of the statistical moments of daily returns of fifteen European currencies for the period 1986-1998. Empirical results confirm that daily currency returns are non-normally distributed and a day-of-the-week effect exists in the first four statistical moments, especially in the skewness and kurtosis. Although on some weekdays investors have to bear higher risk (standard deviation) without compensated by higher mean return (expected by rational investors on bearing risk), our results show that investor’s preference on higher moments (prefer positive skewness and dislike kurtosis) seems to be a partial explanation for the observed apparently distorted relationship of high risk (standard deviation) but low mean return in these European currencies as investor may be compensated by high positive skewness and/or low kurtosis.

Session 2.3.3 - Track 4 - COMPETITIVE

Technology and Innovation in MNEs: Technology Acquisition in MNEs (2): Transfer

Room: Big Sur 1-2 Time: 8:30-10:00 a.m.

Chair: Mahmood A. Zaidi, University of Minnesota, mzaidi@umn.edu
Discussant: Tony Frost, University of Western Ontario, tfrost@ivey.uwo.ca

Reputation and Intrafirm Technological Knowledge Sharing among R&D Scientists in the Pharmaceutical Industry

Prescott C. Ensign, San José State University, ensign_p@cob.sjsu.edu
Louis Hébert, Universit de Montréal, louis.hebert@hec.ca

This paper tests the role of a social form of exchange governance on knowledge sharing behavior. The study explores the relationship between reputation and the interpersonal sharing of technological knowledge in an environment where R&D work (innovative activity) is embedded in a social context and may be broken down physically, organizationally, and by area of technology. Pharmaceutical scientists in the same firm, though comprising a social community, may work in different locations, may be separated by organizational boundaries (e.g., departments), and work in different scientific disciplines. Findings from this research illuminate attributes of reputation conducive to the voluntary transfer of timely, relevant, technological knowledge among individual R&D scientists in the same multidivisional, multinational firm. This research examines one scientist's decision to provide or not provide personal technological knowledge to another scientist in his or her firm. Analysis is based on 213 returned surveys. It was found that the dimensions of reputation, past behavior and expected action, do have bearing on the knowledge sharing decision. Surprisingly, past behavior is not uniformly indicative of the flow of scientific know-how. Expectations for action, however, are a strong predictor of the circulation of technological knowledge among scientists.

Technology Transfer And Implementation: Exploring The Time- To-Build Fabrication Facilities In The Global Semiconductor Industry

Haynes Prize Finalist

Robert Salomon, University of Southern California, salomon@marshall.usc.edu
Xavier Martin, New York University, xmartin@stern.nyu.edu

To sustain a competitive advantage as it grows, a firm must do more than just create distinctive knowledge-based assets; it must also implement and transfer its knowledge effectively in multiple locations. The technology implementation and transfer process is often difficult and time-consuming, and it stands to substantially affect firm performance. And while technology implementation and transfer hold a prominent place in the field of strategic management; interestingly, we know little about what determines technology transfer performance. In this paper we fill this gap by analyzing how market, firm, and technology characteristics combine to influence the technology implementation and transfer process. In particular, we examine how foreign transfers differ from domestic ones. The dependent variable of interest is the time it takes for a firm to build a manufacturing plant. Variance in this outcome captures performance differences across knowledge implementation events. Empirically, we examine a sample of plant construction projects in the memory segment of the global semiconductor industry. We find that international technology transfers, and those that involve complex technologies, take longer. By contrast, firm experience improves technology transfer and implementation performance. We discuss the significance of these findings for both research and practice. The study enriches the literatures on international expansion, technology management, and the economics and strategic management of corporate growth.

Social capital and knowledge access in the process of global newproduct innovation of an MNC

Nicholas Athanassiou, Northeastern University, n.athanassiou@neu.edu
Edward F. McDonough, III, Northeastern University, e.mcdonough-iii@neu.edu
Francis Spital, Northeastern University, f.spital@neu.edu

The competitive advantage of companies that successfully develop new products globally lies in their ability to effectively manage knowledge across national boundaries. When it comes to global innovation, it is the dynamic creation, accessing and transfer of knowledge –explicit and tacit—that makes the difference between success and failure. Yet, we have a limited understanding of how global firms create, access, and transfer knowledge that is scattered worldwide to innovate in

their product development process. This study uses a grounded theory approach to explore how social capital is leveraged to access knowledge by managing complex interdependencies that arise in global innovation. Based on the findings from our 16 month investigation of the global product development effort of an international organization we suggest a set of propositions to guide thinking and research about the ways firms develop global knowledge processes that support successful product innovation.

International technology transfer within MNEs: When a multimarket competitive games overrides internal coordination mechanisms

Dan Li, Texas A&M University, dli@cgsb.tamu.edu
Manuel P. Ferreira, Escola Superior de Tecnologia e Gestao, Leiria, Portugal and The University of Utah, pmgtmpf@business.utah.edu

Much theory and research that seeks to explain why and how technology transfers occur within multinationals actually addresses the question of how these transfers occur among cooperative subsidiaries. This article explains that subsidiaries do not always cooperate and explores some of the implications of this difference for technology transfer. Examining competitive and cooperative relationships among a MNE's subsidiaries (i.e. inter-subsidiary) across different markets, we suggest that the success of technology transfer among subsidiaries is dependent on the organizational format of the multinational firm, the alignment between the firm's international strategy and organizational structure, the existence of organizational facilitators, and the reward system established. In the absence of these there is significant potential for inter-subsidiary multimarket competition that is originated from the overlap on the subsidiaries' product, technology, and markets portfolios.

Session 2.3.4 - Track 3 - COMPETITIVE

FDI - Strategy and Impact

Room: Big Sur 3 Time: 8:30-10:00 a.m.

Chair: James D. Goodnow, Bradley University, goodnow@bradley.edu
Discussant: Paul M. Vaaler, Tufts University, paul.vaaler@tufts.edu

Investor's Entry Strategies and Sub-national Institutions in Vietnam

Klaus E. Meyer, Copenhagen Business School, km.cees@cbs.dk
Hung Vo Nguyen, National Institute for S&T Policy and Strategic Studies, Hanoi, hung@ism.ac.vn

Foreign investors entering emerging markets have to take strategic decisions where, when and how to set up their operation. In this paper we demonstrate that the crucial decisions on intra-country location and mode of entry are interdependent. Hence, entry strategy analysis has to consider multiple aspects of entry strategy simultaneously, rather than ceteris paribus as most of the prior literature. Moreover these strategic decisions have to accommodating institutional conditions not only at the national but also at the sub-national level. We thus extend the discussion on institutions and strategy to sub-national level. We analyze these issues for foreign investors in Vietnam based on a comprehensive recent survey study focusing on intra-country location and entry modes. We find provincial institutional variables to be significant for both dimensions of entry strategy.

Entering India: Licensing or Joint Venture?

Alex Eapen, Tilburg University, A.Eapen@uvt.nl
Jean-François Hennart, Tilburg University, J.F.Hennart@uvt.nl

This paper examines the choice between licensing and joint venture (JV) as entry modes into emerging markets. Prior literature has tended to under-emphasize the role of the local firm in that choice. Using transaction cost theory we model the impact of the characteristics of foreign firms, local firms, and technologies transferred on the choice between licensing and JV. Testing our hypotheses on 126 licensing and JV entries into India, we find that local firm characteristics are crucial determinants of the choice. We also find that the peculiar institutional and market characteristics of India, such as the poor state of intellectual property protection and the complexity of its markets, render some of the traditional determinants of entry mode insignificant.

Inter-firm linkages and regional impact of foreign subsidiaries in Guangdong, China: Characteristics and Policy Options

Filip De Beule, University of Antwerp, filip.debeule@ua.ac.be
Daniel Van Den Bulcke, University of Antwerp, daniel.vandenbulcke.1@ua.ac.be,
daniel.vandenbulcke@ufsia.ac.be
Luodan Xu, Zhongshan University, lnt@zsu.edu.cn

Theoretical and practical considerations suggest not only that there are potential benefits for foreign subsidiaries to establish local inter-firm linkages, but also that these inter-firm linkages can positively impact the development of the host economy. On the basis of a dataset of foreign subsidiaries in Guangdong (China), a number of characteristics of their linkages in the regional economy are analysed. The results suggest that despite the successful attraction of FDI since China's open door policy, in particular in Guangdong province, inter-firm linkages and their regional impact have been limited. As China has relied on traditional policies, such as joint venturing and local content requirements, it needs to adapt its policies given its accession to WTO and the new realities of globalisation. Chinese governments need to upgrade domestic supply industries, e.g. by working together with private industries to identify and supplement the areas where key supporting suppliers of goods and services are urgently needed but not sufficiently provided by the market.

Session 2.3.5 - Track 3 - WORKSHOP

FDI in Asia

Room: Cypress 1-2　　　　　Time: 8:30-10:00 a.m.

Chair: Tagi Sagafi-nejad, Loyola College in Maryland, sagafinejad@loyola.edu

Attracting FDI to the Republic of Korea: Foreign Manufacturers' Satisfaction with Korean Government Policies

Sidney J. Gray, University of New South Wales, s.gray@unsw.edu.au
Sunghoon Hong, Honam University, shhong@honam.ac.kr

The government of the Republic of Korea has recently endeavoured to attract more foreign direct investment (FDI) through the improvement of its institutional framework. This article seeks to investigate the extent to which foreign manufacturers are satisfied with the policies of the Korean government relating to issues such as taxation incentives, subsidies, financial policy, administrative assistance, and labour policy. While there are, in general, below medium levels of satisfaction there are also significant differences across policy areas. It is also noteworthy that taxation incentives and labour policy are important determinants of overall satisfaction. Further, large firms, export-oriented firms, and technology-intensive firms show higher levels of satisfaction while Japanese firms and firms located in metropolitan areas show lower levels of satisfaction.

Location Strategies of Finnish Firms in Asian Countries - Empirical Evidence

Rizwan Tahir, University of Vaasa, Rizwan.Tahir@uwasa.fi
Jorma Larimo, University of Vaasa, jorma.larimo@uwasa.fi

The purpose of this paper is to empirically investigate how the ownership, location, internalization and strategic advantages have influenced the location strategies of the Finnish firms in ten South and Southeast Asian countries from 1980 to 2000. Despite the increased interest in FDIs, very few studies have been undertaken to empirically analyze the influential ownership, location and internalization (OLI) variables together with the strategic advantages in order to analyze the FDI choices of foreign investors. To the best of our knowledge, particularly the strategic motives have remained primarily anecdotal. This is the first study trying to analyze how the ownership-specific, location-specific, internalization and strategic advantages have influenced the location strategies of Finnish manufacturing firms in Asian countries. The research results indicate that the large size of the parent firm, large international experience, a large market size in the target country, low cultural distance and low wage rates increase the probability of undertaking *market-seeking and efficiency-seeking FDIs*. Secondly, it has been found that low levels of inflation, low levels of risks and the high level of exchange rate fluctuations in the target country increase the probability of undertaking *risk-reduction seeking* FDIs. Finally, the results show that the high R&D intensity of the parent firm increases the probability of undertaking *knowledge-seeking FDIs* in Asian countries.

Strategic Determinants of Foreign Market Share in A Dynamic Context: Evidence from China's Automotive Industry

Guoyong Liang, Erasmus University, Liang_guoyong@yahoo.com, gliang@fbk.eur.nl
Rob van Tulder, Erasmus University, rtulder@fbk.eur.nl

Do entry timing and other pre-entry strategic decisions in a transition economy like China make a difference for the market performance of transnational companies? To what extent is this mitigated by the strategic experience of them in internationalization processes and the national specific context? This paper considers the background of Chinese economy in general, its automotive industry in specific, and represents an original attempt to trace the strategic determinants of market share achievements of foreign invested joint ventures in a dynamic industrial setting in China. Hypotheses are formulated and tested for the 1985-present period on the relationship between market share achievement and entry timing, local partner qualification, transnationality index, foreign equity share and investment scale. We find in a dynamic industrial context such as China's automotive industry, entry timing, partner selection, equity structure arrangement and international operation experiences determine business performance, in terms of market share. In China's automotive industry, investment scale play a much modest role in determining business performance, because the special industrial context with baffled competition lower the minimum efficient scale of production and reduce the importance of cost advantage in market competition. This paper also shows experience in international operation is amongst the most important determinants of foreign market share.

Causes for Sluggish Australian Direct Investment in Korea

O. Yul Kwon, Griffith University, Y.Kwon@mailbox.gu.edu.au

Until the 1997 financial crisis, Korea was regarded as the worst place to invest among Asian countries. Since 1997, however, Korea has liberalised the FDI regime up to the level of OECD countries. Korean society and the business community have also sought to improve the business environment. Nevertheless, the magnitude of FDI in Korea as compared to its economy is still much smaller than those in neighbouring Asian countries. In particular, Australian direct investment in Korea is dismally low. This paper attempts to address the issue of low FDI in Korea by means of a comprehensive survey of Australian companies in Korea. According to the survey results, Australian firms undertook investment in Korea in order to capitalise on the emerging business opportunities by means of their firm-specific advantages. Notwithstanding the drastic liberalisation of the FDI regime and the structural reforms of the Korean economy since 1997, Australian business expatriates appear to view that the Korean business environment has not improved significantly. Challenges for investment and on-site management arise not only from excessive government regulations, their lack of transparency and consistency, and excessive bureaucratic power, but also from labour relations, unfair advantages of domestic firms, and Korean culture and society. In order to further attract FDI, Korea needs to make further concerted efforts to improve its business environment.

Session 2.3.6 - Track 6 - COMPETITIVE

Companies Going Native or Not?: Organizational Identity and Practices in Foreign Countries

Room: Cypress 3 Time: 8:30-10:00 a.m.

Chair: Mary Yoko Brannen, San José State University, brannen_m@cob.sjsu.edu
Discussant: Malcolm Chapman, University of Leeds, malcolm.chapman@btinternet.com

Japanese Manufacturers are adapting to local conditions in North America
Robert A. Berg, Nova Southeastern University, berg@huizenga.nova.edu
Katsuo C. Yamazaki, Shizuoka Sangyo University, yamazaki@iwata.ssu.ac.jp

A 1989 research study explored the potential for the effective transfer of Japanese management and production systems. These systems have been credited for much of the competitive superiority that Japanese manufacturing firms have achieved in the midst of cultural environments that differ considerably from their own. This examination of the local plants revealed a dynamic interplay between two opposing forces or tendencies: (a) application of the Japanese system and (b) adaptation to local conditions. This is called the "hybrid theory." Eleven years have passed since this research was completed and the current research study was started. To be sure, those eleven years have had a profound impact on the Japanese economy, management styles and strategies. Now, it is important to take a closer look at the automotive components industry and to clarify, through more focused research, how the Japanese automotive components companies in North America have adapted to the American management systems to achieve continuous improvement through this time period. This further research on Japanese automotive components companies in North America analyzes the characteristics of this industry through the hybrid theory.

Space and Time: The Role of Location in Replicating and Learning HRM Capabilities in Japanese Australian and Thai Subsidiaries
Stephen Nicholas, University of Melbourne, s.nicholas@unimelb.edu.au
Elizabeth Maitland, University of Melbourne, e.maitland@unimelb.edu.au
William Purcell, University of New South Wales, w.purcell@UNSW.EDU.AU
Tasman Smith, Thammasat University Bangkok,

This paper tests for learning and the replication of HRM capabilities in Australian and Thai-based Japanese subsidiaries. Replication and learning hypotheses were constructed by drawing on internalisation-dynamic capability approaches; location theory; and learning models. Firm-specific survey data revealed that Japanese managers treated Australia, and the ASEAN5 countries (Thailand and Singapore, Malaysia, Indonesia and the Philippines) as separate investment regions. Different competencies were transferred to their Australian and Thai subsidiaries. When learning was measured as the deepening of the implementation of HRM practices and capabilities, Australian and Thai subsidiaries were found not to be 'learning organisations'. The impact of time, subsidiary size, and subsidiary experience on learning did not affect the conclusions. Deficiencies in Japanese MNEs' organisational infrastructure, including poor formal and informal control and coordination, and the failure to build new routines for intrafirm information flow were linked to the poor learning outcomes.

You Say Goodbye and I Say Hello: A Descriptive Model of International Business Relocations
Brent Burmester, The University of Auckland, b.burmester@auckland.ac.nz

Critical review of the scant literature devoted to the subject of international business relocation (IBR) reveals it has been addressed in a fragmented and unsystematic fashion. This paper attempts to lay the conceptual foundations for a more rigorous development of relocation theory by introducing a typology distanced from extant research assumptions. The exercise identifies aspects of international business relocation (IBR) that have suffered neglect in the scholarly literature, such as the differentiating features of IBR variants, and the need to more rigorously account for the influence of organisational identity in IBR research. To demonstrate the utility of the typology in integrating knowledge about IBR, concepts and findings from an article dealing with staged internationalisation are re-evaluated. It is recommended that academic inquiry in international business treat IBR as analytically distinct from internationalisation and retrenchment strategies.

Organizational attractiveness is in the eye of the beholder: Movement capital's moderating effects on the relationships of cultural distance and internationalization with organizational attractiveness

Haynes Prize Finalist

AIB Best Paper Finalist

Naomi Gardberg, City University of New York, naomi_gardberg@baruch.cuny.edu
William Newburry, Rutgers University, newburry@andromeda.rutgers.edu
Liuba Belkin, Rutgers University, lvgloss@aol.com

Organizations depend upon external constituencies for critical resources including but not limited to revenue, capital and labor. Yet, little international business research examines important factors causing these external constituencies to pursue behaviors that are supportive of the firm, such as seeking employment. We partially address this research gap by examining how movement capital (Trevor, 2001), represented by the demographic variables of gender, education, race, household income and age, both directly impacts and moderates the relationships of cultural distance and degree of internationalization (DOI) on one such supportive behavior - organizational attractiveness as a potential place of employment. Our analysis of individual perceptions regarding companies from the Reputation Quotient (RQ) Gold 2000 study suggests that cultural distance and DOI significantly impact perceptions of organizational attractiveness as a place of employment. Moreover, the movement capital (Trevor, 2001) variables of education, income and race significantly moderate these relationships.

Session 2.3.7 - Track 1 - COMPETITIVE

Ideas with an Impact: Property Right Protection, Privatization, Genetical Modification, and Terrorism

Room: Windjammer 1-2 Time: 8:30-10:00 a.m.

Chair: Bruce McKern, Stanford University, bmckern@stanford.edu
Discussant: Brigitte Lévy, University of Ottawa, blevy@uottawa.ca

Do Stronger Intellectual Property Rights Increase International Technology Transfer? Empirical Evidence from U. S. Firm- Level Panel Data

Lee Branstetter, Columbia Business School and NBER, lgb2001@columbia.edu
Raymond Fisman, Columbia Business School and NBER, rf250@columbia.edu
Fritz Foley, University of Michigan, ffoley@umich.edu

This paper examines the response of U.S. multinational firms to a series of multilateral reforms of intellectual property rights regimes undertaken by 12 countries over the 1982-1999 period. The results indicate that the IPR regime changes result in 8.5 percent increases in royalty payment flows to parent firms on average and in 22.8 percent increases for firms that hold more patents than the median firm prior to the reforms. The sample of affiliates of parent companies that have a large number of U.S. patents before reforms also experience larger increases in employment, sales, and profitability than other firms around the time of policy changes. Since there is no evidence of an increase in royalties paid by unaffiliated foreigners, multinationals seem to respond to the IPR regime changes by exploiting their technologies inside the firm. An examination of data on international patent filings suggests that some component of the increased royalty flows represents the transfer of new technologies to the host country and that the increased flows do not merely reflect an increase in the price of the flows or greater rent extraction. These findings have crucial implications for the welfare impact of recent moves to strengthen intellectual property rights in developing countries, including, notably, the TRIPs agreement.

The Decision to Privatize as the Diffusion of an Economic Policy Idea
J. Muir Macpherson, University of Texas at Austin, muir.macpherson@bus.utexas.edu
Bruce Kogut, INSEAD, pariskogut@aol.com

Privatization as an economic policy witnessed a global explosion in the 1990s. Privatization revenues amounted to $1.3 trillion between 1985 and 2001, not including the mass privatization programs of the transition economies. The orientation of political parties in power, the legal orientation of an economy, and concerns over budgetary control have been found to be consequential for the decision to privatize. Why should these factors matter now? Countries were in debt and had right-wing governments in previous decades without privatizing. These factors may add to the explanation of individual country adoption but they do not explain why privatization as a policy boomed in the 1980s and especially in the 1990s. What has changed over time is the underlying diffusion of an economic policy as an idea. Our interest is in identifying the global diffusion of an idea as part of a historical process. The analysis below follows a simple strategy. First, we plot the diffusion of privatization policies as a hazard and cumulative adoption rate. Second, we estimate the underlying propensity, or baseline hazard, by a parametric specification. By adding in co-variates that capture the international factors that facilitate global diffusion, we can test the impact on the overall fit, but also on the change on the underlying baseline rate.

Innovation and Market Acceptance in the Face of Hostility: The Case of Biotechnology in Agribusiness
Stephen R. Luxmore, State University of New York at Oswego, luxmore@oswego.edu
Ken Shaw, State University of New York at Oswego, shaw@oswego.edu

Having invested significant resources to biotechnology applications, agrochemical firms are encountering limited market access for their innovations on a global scale. External stakeholders including consumers, investors, non-government organizations, and government regulators affect the industry's ability to sell genetically modified crops and earn an adequate return on their investment. While the industry presents evidence of the potential benefits of the application of biotechnology to the agriculture industry, some external stakeholders remain skeptical, refusing to allocate resources to the industry. The challenges are not standard across national borders as regulations differ from nation to nation. We examine the external market factors, including the opposing positions of the proponents and adversaries of genetically engineered crops. We develop a framework to analyze the environment through the consideration of social benefits and costs of transgenic crops and the local versus global affects of these benefits/costs, and present solutions that should move the industry to a favorable regulatory environment.

Terrorism and International Business
Gary A. Knight, Florida State University, gknight@cob.fsu.edu
Michael R. Czinkota, Georgetown University, czinkotm@msb.edu
Peter Liesch, The University of Queensland and Copenhagen Business School, P.Liesch@business.uq.edu.au

Terrorism has emerged as a salient threat to the international firm. It reflects the risk or actual carrying out of violent acts to attain political goals via fear, coercion, or intimation. We investigate terrorism and its association with foreign market entry and international business operations. Key concepts on terrorism are reviewed and then linked to the international activities of the firm. We offer a collection of propositions intended to elucidate terrorism's effect, at both the micro-firm and macro-environmental levels, on foreign market business activities. While international firms are likely to suffer some consequences of terrorism, flexibility, decentralized operations, and employing an optimal mix of target markets and operating modes can help to minimize this threat. We emphasize the value of international joint ventures and other, less involving internationalization approaches for dealing effectively with the terrorist threat. We also highlight the role of international venture portfolio structuring and risk assessment, and make a call for future empirical research.

Session 2.3.8 - Track 2 - WORKSHOP

Globalizations as the Slow Transformation of Institutions: The Making of Global Norms, Institutions and Sector Governance Mechanisms

Room: Windjammer 3-4 Time: 8:30-10:00 a.m.

Chair: Steven M. McGuire, University of Bath, S.M.McGuire@bath.ac.uk

Multinational Enterprises and Corrupt Practices: Sorting Out the Operating Environment

Paul Steidlmeier, State University of New York at Binghamton, psteidl@binghamton.edu
Glenn A. Pitman, State University of New York at Binghamton, gpitman@binghamton.edu

This paper focuses on the specific challenges MNEs face as they deal with corrupt practices. It begins with an overview and critique of corrupt practices within today's global operating environments. This is followed by an assessment of the current rules, regulatory environments, and sanctions that target corrupt practices. The final section assesses MNE strategic options in shaping and negotiating the global operating environment and examines their roles, responsibilities and creative options.

Beyond the Bargaining Power Model: Explaining the behavior of Nation States, Firms, and NGOs in Establishing Internet Governance

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

A nation state has little or no direct bargaining power over internet firms, located in other countries, whose transactions involve the digital transfer of goods and services to customers located in its country. However, this lack of bargaining power has not stopped nation states from passing internet laws, including those that spill over its territorial boundaries. This begs the research question addressed by this paper: what are the determinants that affect the interaction of nation states, internet firms, and NGOs in developing internet governance? The purpose of this paper is to develop theory that explains the process by which pertinent actors establish governance affecting internet transactions or transfers. First, a model is presented which frames the problem. The model depicts actors involved in establishing governance, and the structure of relationships among them. Second, given that bargaining power theory is of limited applicability, regime theory, private authority, and agency theory are leveraged to contribute explanations in this new situation and context. The model and these theories are examined in light of two internet governance issue areas: internet user data privacy, and the collection of consumption tax in e-commerce transactions.

Convergence of EU and US Merger Control Policies - Strategic Implications

Yusaf Akbar, Southern New Hampshire University, yusafakbar2003@yahoo.co.uk
Gabriele Suder, CERAM Graduate School of Management and Technology, gabriele.suder@ceram.fr

This paper seeks to shed light on DG Competition's decisions regarding international mergers with a view to examining whether there is a discernable pattern in their decision making and what the implications are for international merger strategies. In particular, we are interested in establishing whether there is a bias towards "market dominance" methodologies as is claimed by observers. We examine ten years of merger decisions by DG Competition's Merger Taskforce (MTF) (and its predecessors). We analyze only those cases that are transnational in nature or who have a transnational dimension. Thus we do not consider intra-EU mergers not having a direct and discernable transnational dimension. It is certainly the case that the prevalence of contestability methodologies in recent times in the US government's merger guidelines has created a contrast with a number of decisions taken by DG Competition. This paper does not seek to argue for the relative correctness of either the market dominance or the contestability approach to competition policy. In some senses, this is a normative, ideological and political debate. However, if DG Competition is applying a "market dominance" approach to its merger analyses, then there are clear implications for international merger strategy. Should companies be more aware of the impact of EU regulatory oversight? What is the best approach that companies should take in their merger proposals? Should companies re-consider merger as a strategic option in the face of EU merger scrutiny? How would convergence of merger analysis by competition authorities affect company merger strategies?

Privatization in India: The Politics and Economics of Gradualism
Devesh Kapur, Harvard University, dkapur@latte.harvard.edu
Ravi Ramamurti, Northeastern University, r.ramamurti@neu.edu

Using the case of India, we explore the dynamics of “gradual privatization,” wherein a government privatizes state-owned enterprises (SOEs) in small steps over several years, rather than in big steps taken all at once (as in countries like Argentina, Chile, Czech Republic, or Russia.) After documenting the Indian government’s steadily escalating commitment to privatization, we identify the disadvantages of gradualism, many of which have been pointed out by international agencies like the World Bank. But we also identify several overlooked *advantages* of gradualism. The latter include the fact that sectors are often deregulated before SOEs are privatized, that gradualism gives governments time to build political support for deeper privatization, that it allow policymakers to learn from experience, and, finally, that it gives time for supporting institutions to emerge and evolve. We conclude with observations on the future outlook for Indian privatization.

Session 2.4.1 - Track 7 - WORKSHOP

Partner Selection and Structure

Room: Spyglass 1 Time: 10:30 a.m.-12:00 p.m.

Chair: Barry Scholnick, University of Alberta, Barry.Scholnick@ualberta.ca

Partner Selection in International Strategic Alliances: An Empirical Investigation of the Drivers of International Strategic Alliance Formation
Bo Bernhard Nielsen, Copenhagen Business School, bn.int@cbs.dk

Using data from a web-survey of Danish partner firms engaged in international strategic alliances, this study explores the factors that drive alliance formation between two specific firms across national borders. The relative importance of a set of partner selection criteria is identified and related to extant theory. By means of exploratory factor analysis, a more parsimonious set of selection criteria is provided and their relationships to a number of characteristics of the sample – prior international alliance experience, administrative governance form, nationality of foreign partner and motives for alliance formation analyzed. The findings indicate that partner choice is a function of strategic motivation and varies significantly with governance mode and partner nationality.

Governance of International Non-Equity Alliances
Siegfried Gudergan, University of Technology, Sydney, siggi.gudergan@uts.edu.au
Timothy Devinney, The University of Sydney and The University of New South Wales, timdev@agsm.edu.au
R. Susan Ellis, Mt Eliza Business School, susan.ellis@mteliza.com.au

Data from two separate cross-industry samples suggest that compliance can substitute for equity in the governance of domestic and international non-equity alliances. The study demonstrates that both social and political interaction as well as risk-based decision-making processes are components of interorganizational decision-making and governance. The results partially support prospect theory as a descriptive theory of decision-making under risk and provide clear support for the social and interactional psychology theories. Finally, the findings imply that governance in international non-equity alliances is influenced by the cultural and judiciary context in which they operate.

The Influence of an MNC Network Configuration on the Volatility of Firm Performance: An Empirical Investigation
Alfredo J. Mauri, Saint Joseph’s University, amauri@sju.edu
G. Steven McMillan, Penn State Abington, gsm5@psu.edu

Previous studies of the influence of international strategy on the volatility of a firm’s performance have found consistent empirical evidence supporting the reduction in volatility resulting from a higher level of international operations. This study suggests that these results are biased because of their narrow conceptualization of international strategy as the dispersion of operations across different countries. This paper suggests that other dimensions of the configuration of an MNC network may have a different influence on performance volatility. Regression results using a sample of sample of 326 U.S. firms from 133 SIC segments between the period 1992 and 1997 provide evidence supporting this view. Consistent with previous studies, the empirical results support the reduction in volatility resulting from a greater dispersion of international

operations. However, the global integration dimension of an MNC network configuration of international activities is positively related to performance volatility.

The Instability of IJVs

Jing Li, Indiana University, jinli@indiana.edu

This paper provides a game-theoretical model to examine the determinants of the instability of international joint ventures in developing countries, where "instability" refers to joint venture breakdown. External factors that promote instability are the relaxation of ownership restrictions upon multinationals by government of developing countries, and intensive market competition in these countries. Internal factors, such as the knowledge gap between multinationals and local partners and coordination costs between them, contribute to the instability of international joint ventures. The paper also specifies conditions under which multinationals have incentives to transfer less advanced knowledge to joint ventures. The above points are illustrated by two international automobile joint ventures in China.

Session 2.4.2 - Track 10 - WORKSHOP

Emerging Issues in Global Supply Chain Management

Room: Spyglass 2 Time: 10:30 a.m.-12:00 p.m.

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

Supply Chain Consequences of Modern Retail Entry in Developing Countries: Supermarkets in Vietnam

James M. Hagen, Cornell University, jmh43@cornell.edu

The rapid modernization of food retailing in developing countries represents a technological innovation that has reaching effects on the food systems in those countries. A very small literature on developing country retail innovations (e.g., the introduction of supermarkets through foreign direct investment) was published from the 1950s through the 1980s. The present paper argues that this line of scholarship needs to be revisited and extended in light of the recent international expansion of food retailers, especially into Asia and Latin America. As a case example, the beginning stages of food retail modernization in Vietnam (1995 to 2002) and the process of retail innovation in that country are detailed. The actual and potential impact of this modernization on the food supply chain (including farmers, processors, and distributors) is great as retail innovations induce further innovations in agricultural production and distribution. While the retail modernization may lead to improvements in overall food system efficiency, it also has both positive and negative consequences for the many individuals and firms comprising the system. The process and consequences of innovation in food *production* (e.g., improved irrigation) have already been widely explored, and now similar attention should be afforded the process and consequences of innovation in food *retailing*.

Maintaining Channel Position: An Examination of Distributor Behavior to Deter Manufacturer Forward Integration

Jennifer Nevins, University of South Carolina, nevinjenp4@smail.moore.sc.edu

Distributors play a critical role in the export channel relationship by linking manufacturers with end users in distant markets. While distributors serve an important function in a domestic context in facilitating the flow of goods from manufacturers to users, their role in an international channel is even more critical. However, the distributor perspective has been largely overlooked in the international marketing channels literature. This paper proposes that international distributors may use their position in the channel to influence the course of the channel relationship by deterring manufacturer switching to forward integration of the distribution function. A resource-based perspective is employed to examine specific actions that may be undertaken by a distributor to create valuable, unique and costly-to-copy resources that serve to deter manufacturer efforts to change channel structure. Distributor actions are grouped according to relationship connectors (information exchange, operational linkages, and business adaptations) linking the distributor and its channel partners, which provide the means by which the distributor builds its resource base and increases switching barriers. A conceptual model is developed that relates distributor actions to switching barriers, and switching barriers to manufacturer propensity to switch to an alternative distribution arrangement. Implications for theory and practice are discussed.

An Integration-Based Taxonomy of Supply Chain Configurations

Nevana Yakova, Rutgers University, nvyakova@pegasus.rutgers.edu
M.A. Lejeuen, Rutgers University, Mlejeune@andromeda.rutgers.edu

Supply management is often presented as the ultimate source for creating sustainable competitive breakthroughs and is characterized by the abandonment of single companies' barriers separating the different entities involved in the supply chain. Supply chain management is at the confluence of many other disciplines and, consequently, the body of literature devoted to it is very heterogeneous. The main contribution of this paper is to provide a framework related to the four main types of supply chain configurations, that we refer to as the four C's in supply chain management: the communicative, coordinated, collaborative and co-opetitive supply chain configurations. The four discriminative variables in the taxonomy are trust, decision-making process, goal congruence and information flow. We complement the taxonomy by introducing two transitional supply chain configurations.

Antecedents and Consequences of Opportunism in the Taiwanese Marketing Channel

Cheng-Nan Chen, National Penghu Institute of Technology and National Cheng Kung University, cnchen@mail.ncku.edu.tw
Shueh-Chin Ting, Far East Institute of Technology, tingsc@ms49.hinet.net
Shu-Yuan Huang, National Cheng Kung University, tingsc@ms49.hinet.net

The existence of opportunism in partnership makes the cooperative relationship to be unstable. Past researches about this topic always discussed the relation between a single variable and opportunism. This study is to make a comprehensive discussion about the opportunism's antecedents (uncertainty, information asymmetry, asset specificity and relational exchange) and consequences (transaction cost, trust, commitment, performance and cooperation). Data were from computer retailers located in three major cities in Taiwan (Taipei, Taichung, and Kaohsiung) and were collected by personal interviews. These retailers were asked to evaluate the relationships with their biggest suppliers. The results indicate that (1) uncertainty and information asymmetry have a significant positive influence on opportunistic behaviors, (2) asset specificity and relational exchange have a significant negative influence on opportunistic behaviors, (3) opportunistic behaviors have a significant positive influence on transaction cost, and (4) opportunistic behaviors have a significant negative influence on trust, commitment, performance and cooperation in their partnerships. Some implications for management are discussed and some suggestions for further research are also forwarded.

Session 2.4.3 - Track 4 - COMPETITIVE

Technology and Innovation in MNEs: Innovation Propensity Across Countries

Room: Big Sur 1-2   Time: 10:30 a.m.-12:00 p.m.

Chair: John Cantwell, Rutgers Business School, Cantwell@rbs.rutgers.edu
Discussant: Omar Toulan, McGill University, omar.toulan@mcgill.ca

Extending the Innovation - International Diversification Link from an Agency Theory Perspective

Laszlo Tihanyi, University of Oklahoma, ltihanyi@ou.edu
Robert E. Hoskisson, University of Oklahoma, rhoskiss@ou.edu
Richard A. Johnson, University of Missouri – Columbia, johnson@missouri.edu
William P. Wan, Thunderbird American Graduate School, wanw@t-bird.edu

This paper explores the relationship between depth and breadth of technological competence and international diversification from the managers' point of view. Results indicate an inverted curvilinear relationship between the depth of technological competence (firm R&D intensity) and international diversification. Similarly, there was an inverted curvilinear relationship between breadth of technological competence, measured by the technological intensity of country environments in which firms had subsidiaries, and international diversification. Furthermore, in line with agency theory, contingent pay (stock options and bonuses) is related positively to international diversification. Conversely, non-contingent pay (cash) is negatively related to international diversification. Examination of executive compensation effects on the curvilinear relationship between depth of technological competence and-international diversification indicate that non-contingent pay significantly weakened the relationship while contingent pay had no effect.

Technology Innovation Propensity of International Joint Ventures in An Emerging Economy

Haynes Prize Finalist

AIB Best Paper Finalist

Haiyang Li, Texas A&M University, hli@cgsb.tamu.edu
Yan Zhang, Rice University, yanzh@rice.edu
Geng Cui, Lingnan University, gcui@ln.edu.hk

Drawing on the bargaining power perspective, we investigate the factors that affect technology innovation propensity of international joint ventures (IJVs) in emerging economies. With a sample of IJVs in China, we find that local equity share and local manager percentage are positively related to an IJV's technology innovation propensity. Further, our results show that an IJV's local market focus enhances its technology innovation propensity, and moderates the impact of local equity share and local manager percentage on its technology innovation propensity. Theoretical and managerial implications are discussed.

How Strong is the Influence of Strategic Leadership Behaviors on Innovations? Insights from an Empirical Study in Six Slavic Countries

Detelin S. Elenkov, The University of Tennessee, delenkov@utk.edu

This is an international study investigating the extent to which strategic-leadership behaviors affect executive influence on innovations. It has been conceptualized that strategic leadership behaviors, including transformational-visionary and transactional leadership behaviors, directly and positively influence innovation processes, and, hence, strategic leadership behaviors should be considered a major determinant of top management innovation influence. Moreover, it has been proposed that external-environmental components, organizational factors, group elements, and personal characteristics may significantly affect the relationship between strategic leadership behaviors and innovation influence. The empirical analysis is based on data collected from six countries within three Slavic socio-cultural clusters: Western-Slavic (The Czech Republic and Slovakia), South-Slavic (Bulgaria and FYR of Macedonia), and Eastern-Slavic (Belarus and the Ukraine). It has been found that strategic leadership behaviors had a strong relationship with executive influence on two types of innovation – product-market (PM) and administrative (ADM) innovations. In addition, the results have indicated that social culture and group-level characteristics, represented by TMT job tenure, moderated the effects of strategic leadership on ADM innovations. Overall, this study served to open up the "black box" within strategic leadership research by providing analytical information about general patterns and situational specificity of strategic leadership behaviors.

Session 2.4.4 - Track 4 - COMPETITIVE

Organization in MNEs: Structure and Coordination of MNEs

Room: Big Sur 3 Time: 10:30 a.m.-12:00 p.m.

Chair: Yvez Doz, INSEAD, Yves.DOZ@insead.edu
Discussant: Stewart Johnston, University of Melbourne, stewartj@unimelb.edu.au

Switching Options and Coordination Costs in Multinational Firms

Jeffrey J. Reuer, The Ohio State University, reuerj@cob.ohio-state.edu
W. Tong, The Ohio State University, tong.40@osu.edu

In this study, we analyze how foreign direct investment affects firms' risk levels. We seek to sort out some of the mixed findings on the relationship between FDI and risk by accounting for unobserved firm capabilities and other factors affecting the FDI-risk relationship as well as by accounting for coordination costs that potentially mitigate the benefits of switching options available through international diversification. The empirical evidence illustrates the relevance of unobserved heterogeneity. We also present two sets of findings that are consistent with the presence of coordination costs in multinational corporations (MNCs). First, the relationship between FDI dispersion and organizational risk is non-monotonic (i.e., U-shaped). Second, a firm's risk level reflects the cultural composition of its portfolio of foreign subsidiaries.

Configuration and Coordination of Multinational Corporations

Dirk Holtbrügge, University of Erlangen-Nuremberg, dirk.holtbruegge@wiso.uni-erlangen.de

The purpose of the paper is to examine the extent to which German Multinational Corporations (MNCs) are characterized by transnational forms of configuration and coordination, how these two instruments are linked together, and how their application is influenced by situational conditions. An empirical study of 66 subsidiaries of German MNCs only partially confirms the underlying research assumptions to which MNCs, in view of economic globalization, tend to adopt transnational structures of configuration and coordination. With reference to the cross-border configuration of value activities, at least a medium degree of functional specialization can be observed. On the other hand, MNCs still exhibit a dominant hierarchical coordination. Considering contextual influences, the findings show that the configuration of value activities is primarily host country-orientated while their coordination is mainly influenced by firm-specific conditions, such as firm size and the strategic importance of the local market for the entire MNC.

The Strategic Roles of Regional Management Centers in the Asia-Pacific

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

Among the major challenges facing multinationals are those associated with managing geographically dispersed operations. Many MNCs are turning to regional management structures to achieve the right mix of local responsiveness and global integration. While there have been efforts to identify the roles of regional management centers, this work has been descriptive or based on a limited set of firms. The present paper uses a novel mechanism to identify the roles of regional management centers. It reports results based on survey responses from 1,100 MNC managers on the nature of their firms' offices in the Asia-Pacific. Regression analysis shows that regional headquarters and regional offices are significantly more important than other offices in coordination, supporting operations, monitoring, reporting, corporate liaison, competitor intelligence, regional strategy setting, and senior human resource management. The regional headquarters and offices are not significantly more important in other activities not associated with regional management such as customer servicing and support, manufacturing, quality control, basic research, and applied research. These results show that regional management centers play specific strategic roles for multinational companies and suggest that the strategic roles of regional management centers is an important and under-researched topic in the strategy and international business literature.

Session 2.4.5 - Track 3 - COMPETITIVE

Institutions and Governance

Room: Cypress 1-2 Time: 10:30 a.m.-12:00 p.m.

Chair: Dean Xu, Peking University, dxu@gsm.pku.edu.cn
Discussant: Klaus E. Meyer, Copenhagen Business School, km.cees@cbs.dk

A Governance-Legality Framework of Firms in Transforming Economies: Evidence from China

Ivan M. Manev, University of Maine, imanev@maine.edu
Aimin Yan, Boston University, aimin@bu.edu
Tatiana S. Manolova, Boston University, tatianam@bu.edu

This paper develops and empirically examines a framework of governance and legality of organizations in countries under significant system transformation. While previous research has focused on issues of governance structures, this study suggests that organizational legality is an equally important dimension. With the two-dimensional framework, we identify a variety of organization types in transitional economies, including state-owned legal enterprises, private legal firms, illegal collusion arrangements with state firms, organized crime, and "gray" area practices. The coexistence and interdependence among these organizational types create a complex and dynamic organizational landscape in these economies and have critical implications for business management and public policy making. An analysis of survey data from 127 Chinese managers demonstrates that governance and legality are distinct dimensions. We suggest that an application of this empirically corroborated framework to other transformational economies may reveal different configurations of the organizational field, mirror contrasting reform strategies, and indicate the possibility for alternative routes of organizational transformation.

Role of Internal Markets in Emerging Market Business Groups: Evidence from Korean and Indian Business Groups

Chinmay Pattnaik, College of Business Administration, Seoul, Chinu@hanmail.net
Dong-Sung Cho, College of Business Administration, Seoul, cho@ips.or.kr

This study analyzed the role of business groups in efficiently replicating the imperfect external market through internal market mechanisms in two emerging economies. Contrary to the argument of external market imperfection in emerging economies and role of business groups in efficiently substituting imperfect external market institution, this study argues that internal markets in business groups do not efficiently replace imperfect external markets. Rather internal markets are used for cross subsidizing loss-making group affiliates at the cost of high performing firms. Empirical evidence from Indian and Korean business groups suggests that despite in different level of economic development and diverse institutional context, the role of business groups in both these countries are similar questioning the transaction cost hypothesis of existence of business group in emerging economies.

Institutional Change and Firm Creation in East-Central Europe: An Embedded Politics Approach

Gerald A. McDermott, University of Pennsylvania, mcdermott@wharton.upenn.edu

A central debate about the transformation of post-communists countries is how the process of institution building impacts firm restructuring and creation. This debate has largely been dominated by approaches that emphasize either the depoliticization of institutional designs or the determining impact of pre-existing social structures. These views, however, have serious problems explaining one of the key comparative developments in East-Central Europe – the strong economic growth in Poland and the demise of the Czech Republic in the 1990s. This paper explains these differences by offering an alternative, *embedded politics* approach that views firm and institutional creation as intertwined experiments. Czech attempts to implant a depoliticized model of reform impeded the necessary reorganization of socio-political networks, in which firms are embedded. Poland facilitated institutional experiments not only in the ways it promoted negotiated solutions to restructuring, but also in the ways it empowered sub-national governments. The study utilizes data on manufacturing networks, privatization, bankruptcy, and regional government reforms collected over the past six years.

Session 2.4.6 - Track 6 - WORKSHOP

Being the Boss: Cross-cultural leadership, selection, effectiveness and diversity management

Room: Cypress 3 Time: 10:30 a.m.-12:00 p.m.

Chair: Margaret E. Phillips, Pepperdine University, mphillip@pepperdine.edu

Cross Cultural Leadership: Goal Interdependence and Leader-Member Relations in Foreign Ventures in China

Yifeng Chen, Lingnan University, yifeng@ln.edu.hk
Dean Tjosvold, Lingnan University, tjosvold@ln.edu.hk

Cross cultural leadership may be particularly challenging and pose significant barriers to developing a strong relationship between managers and employees. 230 Chinese employees (54% males, 69% aged between 25-30, and 67% working with their mangers for more than one year) from various industries in Beijing, Shanghai, Fujian province and Shandong province were surveyed on their relationship and effectiveness of their work with Western, Asian, and Chinese managers. Results including structural equation analyses support the hypotheses that cooperative, but not competitive or independent goals, helped employees and their foreign managers develop a quality (LMX) work relationship and improve leader effectiveness, employees' commitment, and future collaboration for both foreign and Chinese managers. Cooperative goals may be an important way to overcome obstacles and develop an effective leader relationship both within and across cultural boundaries.

Measuring the Effectiveness of Expatriate Pre-Departure Training: The case of Korean companies in Mexico

Yongsun Paik, Loyola Marimount University, ypaik@lmu.edu
Wonshul Shim, Hanyang University, wsshim@hanyang.ac.kr

The existing literature has emphasized the importance of pre-departure training for expatriates to effectively manage the host country workforce (HCW), thereby enhancing the performance of the assigned overseas subsidiaries. Yet, expatriate pre-departure training has been general in nature, neglecting the input of the respective host country workforce in identifying work-related values that motivate them to work hard. Using Korean companies in Mexico, this paper empirically tests the effectiveness of pre-departure training of expatriates by comparing and contrasting the perceptions of the work-related values between expatriates and the host country workforce. Our premise is that an effective training will result in the perceptual congruence of these values between the two parties. In turn, this will lead to higher organizational commitment whose outcome will be the enhanced job performance of the host country workforce. The research results support our hypotheses, demonstrating a strong correlation between organizational commitment and local employees performance

Determinants of the Appointment of Foreign Subsidiary Presidents: Case of Japanese Subsidiaries in South Korea

Naoki Ando, Seoul National University, naokian@hotmail.com
Dongkee Rhee, Seoul National University, rheedong@plaza.snu.ac.kr

This paper explores the factors influencing the appointment of a foreign subsidiary's president. It is argued that Japanese firms are reluctant to hand-over key positions in their foreign subsidiaries to local nationals. Ethnocentric human resource policy is regarded as a source of Japanese competitive advantage, however, it could restrict the growth of a foreign subsidiary. We developed this hypotheses based on variables affecting the use of a local national or an expatriate for an overseas subsidiary president. Hypotheses were examined using the data collected from a questionnaire survey. Japanese subsidiaries located in South Korea were selected as a sample, in order to control factors arising from differences between the two countries. Approximately 46.7 % of our sample subsidiaries are using a local national for a subsidiary president. However, Japanese firms are cautious in using a local national for the position in the early stages of the subsidiary. It seems that Japanese firms appoint a local national to a subsidiary president after its operations take off, and the parent's organizational culture was transplanted. Additionally, we found when they are under pressures for global integration, an expatriate is likely to be chosen as a subsidiary president.

Cross-Cultural Perceptions of Organizational Events: Influence of Culture on Self-Concepts, and Organizational Attributions
Andre A. Pekerti, The University of Auckland, a.pekerti@auckland.ac.nz

This article examines the influence of culture on how people perceive events in organizations. It argues that *self-serving*, *actor-observer* biases, and other attributional errors will be moderated by culture; that is, individuals from high-context cultures with an interdependent self-concept are biased towards external attributions, while individuals from low-context cultures with an independent self-concept are biased towards internal, dispositional attributions. Results support proposed hypotheses, implications for international management practices are discussed.

Session 2.4.7 - Track 1 - PANEL

International Human Trade and Globalization

Room: Windjammer 1-2 Time: 10:30 a.m.-12:00 p.m.

Chair: Patriya Tansuhaj, Washington State University, tansuhaj@wsu.edu
Discussants:
Lorraine Eden, Texas A& M University, leden@tamu.edu
Paul G. Simmonds, North Carolina Agricultural and Technical State University, psimmon@ncat.edu

The panel includes presentations of exploratory research on international trade of human beings, representing the dark side of globalization. We hope to raise an awareness of such global activities and to stimulate interests by IB academicians. The papers cover the topics of human trafficking, human organ trade, legal and illegal worker exportation with a close ethical examination. We rely on the marketing and management perspectives for examining such issues, along with recommendations to policy makers, managers and academicians.

The Dark Side of Globalization: International Trade of Human Beings
Patriya Tansuhaj, Washington State University, tansuhaj@wsu.edu
Jim McCullough, Washington State University, jimib@wsu.edu

Determinants of International Human Organ Trafficking: An Empirical Study
Hyuk- soo Cho, Washington State University, hyuksoo@mail.wsu.edu
Man Zhang, Washington State University, frank_lee_man@yahoo.com

Legal versus Illegal Immigrant Labor: A Comparison of Power
Sichuan Xu, Michigan State University, xusc@mail.wsu.edu
Aaron Arndt, Washington State University, moparndt@yahoo.com

Labor Export: Ethical Issues and Social Responsibility of MNEs
Supara Kapasuwan, Washington State University, suparar@yahoo.com
Amonrat Thoumrungroje, Washington State University, ping@wsu.edu

Session 2.4.8 - Track 8 - WORKSHOP

The Economics of Foreign Direct Investment

Room: Windjammer 3-4 Time: 10:30 a.m.-12:00 p.m.

Chair: Colm Kearney, Trinity College, colm.kearney@tcd.ie

Making Investment Choices: Japanese MNEs Investing in Australia and the Region
Stephen Nicholas, University of Melbourne, s.nicholas@unimelb.edu.au
Elizaabeth Maitland, Unversity of Melbourne, e.maitland@unimelb.edu.au
William Purcell, University of New South Wales, w.purcell@UNSW.EDU.AU

Regions and countries compete for MNEs. Surprisingly, we know little about policy effectiveness and the relative importance of policy factors and non-policy factors in managerial location decisions. Drawing on internalisation-resource, trade and location theories, the paper develops an integrated model of policy and non-policy location variables, testing the model against 137 Japanese managers' decisions to invest in Australia and ASEAN5 (Thailand, Singapore, Malaysia, Indonesia and the Philippines). Japanese managers treated Australia and ASEAN5 as different regions, but treated ASEAN5 as the same region. Non-policy variables were ranked higher than policy variables as factors attracting Japanese MNEs to Australia or ASEAN5, but policy variables were more important in shifting investment between ASEAN5 countries. In a study of incentive effectiveness, managers ranked the same incentive variables for Australia lower than for ASEAN5. We also discovered that the transfer of parent competencies to subsidiaries in Australia was significantly different than competencies transferred to ASEAN5 countries. Implications for policy-makers and economic development are drawn.

Restructuring The Industrial Distribution of FDI in an Economically Integrated Area: The Case of Japanese and US FDI in Europe
Zu Kweon Kim, Texas A&M University, zkkim@cob.tamucc.edu

Regional economic integration is one of the most significant changes in international business environments during the past two decades. International economic integration accelerates the free movement of created production factors across national boundaries and ruins any theory of international trade based on immobile factors. The static and dynamic effects of economic integration modify the world production by providing new opportunities to MNEs. Empirical studies based on the Eclectic paradigm imply that European economic integration restructures the allocation of Japanese and US manufacturing FDI in Europe and reduces the differences on the determinants to make the allocation from the first (1975-1984) to the second period (1985-1996).

Attracting Desirable FDI: Elements of an Investment Impact Model
Peter Enderwick, University of Waikato, New Zealand, ipe@waikato.ac.nz

A precondition for successful targeting of inward investment is an understanding of its likely impacts. To date, most attempts to access the 'desirability' of FDI have focused on short-term first-round impacts. Analysis of the determinants of 'desirability' has tended to focus on simple structural factors including firm size, entry mode, nationality and stage of value-adding, or classifications based on the motives for investment or affiliate strategy.
This paper offers a more comprehensive and integrated approach to assessing the likely impacts of inward FDI. It advances understanding in several areas – by distinguishing direct and indirect impacts, three levels of economic impact and likely interactions between the level of economic development, government development goals and policy interventions. The framework suggests the 'endogeneity' (or joint product) nature of desirability. Guidelines are provided for anticipating likely impacts by type of investment and level of economic development.

U.S. Acquisitions of Canadian Firms and the Role of the Exchange Rate
George Georgopoulos, University of Toronto at Scarborough, georgop@utsc.utoronto.ca

The decline of the Canadian dollar relative to the U.S. dollar over the past 15 years has raised suggestions that this has lead to increased U.S. acquisitions of Canadian firms. Theory and empirical studies on foreign mergers and acquisitions (M&As) have generated mixed support for a link between exchange rates and M&As. This paper argues that exchange rate movements may affect acquisition M&As because acquisitions involve firm-specific assets which can generate returns in currencies other than that used for purchase. We use data on U.S. acquisitions in Canada across four-digit SIC industries from 1985 to 2001, and, along with the real exchange rate, account for factors such as Canadian tariff rates, value added of U.S. industries, the number of Canadian M&As and the number of Canadian establishments all at the industry level. Maximum-likelihood estimates from a fixed and random effects negative binomial model reveal that a Canadian dollar depreciation leads to U.S. M&As in Canada, but only involving target firms that posses firm-specific assets (high R&D firms). The real exchange rate is not significant for M&As involving low R&D firms.

Poster Session #2 with light lunch

Room: Monterey Ballroom Time: 12:00-1:30 p.m.

Chair: Allan Bird, University of Missouri-St. Louis, abird@umsl.edu

Track 4 -Strategic Management, Entrepreneurship and New Ventures

Linkages among startup problems, strategic planning, and survival of new ventures: An empirical assessment based on the resource-based view of the firm
Jay Hyuk Rhee, Korea University, jayrhee@korea.ac.kr

The purpose of this study was to provide a more complete and concrete picture of entrepreneurship by investigating linkages among *startup problems*, *strategic planning*, and *survival*, the three key constructs in the field of entrepreneurship and new ventures. Building on the arguments of the resource-based view of the firm in the filed of strategic management, the present study investigated the causal effects of startup problems and strategic planning on survival, while also considering the relationship between startup problems and strategic planning. The empirical results, based on a data set of 832 new ventures, showed consistency in confirming the predicted relationships among the three constructs. Specifically, startup problems were found to have a positive relationship with strategic planning, and both startup problems and strategic planning were found to be significant determinants of new venture survival. This study also found that the negative effect of startup problems on new venture survival held true even when the effect of strategic planning was controlled for.

Real Option Valuation in International Companies: Structure and Agents from a Structuration Theory Perspective
Jan Herzog, European Business School, Jan.Herzog@ebs.edu
Michael Behnam, European Business School, Michael.Behnam@ebs.edu
Dirk Ulrich Gilbert, European Business School, Dirk.Gilbert@ebs.edu

This paper analyzes the impacts of structural and situational contexts on Real Option Valuation (ROV) of strategic projects in international companies. After a short introduction to ROV, we analyze the influence of these contexts in each valuation stage from a Structuration Theory perspective. While considering two sorts of agents, centralized and decentralized valuators, we thereby show that both are biased. Most of the time, this constitutes a contextual dilemma concerning the optimal locus of valuation with regard to favorable investment decisions on strategic projects. In the second part of the paper, we develop an approach to resolve this dilemma. Even though there is no full solution, Structuration Theory offers a way to narrow the gap between centralized and decentralized valuation results by de-routinizing the process of ROV. In addition, we show means which can foster de-routinization on personal, team and company levels. Finally, we take a look on cost-benefit issues requiring a careful application of these instruments.

Cultural distance and foreign direct investment: A comprehensive model explaining the impact of national cultural differences on entry mode choice and subsidiary performance

Arjen Slangen, Tilburg University, A.H.L.Slangen@uvt.nl
Jean-François Hennart, Tilburg University, J.F.Hennart@uvt.nl

Although cultural differences between countries and their potentially harmful consequences have received a lot of attention in the FDI literature, the complex relation between cultural distance (CD), foreign entry mode choice, and foreign subsidiary performance has not been examined in sufficient detail. This paper fills this void in the literature by developing a comprehensive model of the relationship between these three concepts, thus enabling a more precise assessment of the impact of CD on entry mode choice and subsidiary performance. By recognizing that both intra-firm interactions with local firms and interactions with external stakeholders embedded in the host-country environment may produce culture-related difficulties, and by simultaneously considering multiple subsidiary characteristics (viz., the desired degree of integration, the subsidiary's establishment mode, and its ownership structure), the model results in a typology of foreign subsidiaries that yields more precise predictions regarding the impact of CD on foreign entry mode choice and subsequent subsidiary performance. These predictions are expressed in a number of propositions.

Small Firm's Global Expansion Mechanism - The Cases of Humax in Korea

Yun-Cheol Lee, Hankuk Aviation University, lyc@mail.hangkong.ac.kr
Jae Chan Park, Seoul National University, jcp388@snu.ac.kr

This paper proposes a framework to analyze a small firm's global expansion on the basis of the mechanism perspective through the case study on Humax in Korea. Humax is one of the most successful international new ventures in Korea, which is a leading company in European open digital set-top box market. We found three generic mechanisms for global expansion of a small firm from the case of Humax. These are selecting, learning, and coordinating. Selecting is about choosing the appropriate geographical focus and mode of international entry. Learning process concerns international new venture's absorptive capacity. Coordinating process is related to combinative capabilities and integration of global activities. Humax chose the location that offers opportunities of learning and growth. The company was able to acquire core knowledge about market and technologies by global learning. And the company could accelerate knowledge absorption and new capability building via effective coordinating of global activities.

Global Integration and Local Responsiveness in MultinationalSubsidiaries: Some Strategy, Structure, and Effectiveness Contingencies.

David M. Brock, Ben-Gurion University, dmb@bgumail.bgu.ac.il
Amir Shoham, Ben-Gurion University, amirsho@bgumail.bgu.ac.il
Ilene C. Siscovick, Mercer Human Resource Consulting, ilene.siscovick@mercer.com

In this paper we analyze different aspects of organization and management in multinational subsidiaries, and investigate some well accepted organization design premises in these contexts. Various aspects of the global integration (GI) and local responsiveness (LR) dimensions are examined. We develop some theoretical arguments for linkages between strategy, structure and effectiveness within GI and LR configurations. Data collection from a large sample of multinational subsidiaries is described, leading to testing of our theories. Our analyses generally support our hypotheses, including finding correlations between the strategy and structure dimensions, and support for some measures of the effectives of the GI and LR strategy-structure positions. We conclude by discussing these findings and attempting to further the understanding of the management of multinational subsidiaries in the contemporary competitive environment.

Characteristics and strategic motives of Japanese FDI in the East and the West
Yong Suhk Pak, Ewha Womans University, Korea, yspak@ewha.ac.kr
Young-Ryeol Park, Yonsei University, yrpark@base.yonsei.ac.kr

Key determinants that distinguish investment characteristics between the two regions (e.g., the East and the West) or countries (e.g., China and the US) made by Japanese manufacturing companies were investigated to identify their underlying global strategic motives. The test results confirmed that different investment behaviors of Japanese firms existed between the two locations. For instance the West was preferred by Japanese firms from competitive domestic industries and with an aggressive foreign ownership strategy. Between China and the US, additional variables such as initial entry time and resource-intensive industries discerned the geographic choice of Japanese investment. A marginal effect of Japanese firms' R&D activities on the locational selection also drew our attention. After all, a simple examination of different investment behaviors of JMNEs has lead us to identify the global strategic approaches of Japanese firms such as asset exploitation and augmentation between the two regions. Internalization theory, a knowledge-based view, and OLI paradigm complemented each other explaining the geographic preference of Japanese firms, while Dunning's OLI paradigm was dexterous dealing with locational issues due to its inclusion of location advantages in the framework.

Multinationality and Performance: A Three-Phase Model
Jane W. Lu, National University of Singapore, bizluj@nus.edu.sg

This paper synthesizes prior studies on multinationality and performance and proposes a new theoretical framework that takes into account both the benefits and the costs of internationalization. Using a sample of the foreign direct investment activities of 2,094 Japanese firms over a 12-year period, we find that the relationship between FDI and performance varies at different stages of internationalization, exhibiting a consistent sideway "S" curve relationship. Further, we find that firms which invest more heavily in the development of technology capabilities, a form of firm-specific assets, achieve greater gains in profitability from growth in FDI activities.

The Quest for Resourceless Rents
Oliver Gottschalg, INSEAD, oliver.gottschalg@insead.edu
Maurizio Zollo, INSEAD, Maurizio.zollo@insead.edu

Our current understanding of creation and sustainability of economic rents relies to a large extent on a resource-based or knowledge-based view of the firm. Alternative perceptions of the firm, originating in transaction costs economics or in the view of firms as a "social community", have so far received less attention from researchers in their search for sources of economic rents. This paper makes a first contribution to filling this gap and provides a theory of how economic rents may be created independent of changes in the asset and capability base of a company. We see an improvement in the degree of interest alignment between individual members of the organization and the organization as a whole as the basis for this type of economic rent. Such an increased interest alignment can be achieved through a well-balanced adjustment of intrinsic and extrinsic motivators in the organization. We present a theory of how intrinsic and extrinsic motivation contribute as complementary, yet interdependent factors to the alignment of interest between the individual and the firm and analyze the possibilities for organizations to create and sustain such "Interest Alignment Rents" based on three distinct and organization-specific dynamic capabilities.

Too much similarity causes differences: a study of government policies towards investment
Joan P. Mileski, Houston Baptist University, jmileski@hbu.edu

This study examines competition for foreign direct investment by applying the concept of strategic groups to government strategies/policies. Strategic group analysis, despite some disagreement as its application to government behavior, can afford an explanation as to why governments of similar endowments sometimes have common investment strategies and sometimes greatly diverge. As expected from previous research (Scherer &Ross, 1990) this study finds that members of the large group converge in their strategies. However, in the smaller groups, governments diverge in their strategies indicating that too much homogeneity may not allow for the creation of a sustainable advantage. This homogeneity for the smaller groups causes more rivalry within the group (Barney, 1991) as these governments try to differentiate themselves to investors. Over what time period strategies converge or diverge is also a matter of interest. Strategic group activity is generally measured during stability in the industry (Fiegenbaum, 1987). Change in stability occurs at a major event. During this study's 31-year time period, eight major events affecting the world's oil supply/price occurred. These coincide with measured stability changes in the FDI industry found in this 176+ country study.

The Performance Effects of Interdependence for Subsidiaries in Multinational Companies: An Empirical Examination
Mohan Subramaniam, Boston College, Mohan.subramaniam.1@bc.edu
Sharon Watson, University of Delaware, watsons@be.udel.edu

Interdependence among subunits of the MNC has been theoretically demonstrated to have important implications for firm performance. However, this is the first study that examines the impact of interdependence within the multinational corporation on *subsidiary* performance. In this study we hypothesize and test the relationship between intrafirm interdependence and performance at the subsidiary level. Preliminary analysis of data from foreign subsidiaries of U.S. corporations indicates that interdependence does, indeed, have performance effects at the subsidiary level. In particular, we find that, rather than the overall l*evel* of interdependence affecting performance, it is a 'fit' with ideal interdependence profiles that impacts subsidiary performance. Our results raise several important points for discussion.

Leaders, Laggards and the Pursuit of Foreign Knowledge.
Heather Berry, University of Pennsylvania, berryh@wharton.upenn.edu

The empirical results from many studies suggest that "technologically lagging" firms invest in FDI in foreign countries to source foreign knowledge and catch up with leading technological firms. However, existing studies tend to assume that all firms from a country or country-industry are homogeneous (that all firms in a country are either all technological leaders or all technological laggards). In the present analysis, I specifically analyze whether firms in different positions in their industries in their home country environment use foreign R&D differently to augment their technological capabilities. By more fully analyzing the home market position of firms seeking foreign knowledge, I further our understanding of both leading and lagging firms, and how foreign knowledge may or may not be useful to these firms. In addition, I consider strategic rationales for lagging firms that have not been considered in prior studies examining knowledge seeking foreign direct investment. From random effects probit models, I show that Japanese firms investing in foreign R&D tend to be the technological leaders in their home market across fairly different industries. This suggests that international rivalry among strong firms from different countries may be more important than existing studies assume.

Does information technology provide competitive advantage and improve performance? An empirical study of trading companies in Brazil.
Ruth Clarke, Nova Southeastern University, rclarke@nova.edu
Marcilio Machado, Federal University of Espirito Santo, marcilio@famex.com.br

Growing investment in information technology applications creates a need to understand the proper integration of these tools into strategic decision making of the firm. This study discusses the impact of global information and communication technologies on competitiveness and performance of Brazilian trading companies. Using resource based theory as a starting point, we examine how information technology, as an internal resource, can provide competitive advantage and what impact information technology produces on competitiveness of Brazilian export intermediaries. The study implements a replicable model (CAPITA) developed by Sethi and King (1994), to investigate these relationships in the emerging market of Brazil. The empirical findings reveal that superior export performance depends on the ability of managers to interpret and utilize some CAPITA dimensions that have a strong relationship with the trading company's performance. The results corroborate previous research confirming that information technology application has a strong impact on performance. This research extends previous work on this topic within the North American hemisphere, to the South American hemisphere. The development of a strong network of export intermediaries in the emerging market of Brazil, can be enhanced by a better understanding of the impact of technology applications, and corresponding government policies endorsing growth.

Does restructuring help during a crisis? Evidence from Korea and Singapore Listed Companies.

Jinyan Zhu, The National University of Singapore, fbap9055@nus.edu.sg,, zhujinyan@yahoo.com
Kulwant Singh, The National University of Singapore, bizks@nus.edu.sg
Ishtiaq P. Mahmood, The National University of Singapore, bizipm@nus.edu.sg

In this paper, we analyze Korean and Singapore firms' restructuring behaviors and their economic consequences during 1997-1998 Asian financial crisis through a strategic management perspective. We find that Korean firms' restructurings are more significantly impacted by the crisis. The specific types of restructuring adopted by firms to cope with the crisis vary with country and year. We find that the restructurings adopted during the shock have positive impacts on corporate performance.

The Choice and Timing of Foreign Direct Investment under Uncertainty

Leo Sleuwaegen, Katholieke Universiteit Leuven, Leo.Sleuwaegen@econ.kuleuven.ac.be
Enrico Pennings, IGIER, Università Bocconi, Enrico.Pennings@uni-bocconi.it

This paper sheds new light on why timing and entry mode should be considered simultaneously in the international investment literature. We derive the profit levels at which it is optimal to switch from exporting to setting up a wholly owned subsidiary, creating a joint venture, or licensing production to a local firm. The preferred entry mode depends on uncertainty about future profits, tax differentials between the home and the foreign country, the cost advantages of local firms, institutional requirements, and the degree of cooperation between partners in a joint venture.

Examining the relationship between Organizational Culture and Knowledge Management in Caribbean Institutions

Sheron Lawson, CARICOM Secretariat, norehs@yahoo.com
Kader Mazouz, Nova Southern University, mazouzk@huizenga.nova.edu
Barry Barnes, Nova Southern University, barry@huizenga.nova.edu
Timothy McCartney, Nova Southern University, mccartne@sbe.nova.edu

Knowledge management is now widely recognized as a competitive advantage and an increasing number of organizations are incorporating it as a core strategy to enhance their organizational competitive advantage. A high percentage of organizations that implemented knowledge management as a corporate strategy has not achieved their objectives, therefore, there is a growing sense of disenchantment about its practicality. Research revealed that organizational culture is a major barrier to creating and leveraging knowledge assets. This research sought to find the relationship between organizational culture and knowledge management. The Competing Values Framework devised by Robert Quinn and John Rohrbaugh (1983), was used to analyze the differences in organizational culture profiles and examined how they may be related to the various dimensions of knowledge management. The implications of this study can be of significant value to organizations as they prepare to implement knowledge management initiatives. The findings could help organizations assess the likelihood that implementation of knowledge management initiatives will be successful or will increase the organization's competitive advantage in relationship to the current organizational culture.

The Impact of Firm Performance on the Propensity to Imitate Competitor Foreign Market Entries: The United States International Telecommunications Service Industry, 1985-1998.
Brad Killaly, University of California at Irvine, bkillaly@uci.edu

In this study we examine the impact of firm relative performance, competitor entry and the interaction between the two on the foreign market entries of all firms providing international message telephone service from the United States to all foreign markets over the period 1985-1998. Relying upon the behavioral theory of the firm and uncertainty of firm strategic action we argue that uncertainty in firm current routines, as captured by relative performance, affects the propensity of the firm to imitate competitor foreign market entries. Our findings suggest that relative performance significantly moderates imitative propensity in low cost modes of horizontal market entry, but has limited impact in the intensity of imitation in entries involving significant resource and strategic commitments. We also find that the main effect of relative performance on foreign market entry is positive and invariant to the mode of entry. This suggests that firms seek to leverage their success through entry into new markets. We discuss the substantial implications of this study for our understanding of inter-firm imitation, industry evolution and firm level learning.

Values and national character: a test of the Schwartz values framework.
Scott Swan, College of William & Mary, scott.swan@business.wm.edu

National differences in values, manifest in ideal social self, are described within Schwartz's values circumplex via *post hoc* analysis of data from large, random samples in twelve nations on five continents. The data are drawn from the World Styles Study conducted in 1997 by DDB Needham and includes 15,520 responses in twelve nations on five continents. The results describe specific differences in national character in values reflected in ideal social self and demonstrate the robustness of Schwartz's universal structure of human values (ideal social self versus long-term personal goals) across populations, measures, values constructs, and methods. It also identifies interesting differences among countries, and between ideal social versus actual personally-held values.

Track 7 - Alliances and Networks

Integrated R&D Networks: A View of Co-evolutionary Dynamics of Strategic Technology Alliances;
Saba Khalid, University of Vaasa, saba.khalid@UWasa.Fi

This paper addresses the relationship between the capabilities of a firm and co-evolution of dynamics of strategic technology alliance process with a dynamic capability perspective of the firm. The paper presents a process model of alliance development with three key stages – Realisation stage, Interaction stage and Formation stage. Two stages have been identified as the transition stages in the model and their implications for the firm are discussed in the context of organizational learning. Accumulation and absorption of the learning in the form of capabilities and competencies is identified as the variables to analyse the motive, process and outcome of strategic technology alliances. The dynamics of the model are based on the resources and capability accumulation and the primary focus is on the mechanism by which firms accumulate and acquire complementary resources and capabilities for joint R&D activities between firms. These dynamics influence the contextual factors of the model and direction of this process. The fundamental assumption of the model is based on the dynamic capability definition. Capabilities and resources are presented as the firm's ability to integrate, build and reconfigure internal and external competencies to address rapidly changing environment. Evolution of strategic technology alliances with dynamic capability perspective of the firm adds on to the existing typology of the taxonomies of internationally integrated innovation networks.

Knowledge Sharing in the Learning MNC – A Case of Innovation Transfer or Problem Solving?
Ulf Andersson, Uppsala University, ulf.andersson@fek.uu.se

During the last 15 years it has been emphasized that MNCs must be innovative with the different units using local resources to create new knowledge to be exploited also in other units in the organization. Instead of relying on the parent company for innovations it has been suggested that the MNC must maximize its "combinative capability", i.e., use its capabilities that are distributed throughout the whole corporate system. A striking feature of the discussion so far, is that the subsidiaries in the MNC are very anonymous except for a general categorization of their roles as givers or receivers of knowledge or their environment being complex and competitive. Little is said about what they actually do and how they are operationally

related, even though these factors have a profound impact on the transfer process. In this paper we argue that the operational relationships between subsidiaries that are supposed to transfer innovations between each other can be separated into two categories in terms of activity interdependence; similarity and complementarity. This distinction is used to argue that the transfer process is completely different in the two categories. The paper ends with propositions and a reflection on the "transnational firm" solution.

Leveraging Capabilities in Intra-Firm Networks
Magnus Persson, Uppsala University, magnus.persson@fek.uu.se

Recent years research on competitive advantages of MNCs have focused on leveraging capabilities and transferring knowledge in intra-firm networks. When concerned with capabilities as the basis for competitive advantages several researchers have appreciated the need for inimitability. Numerous factors have been considered to mother inimitability, among those the concept of casual ambiguity. As King & Zeithaml (2001) has pointed out, casual ambiguity is two-fold; containing linkage ambiguity and characteristic ambiguity. Capability characteristics are considered to affect the transfer process. The view of MNCs as differentiated networks, giving subsidiaries different capabilities, functions and roles in the organization, has been extensively accepted and used. Adopting this view implicates intra-firm differences in subsidiary relations, constituting conditions affecting the leveraging of capabilities. We use Richardson's (1972) distinction of relationships between units performing similar activities, and units performing complementary activities, to deal with this matter. We argue that the relation between activities in different units affect processes of transfer in MNCs. The exploratory discussion focuses on primary problem areas arising in different archetypical situations and develops propositions regarding knowledge transfer and coordination mechanisms most likely to be used in these.

Innovation and Network: The Impact of Initial Innovation Conditions on the Formation of Interfirm Network
Hung-bin Ding, Loyola College in Maryland, hding@loyola.edu

Observations on the use of interfirm ties seem to guide managers in two directions. On the one hand, external ties are important and beneficial to innovations (as suggested in Powell, Koput, Smith-Doerr, 1996). On the other hand, interfirm relationships may constrain a firm's innovativeness (as argued in Christensen, 1997). Much research effort has been expanded to explain why interfirm ties or alliances engender different effects for different firms. However, the paradox of how and when networks facilitate and constrain entrepreneurial activities, such as novel new product innovation, has not been fully uncovered. To address this issue, we review the literature on the following three subjects: (1) What is the effect of initial knowledge status on a firm's actions in external relationship formation? (2) What is the effect of a firm's current engagement in interfirm ties on its future interfirm tie formation? (3) What is the impact of a firm's partnering activities on the effectiveness of external innovation knowledge acquisition? Building on the literature, this study proposes a model that explains the relationship between innovation knowledge acquisition and that the initial conditions of product innovation.

Creating an Environment for Enterprise: The Singapore Experience in East Asia
Caroline Yeoh, Singapore Management University, carolineyeoh@smu.edu.sg

The inherent confinements of a small city state and the lack of natural resources, has constantly been the impetus behind Singapore's drive towards innovation, creativity, and enterprise beyond normal boundaries. This paper focuses on Regionalisation 2000 (R2000), an attempt to form strategic alliances between regional states to capitalise upon each country's strengths and expertise. Such collective competitiveness, it is reasoned, will create an environment for local and Singapore-based multinationals to expand regionally, unrestrained by Singapore's geographic limitations. Discussion centres on the dynamics, development and performance of the most advanced industrial-township projects in Indonesia, China and Vietnam. The paper finds that the strategic intent of R2000 remains unfulfilled, with various lessons to be drawn upon, and serves a reminder that failure to acknowledge the pre-dominance of socio-political realities will stymie the propulsion of powerful ideas towards fruition.

Business Associations and Small Business Networking in Monterrey, Mexico

Patrick Cronin, Thunderbird American Graduate School, croninp@t-bird.edu

Small businesses in developing countries face a daunting array of obstacles limiting their competitiveness. Growing literatures on industrial districts and on networking highlight the importance of inter-firm collaboration to overcome such barriers. As a result, a variety of governments worldwide implemented programs to promote collaboration as part of larger strategies to boost small firm competitiveness. The networking literature highlights the need for institutions and institutional agents to catalyze the collaborative process. While many networking programs have governments-as-catalysts, other institutions, including business associations, can fulfill this function. In Latin America, a region with a historically conflictual government-business relationship, private institutions may be more successful at motivating cooperation among small business owners. Drawing upon and extending the existing literature, this paper discusses the roles that business associations can play in the formation and support of inter-firm networks. It does this in conjunction with an examination of the efforts of the Chamber of Manufacturing Industries of the Mexican state of Nuevo León (Caintra in its Spanish acronym) to promote small business networking in Monterrey, Mexico. The Caintra's experiences are instructive regarding the difficulties of catalyzing and sustaining group collaboration. At the same time, they offer important insights into the role business associations can play as active and passive promoters of networking efforts.

How Do Executives Use Real Option Strategies To Create Cross-Cultural Alliances?

Cliff Wymbs, City University of New York, Clifford_Wymbs@baruch.cuny.edu

Executives are increasingly adopting cross-cultural strategic alliances as a preferred organizational modality to deal with the emerging complex knowledge intensive business environment of the 21st century. I create a real options based model that demonstrates the process executive leaders use to mitigate uncertainty and increase learning throughout the strategic alliance process. A case study of a U.S./Taiwanese technology-based strategic alliance illustrates the strategic leadership model and the option/learning process.

Do International Strategic Alliances Create Firm Value? An Empirical Analysis of U.S.-Japanese Technology Alliances

Byung (Brian) Hee Lee, California State University, blee@fullerton.edu

Do international strategic alliances create or destroy firm value? Past research has suggested that such alliances can be a two-edged sword. On one hand, alliances can contribute to bigger, stronger, and more flexible companies. On the other hand, alliances may also serve to weaken, dilute, and fragment companies' strategic position and organizational capability. This issue is particularly ripe for rigorous empirical explanation in the context of partnerships between the two largest economies in the world, the United States and Japan. In this study, we examined stock market reactions to announcements of interfirm cooperation between U.S. and Japanese firms in 228 alliances formed in high-tech industries during the period of 1995-2000. The results showed that U.S. firms did not lose firm value following announcement of alliances with Japanese partners, contradictory to prior work warning of potential erosion of competitiveness through alliances with Japanese firms. We also found that absorptive capacity significantly influenced firm valuation effects of Japanese firms, while technological overlap with partners generated positive returns for U.S. firms.

Stock Market Valuation of International R&D Alliances in High Technology Industries

Byung (Brian) Hee Lee, California State University, blee@fullerton.edu
Marjorie A. Lyles, Indiana University, mlyles@iupui.edu

Existing literature on interfirm cooperation has failed to clearly explicate how stock markets value new technology development through international R&D alliances. Based on the perspectives of interorganizational learning and technological capabilities development, this study identifies factors that account for the changes in stock market returns generated from cross-border R&D activities. Learning-related factors include foreign alliance experience and past linkages between partners, while R&D investment and the degree of technology bases overlap between partnering firms are proposed to relate to technological capabilities development. With a sample of 320 firms engaged in 160 dyad-international R&D alliances during the period of 1995-2000 in high tech industries, this study found that firms' alliance experience and R&D investment positively influence market valuation of international R&D alliances. In contrast, factors of past direct linkages between partners and the level of technology bases overlap did not have substantial impact on stock market returns. These findings provide new insights for managers to develop alliance management capabilities.

Track 10 - Marketing and Supply Chain Management

Adaptation and Performance in Foreign Markets: Evidence of Systematic Under-Adaptation

Douglas Dow, The University of Melbourne, d.dow@mbs.edu

Despite more than four decades of debate over various aspects of how a firm should adapt it practices in foreign markets, it is our contention that a significant gap still remains in that field. The gap we are referring to is the linkage between '*the degree to which a firm adapts its practices in foreign markets*' and '*the resulting performance of the firm in those markets*'. Past empirical studies have yielded "no consistent relationship between strategy adaptation and firm performance" (Albaum & Tse, 2001, p. 66). It is our contention that the inconclusive and contradictory results may be partially due to methodological flaws in the research design. This paper presents the results of the second stage of a longitudinal study employing profile deviation to model the fit between firm strategy and environment, which resolves some of those weaknesses.

The Impacts of Culture, Interoffice Work Interdependence and Local Embeddedness on Standardization Preferences in a Public Relations Firm

William Newburry, Rutgers University, newburry@andromeda.rutgers.edu
Nevena Yakova, Rutgers University, nvyakova@pegasus.rutgers.edu

This manuscript examines the impacts of three potentially related variables – national culture, interoffice work interdependence and local embeddedness – on standardization preferences in the public relations field. Based upon a study of over 400 employees from 46 offices of a major international public relations firm, this study finds that employees from cultures high on Hofstede's (1980) power distance, uncertainty avoidance and long-term orientation dimensions and Hall's (1981) high context cultures have significantly positive perceptions regarding activity standardization. Employees from cultures high on Hofstede's (1980) individualism dimension have significantly negative perceptions regarding standardization. Hofstede's (1980) masculinity dimension is insignificant in predicting standardization preferences. Additionally, for certain activities, a strong positive relationship is found between structural interdependence and standardization preferences. Moreover, for other activities, a negative relationship is found between local embeddedness and standardization preferences. However, contrary to expectations, no interaction is found between these variables and the cultural dimensions discussed above.

How Does Private Branding Prompt Retailers to Increase Offshore Sourcing?

Shih-Fen S. Chen, Brandeis University, shihfen@brandeis.edy

The retail industry has experienced a drastic increase in offshore sourcing that coincides with the rise of private branding. In this article, I take a transaction cost approach to theorize how private branding prompts retailers to increase sourcing from foreign suppliers. I first point out that the decision of domestic vs. offshore sourcing depends on *hard sourcing costs* (e.g., production and transportation costs) as well as *soft sourcing costs* (e.g., negotiation and coordination costs). Due to various environmental factors, retailers have to incur an extra cost to transact with foreign suppliers, especially when the incentives of the parties are not aligned properly under a condition called *brand specificity*. Private branding, which reassigns the right of branding a product from manufacturers to retailers, is an automatic solution to brand specificity and can neutralize the transaction cost gap between domestic and offshore sourcing. Enhancing the competitiveness of foreign products, private branding thus prompts retailers to increase sourcing from abroad, which explains the coincidence of the two retail trends. Empirical results obtained from a sample of products stocked by a national merchandiser support this transaction cost explanation.

International Marketing Research and Firm Size: An Analysis of UK Exporters
Mark Burridge, University of Leicester, m.burridge@le.ac.uk
Robert Bradshaw, De Montfort University, rbmar@dmu.ac.uk

This paper investigates the international market research activities of 152 successful UK exporters. The research focuses upon the types of information considered most important for decision-making, the various sources that are used to obtain this information, and the extent to which acquisition and use vary according to firm size. The empirical work suggests that these successful firms put much greater emphasis on information required for long term strategic planning rather than the day-to-day operations of the business. Strong statistical evidence is also presented to suggest that the extent to which information is collected as well as the sources used by these companies is at least partly determined by firm size. Small firms appear to rely upon very limited information mostly related to the competition when making decision about overseas activities, medium sized firms also consider potential barriers to entry, but only large firms go beyond this and consider the needs and wants of the customer. In addition, small firms make far more extensive use of in house sources for decision making compared to their larger counterparts, despite the fact that all firms seem to value highly information obtained from outside sources.

Cross-Border Internet Shopping
Georg Fassott, Universitaet Kaiserslautern, fassott@sozwi.uni-kl.de

Electronic communication technology currently applied and widely used as Inter-net enables global marketing activities by companies as well as cross-border shopping by consumers. The purpose of this paper is to develop a conceptual framework to provide a deeper understanding of consumer motivation and behavior related to cross-border Internet shopping. The first step is a literature review on online behavior leading to the adoption of the framework by Bobbitt and Dabholkar who integrated several attitudinal theories to explain the acceptance of technology-bassed self-services. Also the literature on country-of-origin effects and outshopping was analyzed. Thirdly, the main results of two preliminary studies (focus group as well as descriptive quantitative) are reported. Based on this input the conceptual framework to explain the acceptance of cross-border Internet shopping is presented.

Alliances Between Multinational Firms and Nonprofit Organizations: Corporate Sponsorship Programs in the Arts
Gladys Torres-Baumgarten, Hofstra University, mktgtb@hofstra.edu

This paper examines how multinational corporations respond to the call to be socially responsible corporate citizens and focuses specifically on the case of corporate sponsorship of the arts. Multinational firms' collaboration with nonprofit arts organizations often leads to new and creative ways of promoting a firm's corporate responsibility to its various stakeholders, both within and beyond its national boundaries. Research has shown that stakeholder perceptions of corporate giving initiatives affect the positive attitudes toward the firm, and in turn, increase their predisposition to support the firm's business activities (Corporate Philanthropy Report, 2002). It is thus imperative that firms increase stakeholder awareness of its initiatives. The strategic decisions that firms engage in promoting their arts alliances are examined closely through a case study of a multinational food company, the Barilla Company. Barilla's case highlights what may be the start of a new era of greater corporate involvement and commitment to arts sponsorship initiatives. As background, an overview of philanthropic contributions in the U.S. is provided, and the closing section identifies directions for future research in this area by focusing specifically on the challenges that multinationals face when supporting arts programs beyond their domestic markets.

The Biased Influences of Globalization and Ethnocentric Attitude on Country-of-Origin Evaluations of Consumers in Collectivist Culture
Taewon Suh, Saint Louis University, suht@slu.edu

This study attempted to test the biased influences of globalization and ethnocentric attitude on country-of-origin evaluations using a research model that incorporates attitude toward globalization, global openness, and consumer ethnocentrism, as the influencers on country-of-origin evaluations. In results, country-of-origin evaluations of consumers in a collectivist culture (i.e., Korea) are negatively influenced by relevant, negative attitudes (i.e., their ethnocentric attitudes) because their evaluations for foreign countries tend to be easily affected by irrelevant factors due to the out-group bias. On the other hand, but with the same reason, country-of-origin evaluations of consumers in a collectivist culture are not positively

influenced by relevant, positive attitudes (i.e., positive attitude toward globalization and global openness). In general, our findings suggest that sellers of foreign goods should adopt different strategies in collectivist cultures in order to be successful in inducing the biased consumers in such cultures to purchase their products. If consumers poorly evaluate foreign goods because of their biased manners and not because of perceived poor product quality judgment, the market penetration may become relatively harder.

Session 2.5.1 BALAS

Micro-Latin America

Room: Spyglass 1 Time: 1:30-3:00 p.m.

Chair: Joseph Ganitsky, Loyola University New Orleans, JOEGANITSKY@cba.loyno.edu
Discussant: Fernando Robles,The George Washington University, Roblesf@aol.com

Advertising to Bilingual Bicultural Consumers

Lyn Amine, Saint Louis University, aminels@slu.edu
Emma L Rodriguez Ayala, Saint Louis University, rodrigel@slu.edu

The goal of this paper is to investigate actual company practice by studying examples of current print advertising campaigns in one market, Puerto Rico. Using a database of some sixty discrete ads from current campaigns in two leading women's magazines in Puerto Rico, we present and discuss twenty-three ad examples in English and Spanish. These are analyzed by reference to three bodies of literature on international and Hispanic advertising strategies, global advertising techniques and forms, and aspects of consumer information-processing.
We show that advertisers are using a variety of advertising methods to reach the upscale Puerto Rican woman, including globalized, glocalized and localized strategies. The contribution of this paper is twofold: it provides a case study of current examples of international magazine advertising to female consumers, and it presents new information about advertising and marketing practices in Puerto Rico, a strategically important market for global consumer product companies doing business in the western hemisphere.

Profit Sharing, Gain Sharing, Financial and Non-Financial Value Drivers and Economic Value Added

Leonardo Fernando Cruz Basso, Universidade Presbiteriana Mackenzie, Brazil, leonardobasso@mackenzie.com.br
Elizabeth Krauter, Universidade Presbiteriana Mackenzie, Brazil, ekrauter@mackenzie.com.br

The concern with the creation of value for shareholders has led to the use of value added measures, which differ from traditional measures as they consider an opportunity cost for equity capital. The objective of this paper was to verify whether value added measures, or the value drivers of these measures, were present in the 2000-2002 profitsharing and gainsharing plans of the Labor Union of the Chemical, Pharmaceutical, Plastic and Similar Industries of São Paulo and Region (Caieiras, Embu-Guaçu, Taboão da Serra). It consisted of an exploratory study; the data was gathered through documentary research and treated qualitatively. The sample group comprised companies of various sizes. To the surprise of the authors, value added measures were not encountered in the analyzed contracts, which led us to question the possible causes of the non-usage of these measures. The results of the survey can provide subsidies for an extensive debate among the parties involved (workers, unions, managers and shareholders) with the purpose of determining the causes of non-usage of value added measures to appraise performance in variable remuneration plans in Brazil.

The Taxation of Industrial Property Rights
Mario Jorge Lima, Federal University of Bahia, malima@ufba.br

The contemporary State needs financial resources to attend the public services required and others tasks. The common means used to obtain the necessary resources is the tax collection, practice over the available wealth from the citizens and companies, expressed by their property, incomes and business result. The industrial property rights are important intangible property for the economic development and represent a significant wealth for the owner, above all, through the technology transfer contracts. So, the industrial property rights contain the two kinds of the available wealth for taxation: the property expression and the business income. The paper just broachs how the taxation systems in Brazil, Argentina, Mexico and USA incur over the industrial property rights and that trade. Beside, the paper describes the international law treaties conventions to remove the double taxation over the technology transfer contracts and to avoid the tax evasion by the companies through the international operations.

The Challenges of Globalization for Emerging Market Firms
Robert Grosse, Thunderbird American Graduate School, grossr@t-bird.edu

Latin American firms are threatened at home by competition coming from industrial-country multinationals and challenged by the opportunities available in industrial country markets. Globalization for these emerging market firms thus means responding successfully to these two challenges. This paper identifies competitive strengths of Latin American and other emerging market firms that have been found in previous research by this author and others. It then goes on to present and illustrate a framework of Transformational Management that can be used by these firms to assess their competitive capabilities and design strategies to succeed in domestic and international markets against competitors from other countries.

Session 2.5.2 - Track 10 WORKSHOP

Global Advertising: The Past, Present and Future

Room: Spyglass 2 Time: 1:30-3:00 p.m.

Chair: John K. Ryans, Bowling Green State University, jryans@bsa3.kent.edu, ryans@cba.bgsu.edu

Marketing Strategy in International Advertising Agencies
Peter Walters, The Hong Kong Polytechnic University, bupgpwal@polyu.edu.hk
Paul Whitla, Lingnan University, whitla@ln.edu.hk

The study focuses on the globalisation of marketing strategy in international advertising agencies. Yip's global strategy framework is used to establish expectations regarding the globalisation of agencies' international marketing activity following interviews with industry experts. These "benchmarks" are then compared with practice using a case study methodology to collect data from eight international agencies. Important findings are as follows: there is greater uniformity of marketing methods than in international advertising content; there was considerable variance in the international marketing mix adopted in agencies, with a tendency to localisation of policy in areas such as selling and distribution, but more international uniformity in branding and positioning. Important variables affecting policy responses include: agency resources, administrative heritage and organisational structure; client involvement with agencies, particularly pressure for consistent management practice, reliable quality, and "image" uniformity; and the development of IT and other systems that enable the coordination of work between agency offices around the world. Cost and governmental factors were found to be relatively unimportant as global "drivers" of international marketing policy.

Advertising in Asia: An Exploratory Review of Empirical Research from 1992 to 2002
Daniel W. Baack, Saint Louis University, baackdw@slu.edu
Janet Y. Murray, Saint Louis University, murrayjy@slu.edu

This paper reviews articles investigating advertising in Asia published in academic business journals from 1992 to November 2002. The objective of is to synthesize these articles to help direct future research. The articles are divided into three categories and discussed. The first category, Advertising Content, contains articles focused on collectivism, information, and gender roles. Topics for future research emerge including the relationship between soft-sell appeals and information level, and the effect product type has on advertising content. The second category, Advertising Practices and Effectiveness, focuses on advertising effectiveness and the use of standardization. A link is found between the features of Asian advertisements revealed from content analyses and advertising effectiveness. Additionally, the literature reviewed hints that Western firms may more commonly use standardization. The last category, Advertising Environment, is broad and includes articles discussing attitude toward advertising, advertising agencies, advertising strategy, and Asian consumers. Based on the literature review, it is recommended that future research on Asian advertising be more theoretical, use more sophisticated methodologies, and investigate less studied countries.

Determining the Global Advertising Strategy Standardization or Adaptation?
Ann L. Langlois, Palm Beach Atlantic University, ANN_LANGLOIS@pba.edu

The researchers examined the many arguments for and against standardizing global advertising campaigns. The issue of implementing a standardized advertising campaign a local advertising campaign has been debated for more than 40years. This subject is of great interest to the academic and business communities. There are three schools of thought; those who support a standardization strategy, supporters of n adaptation strategies and advocates for combining both strategies. There are many environmental challenges to overcome to successfully create and implement as successful global advertising campaign. Many global marketers believe a well-planned and executed plan will be successful in any location by adjusting for language translation. Positioning the product features, benefits and attributes to all market segments and communicating its strengths using a standard advertising message is not impossible, but requires the marketer to have a solid understanding of the Socio-cultural of all targeted countries. Market share, sales and profitability are key components in the decision making process for standardized or local advertising campaigns. There are demographic and psychographic variables to review before deciding which plan to implement. The decision to standardized advertising messages will be determined by the wants and needs of consumers.

Word-of-Mouth Communication by Non-Opinion Leaders: A Cross Cultural Exploration
Mee-Shew Cheung, University of Tennessee, mcheung@utk.edu

Unlike traditional research which mainly focuses on word-of-mouth by opinion leaders, this paper breaks free of the old assumptions that have guided previous research and aims to obtain a better understanding of the extent and importance of interpersonal influence in the mainstream market. This is also a cross-cultural exploration project that seeks to understand whether culture matters in word-of-mouth behavior. It attempts to explore the similarities and differences in word-of-mouth behavior between majority consumers in two countries that share very different cultural and business systems – the United States and China. The findings of this study will help marketers better allocate their resources in formulating global integrated marketing communication and product diffusion strategies.

Session 2.5.3 - Track 4 - COMPETITIVE

Firm Resources and Internationalization

Room: Big Sur 1-2 Time: 1:30-3:00 p.m.

Chair: Steve Tallman, University of Utah, mgtsbt@business.utah.edu
Discussant: James Hages, Cornell University, jmh43@cornell.edu

Contribution of Firm Capabilities in the Environment Reading - Strategy Formulation-Adaptation Triad towards the Competitive Advantage of Multinational Enterprises

Deepak Sethi, Oakland University, dsethi@oakland.edu
The late Stephen E. Guisinger

This study contends that due to the ever-increasing complexity, volatility, and interdependence of the International Business Environment (IBE), the ‘reading’ of the IBE, formulation of a compatible multinational enterprise (MNE) strategy, and adaptation of intra-firm processes to ensure effective implementation of that strategy are all integrated steps, and hence the process needs to be viewed holistically. Drawing on the resource-based perspective it argues that MNE capabilities at negotiating this integrated process, dynamically, affect their agility in remaining always ‘in sync’ with the IBE. The degree of development of such firm capabilities thus affects their relative competitive advantage in the volatile IBE. Using the grounded theory approach the study carries out an inductive analysis of several MNE executive interviews, and juxtaposes them with the stock of extant research. Several testable propositions are developed from them, which identify specific firm capabilities that help mitigate the Liability of Foreignness, and enhance the relative competitive advantage of MNEs.

Organisational Determinants of Resource Base Sharing Within International Acquisitions

Richard Schoenberg, Imperial College London, r.schoenberg@ic.ac.uk

This study empirically examines the role of organisational factors in determining an acquirer’s ability to implement resource sharing following an international acquisition. Data are drawn from a survey of European cross-border acquisitions. The adoption of a post-acquisition organisational structure which centralises both operational and strategic decisions is found to be strongly associated with the level of resource sharing achieved. The possession of a similar management style to that of the acquired company and prior acquisition experience are also seen to be related to effective resource sharing. The findings reinforce the importance attributed to organisational capability and context in the resource based literature and provide further insights into the determinants of successful resource redeployment within international acquisitions.

Diversification Profiles of Multinational Corporations: An Empirical Investigation of the Relationship between Geographical Diversification, Product Diversification and Technological Diversification

Michael Stephan, Hohenheim University, stephanm@uni-hohenheim.de

Building upon a firm-level empirical investigation we conduct a phenomenological analysis of corporate diversification patterns. We take up a more holistic, multilevel approach towards corporate diversification: In our investigation we capture diversification at the output level, at the input level, and at the geographical market level and analyze the relationships between the individual dimensions. The analysis is based on a study of trends in corporate diversification over a fifteen years period ranging from 1983 to 1997. Our sample comprises 46 multinational corporations headquartered all over the triad countries. Based on our three-dimensional view of diversification, we set up three propositions on the relationships between the individual diversification strategies. We then test the correlations between these diversification strategies and derive different phenotypes of corporate diversification. Each phenotype is characterized by a distinctive corporate diversification pattern. From a dynamic perspective these phenotypes translate into paths of evolution of corporate diversification patterns. It can be shown, that there are several homogenous groups of sample companies with similar corporate diversification patterns and similar paths of evolution.

Institutional environment and firm resources: from neutral to advantageous resources

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

We examine how developing country multinational enterprises (MNEs) achieve an advantage over developed country MNEs despite their smaller size and resource pool. We provide an explanation based on the contingency of the advantage of resources across institutional environments. Specifically, we argue that firms need certain resources that are necessary to operate in the home country institutional and economic environment. Since all domestic firms need such resources, therefore they cannot be a source of competitive advantage. Hence, we call these "home-neutral resources". However, once the firm moves into another country, particularly one that is similar to the home country in terms of the general economic and institutional environment, such resources can provide an advantage over other foreign firms coming from very different institutional environments, because those companies would lack these resources and would need time to develop them. We test our arguments in a set of less developed countries and find support for our hypotheses. Specifically, MNEs from developing countries were more advantageous than MNEs from developed countries in countries with more "difficult" institutional environments.

Session 2.5.4 - Track 4 - WORKSHOP

Organization in MNEs: Subsidiary Management

Room: Big Sur 3 Time: 1:30-3:00 p.m.

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

The Local Embeddedness of Foreign Affiliates and MNE organisational structure.

Lilach Nachum, City University New York, Lilach_Nachum@baruch.cuny.edu

This study examines the local embeddedness of foreign affiliates in business clusters as a function of the internal organisational structure and the subsequent position of affiliates within the MNEs of which they are part. A number of hypotheses are generated that specify the nature of the association between various aspects of the internal organisation of the MNEs and the nature and intensity of the local linkages that affiliates develop.
An empirical study of a sample of foreign affiliates in selected professional service industries located in London confirms a strong and significant association between MNE organisational structure and the local embeddedness of these London affiliates. The implications of the findings for theory and practice are discussed.

The performance of global business teams within multinational corporations: A conceptual examination.

Vincent J. Duriau, Instituto Tecnológico Autónomo de México, vduriau@itam.mx
Riki Takeuchi, University of Maryland, rtakeuch@rhsmith.umd.edu

This research attempts to conceptually explain why some global business teams within multinational corporations are performing better than others. Global business teams are defined as teams of managers and executives that are responsible for a function or a business on a global or regional basis.
While the macro aspects of the management of multinational corporations (MNCs) have long been at the center of scholarly and practitioner interest, only recently has the literature begun considering the challenges faced by teams of MNC executives that manage businesses or functions across borders (Snow, Davison, Snell, & Hambrick, 1996). In this paper, we examine the critical factors that lead to the higher performance of global business teams and develop a conceptual model and associated propositions that build on and integrate recent research efforts.
The proposed model links cultural diversity and geographical dispersion to performance through the mediating mechanisms of cognitive comprehensiveness and social cohesion. Interactions between these variables are also posited. Implications and directions for future research are discussed.

Explaining Subsidiary Network Embeddedness: The Impact of Headquarters Control Mechanisms
Ulf Andersson, Uppsala University, ulf.andersson@fek.uu.se
Ingmar Björkman, Swedish School of Economics, Helsinki, ingmar.bjorkman@shh.fi
Mats Forsgren, Uppsala University, mats.forsgren@fek.uu.se

While the importance of subsidiary external network embeddedness is recognized in the MNC literature, few efforts have been made to explain why subsidiaries differ in terms of their external embeddedness. Factors like the structure of the market, type of industry and the size, scope and age of the subsidiary can probably serve as explanatory factors for how the subsidiary's relationships with external counterparts are configured. In this paper, though, we will focus on the causal link between management systems and subsidiary external embeddeedness. More specifically, we posit that different control mechanisms used by MNC headquarters have different impacts on external embeddedness of foreign subsidiaries. Based on a review of the literatures on MNC control and subsidiary embeddedness we develop a range of hypotheses that are tested on a sample of Western-owned subsidiaries located in Finland and China. The results indicate that MNC headquarters indeed can influence the extent to which their foreign subsidiaries are externally embedded. The implications of the findings for MNC management and further research are discussed.

Session 2.5.5 - Track 3 - WORKSHOP

Culture and HRM

Room: Cypress 1-2 Time: 1:30-3:00 p.m.

Chair: Francis Ulgado, Georgia Institute of Technology, francis.ulgado@mgt.gatech.edu

Does One Shoe Fit Everyone? A Comparison of Human Resource Management in Russia, China, and Finland
Carl Fey, Stockholm School of Economics & SSE in St Petersburg, carl.fey@hhs.se
Antonina Pavlovskaya, Stockholm School of Economics in St Petersburg, Antonina.Pavlovskaya@sseru.org
Judy Tang, Jiaotong University, nyjtang@mail.jtu.edu.cn

Based on in-depth case studies of three Swedish multination corporations, this paper compares the HRM practices used by these firms' Russian and Finnish subsidiaries and highlights that important differences exist for good reason. The article shows that while most previous literature has considered the overall degree HR practices were standardised, in fact MNCs standardize different practices to varying degrees. Further, a central point of this article is that it is important to move beyond a course look at the "what" of HR and also consider the "how" of HR. Both formal and informal systems should be used to make HRM practices work successfully. The repertoire of systems used and their balance is significantly influenced by national context.

The Great Leap Forward: The Transition from Relation-Based to Rule-Based Governance
Shaomin Li, Old Dominion University, sli@odu.edu
Seung Ho Park, Rutgers University, psam@ceibs.edu

This paper introduces a cost-based, dichotomous theoretical framework of governance to the studies of strategic management and international business. Our paper compares the nature and dynamics of relation-based governance with those of rule-based governance. The framework is applied to provide new insights into international and firm-level differences in industry structure, management systems, strategic practices, innovation, and the international flow of capital, human assets, and trades. We also discuss the evolutionary transformation of relation-based systems of governance into rule-based systems of governance under conditions of economic development and intensified competition. Policy and strategic recommendations are made based on the theory.

Una otra Empanada en la Parilla: Examining the Role of Culture and Information Sharing in Chile and Australia

Stephen B. Salter, University of Cincinnati and Escuela de Negocios Universidad Adolfo Ibañez, saltersb@email.uc.edu
Juan Claudio López, Universidad del Desarrollo, jclopez@udd.cl
Axel K-D. Schulz, The University of Melbourne, axels@unimelb.edu.au

An important firm asset is employees' willingness to share information about prior errors. Previous studies have suggested that the propensity to share information is culture dependant, with Chile in the group more likely to share information. Using Australian and Chilean subjects this study finds that Chileans indeed share more information with colleagues up front.. Further while both groups reveal more information when a supervisor is removed, Australian's upward movement is significantly greater. This is very much in contrast to previous studies which have focused on Greater China where collectivism is often outweighed by the sub cultural variable of face.

Integrating National Culture Measures in the Context of Business Decision Making

Susan Forquer Gupta, University of Milwaukee, sgupta@uwm.edu
Katalin Eibel-Spanyi, Eastern Connecticut State University

This paper will detail the measurement development of a set of indices that manifest culture in the context of business decision making. Critical issues of measurement equivalency are assessed using IRT prior to the comparison of the U.S. and Hungarian manager samples. The following sub-indices were identified as a result of the analysis: Individualism in decision making; Individualism and authority; logic/emotion; equality as people, equality of authority, Tolerance for ambiguity in decision making; Tolerance for ambiguity and Flexibility, and Time orientation. Evidence of measurement equivilence between the two populations for each of the sub-indices is established via IRT analysis.The framework utilized in placing the five CVDs in a business context resulted in a very even representation of the manifestation of cultural values across decision-making processes in a firm. As a result, a more complete picture of current CVD scores is provided by the data for the two populations sampled. The sub-indices identified not only aid in the establishment of equivalence and allow for comparison of the two groups, but provide deeper insight into the similarities and differences between the two groups tested that were previously masked in the original CVD structure.

Session 2.5.6 - Track 5 - COMPETITIVE

Survival, Innovation, and Competitiveness through Exploration of Social Context

Room: Cypress 3 Time: 1:30-3:00 p.m.

Chair: Tatiana Kostova, University of South Carolina, kostova@sc.edu
Discussant: Carlos Garcia-Pont, IESE, University of Navarra, cgarcia@iese.edu

Organizational Survival in Uncertain Times

Andrew Delios, National University of Singapore, Andrew@nus.edu.sg
Witold J. Henisz, University of Pennsylvania, henisz@wharton.upenn.edu

We use neoinstitutional theory and research on political institutions to examine organizational survival under conditions of environmental uncertainty. Bridging research on political institutions to neoinstitutional theory permits us to examine the relative importance of technical and institutional criteria in the inter-organizational and organizational environments by exploiting differences in the forms of uncertainty faced in national institutional environments. Using a sample of 2,283 international manufacturing plants created by 642 listed Japanese multinational corporations in 53 countries during the 1992-2000 period, we test for the influences of uncertainty in the policy environment and uncertainty in the socio-political environment (e.g., coups, government crises and constitutional change) on the survival probabilities of these plants. We contend that uncertainty in the policy environment is less exogenous and more predictable than socio-political uncertainty. Our hypotheses and tests demonstrate that this difference across these two types of environmental uncertainty is manifest in two organizational outcomes. Plant survival probabilities are more heavily influenced by the prior decisions and actions of other similar organizations in the presence of socio-political uncertainty than in the presence of policy uncertainty. Policy uncertainty tends to be countered more strongly, however, by the levels of an organization's own relevant experience. These results suggest that while the inter-organizational and organizational environments may both yield normative pressures for legitimacy and useful technical information, consistent with theories of organizational learning, a firm's prior relevant experience contains comparatively more technical information than does the actions of other firms.

Top Managers' Influence on Innovations: The Role of Leadership in Different Socio-Cultural Contexts
Detelin S. Elenkov, The University of Tennessee, delenkov@utk.edu
Ivan M. Manev, University of Maine, imanev@maine.edu

This study examined the extent to which transformational- and transactional-leadership behaviors affect top management influence on product/market and administrative innovations in the context of four European social cultures. The main research propositions state that transformational- and transactional-leadership styles have stronger effects on top management influence on innovations than do organizational and environmental variables; and the relationship of transformational- and transactional-leadership styles to executive influence on innovations is moderated by the socio-cultural context. The research findings provide partial support to these propositions. Variations of the effects of transformational- and transactional-leadership behaviors among the investigated socio-cultural clusters are discussed together with suggestions for future research.

The MNC as a Knowledge Structure: the Roles of Knowledge Sources and Organizational Instruments for Knowledge Creation and Transfer
Torben Pedersen, Copenhagen Business School, tp.int@cbs.dk
Nicolai J. Foss, Copenhagen Business School, njf.ivs@cbs.dk

AIB Best Paper Finalist

Most recent research on the differentiated MNC has been taken up with knowledge flows between MNC units. In contrast, we develop a view of the MNC as a knowledge structure where knowledge elements in MNCs are seen as being structured along a number of dimensions (e.g., complementarity, dispersal, sources of knowledge) that help determining the costs and benefits of knowledge transfer. Based on this conceptualization, we argue that MNC management through choices regarding organizational control, motivation and context can influence the development, characteristics and transfer of knowledge. This further extends existing literature. For example, in most of the literature, the characteristics of knowledge are seen as exogenous rather than endogenous variables. However, to the extent that management chooses a specific way of sourcing knowledge, it also implicitly chooses the characteristics of the sourced knowledge and the ease with which it can be transferred inside the MNC. This is because knowledge from different knowledge sources have different characteristics and are thus transferred at different cost. The six hypotheses that we draw from the main argument are tested against a unique and very rich dataset on subsidiary knowledge development (including information on the organizational setting, sources of subsidiary knowledge and the extent of knowledge transfer to other MNC-units) that has been constructed in connection with a cross-national project Centres of Excellence. The dataset covers more than 2.000 subsidiaries located in seven different European countries.

The Political Foundations of Inter-Firm Networks and Social Capital: A Post-Communist Lesson
Gerald A. McDermott, University of Pennsylvania, mcdermott@wharton.upenn.edu

This essay attempts to offer an understanding of social capital networks that accounts for both continuity and change in network structures and relationships. The *embedded politics* approach views inter-firm networks as *socially and politically* constructed. That is, while firm level actors may develop tenacious socio-economic relationships, the authority structure of a network, which governs dispute resolutions and the distribution of resources, emerges from the ways certain constituent firms align themselves with public institutions. I empirically examine this approach relative to more traditional views by analyzing the transformation of Czech industrial networks during the current period political and economic reform. The Czech Republic provided apparently supporting evidence for several mainstream approaches to reform and networks. Yet on closer inspection we find instability and significant change in industrial networks. The fragility, eventual stability, and subsequent changes in networks come not from purely "intra-network" factors, but rather from specific policies the government pursued. In short, this essay aims to renew our focus on the origin and evolution of social capital and networks by bringing politics back into the forefront.

Session 2.5.7 - Track 1 - PANEL

The Rise of the Third Force: The Growing Impact of NGOs on Multinationals & Governments

Room: Windjammer 1-2 Time: 1:30-3:00 p.m.

Chair: Sushil Vachani, Boston University, svachani@bu.edu
Discussant: Lorraine Eden, Texas A& M University, leden@tamu.edu

The role of multinationals and governments in setting the agenda for globalization is being diminished by the rise of the third force, non-governmental organizations (NGOs), who are presenting powerful ideas that resonate with a public anxious to see multinationals adopt more socially responsible strategies, and multilateral institutions become more transparent and accountable. This panel explores the following themes pertaining to the impact of NGOs on multinationals, governments and multilateral institutions: Impact of NGOs in shaping the institutional environment of international business. Effect of NGOs on bargaining between multinationals and governments. How rules for governance of international business, such as those for protection of intellectual property rights, are being influenced by NGOs. NGOs' role in providing a voice for those who are disadvantaged by income and knowledge barriers. Non-market strategies adopted by multinationals to preempt pressure from NGOs. e.g., adoption of international environmental management standards. Application of theoretical perspectives (e.g., stakeholder theory, bargaining theory, network theory and institutional theory) to include NGOs in international business
research).

Globalization, Non- Governmental Organizations, and Business- Government Bargaining: Implications for International Business Theory and Practice
Jonathan P. Doh, Villanova University, jonathan.doh@villanova.edu
Hildy Teegen, George Washington University, teegen@gwu.edu

Entry, Voice and Loyalty: Ensuring Regulatory Participation Through NGOs
Carlos Rufin, Babson College, crufin@babson.edu

The Diffusion of ISO 14001 in the Chemical Industry
Magali Delmas, Stanford University and University of California at Santa Barbara
Ivan Montiel, University of California at Santa Barbara, imontiel@bren.ucsb.edu

Impact of NGOs on Multinationals & Governments: the Case of South Africa's AIDS Epidemic
Sushil Vachani, Boston University, svachani@bu.edu

Session 2.5.8 - Track 8 - COMPETITIVE

Structural Determinants of International Business Activity

Room: Windjammer 3-4 Time: 1:30-3:00 p.m.

Chair: Ivo Zander, Stockholm School of Economics, ivo.zander@hhs.se
Discussant: Stephen Nicholas, University of Melbourne, s.nicholas@unimelb.edu.au

Industry Trade-Balance and Domestic Merger Policy: Some Empirical Evidence from the U.S.
Joseph A. Clougherty, Tilburg University, J.A.Clougherty@uvt.nl

The literature on antitrust in an open-economy setting is inconclusive with respect to the role played by trade-balance on the tenor of domestic merger policy. Using a panel data set composed of US merger reviews by industrial sector over the 1997-2001 period, I empirically test the impact of sectoral trade balance on the level of antitrust scrutiny. The results suggest that larger trade balances lead to more vigorous antitrust scrutiny; thus, 'strategic' merger policy does not appear evident, and consumer-surplus appears to guide US merger policy even under the lure of international competitive gains.

Convergence to Purchasing Power Parity at the Commencement of the Euro
Claude Lopez, University of Houston, Claude.Lopez@mail.uh.edu

We investigate convergence towards Purchasing Power Parity (PPP) within the Euro Zone and between the Euro Zone and its main partners using panel data methods that incorporate serial and contemporaneous correlation. We find strong rejections of the unit root hypothesis, and therefore evidence of PPP, in the Euro Zone for different numeraire currencies, as well as in the Euro Zone plus the United States, with the US dollar as the numeraire currency, starting between 1996 and 1999. The process of convergence towards PPP, however, begins earlier, generally in 1992 or 1993 following the adoption of the Maastricht Treaty.

Explaining Canada's Changing FDI Patterns
Walid Hejazi, University of Toronto, hejazi@rotman.utoronto.ca

This paper is motivated by the following question: Why are Canadian multinational enterprises (MNEs) expanding so rapidly abroad (especially outside North America) and foreign MNEs locating in Canada less often? Many researchers that use the gravity model to explain trade ignore patterns of foreign direct investment (FDI), whereas those that use the gravity model to explain patterns of FDI either ignore trade altogether, or simply condition on trade. To understand what is driving Canada's changing FDI patterns, the interaction between foreign production (FDI) and trading must be taken into account. Therefore, to answer the question above, we explain trade and FDI patterns simultaneously, employing the standard gravity model to explain the former and an augmented gravity model to explain the latter. The augmentation takes into account elements of the Heckscher-Ohlin theory, new growth theories, public policy, and institutions. Our evidence for Canada and 29 trading partners from 1970 to 1998 measures the roles that each of these theories have in explaining Canada's FDI. Our results indicate new or different results on the impact on FDI of exchange rate movements and volatility, financial market liquidity, R&D performance, institutional quality, and policies directed towards FDI. We also provide strong evidence of complementarity between trade and FDI.

AIB General Business Meeting

AIB Executive Board reports to the membership on new initiatives, future meetings, and the financial situation of AIB.

Room: Regency Ballroom Time: 4:15-5:15 p.m.

TUESDAY – July 8, 2003

Session 3.6.1 - Track 7 - WORKSHOP

Networks, Knowledge, and Trust in Interfirm Cooperation

Room: Spyglass 1 Time: 8:30-10:00 a.m.

Chair: Caroline Yeoh, Singapore Management University, carolineyeoh@smu.edu.sg

Global Strategic Linkages and Industrial Structure: Implications from an Empirical Research on the Semi-Conductor Industry

Byung Jeun Kim, Mercer Human Resources Consulting, Korea, webkim@hotmail.com
Yong Wook Jun, Chung-Ang University, junyw@unitel.co.kr
Chan Hi Park, Chung-Ang University, cparkdba@cau.co.kr

This research aims at providing empirical evidence on the strategic linkages in the semi-conductor industry relying on the network analysis methods. Based on the analytic framework of 'strategic groups' (based on similarities in the strategic capabilities of the firms) and 'strategic blocks' (based on the similarities in their strategic linkages) in the global industry structure, this research attempts to examine three hypotheses on the formation of the strategic linkages. Following the empirical test on the existence of the strategic blocks in the semi-conductor industry (Hypothesis1), this research shows the higher tendency of forming complementary blocks in the presence of the dominant firms (Hypothesis2). Finally there will be a test on the performance differential among the strategic blocks (Hypothesis3).

Knowledge-Transfer in International Strategic Alliances: The Determinants of Learning

Hsiang-Chun (Jocelyn) Chen, National Yunlin University of Science and Technology, chenhc@pine.yuntech.edu.tw

The purpose of this research is to understand the influences of firms' strategic intent, firms' specific advantages (such as capabilities, relational capital, conflict management, past experience), partners' attitude, industry attribute, cultural and organizational distance, and knowledge characteristics on international strategic alliances' learning performance. The findings of this research are discussed as below: (1). By applying the 'Principal Component' analysis, independent variables with 59 indicators show five important dimensions in the model of EU/USA; they are comprehensive capability, time to market, product development technology, human resource management and interaction with partner. In the model of Japan, the important dimensions are core intelligence, external uncertainty, organizational similarity, knowledge transfer difficulty, and interaction with partner. (2). International strategic alliances with partners from European Union and/or USA: the results of canonical correlation analysis show that the first canonical function (independent variate including variables of comprehensive capability, time to market, product development technology, human resource management, and interaction with partner) can explain the alliance learning performance up to 86%. The canonical functions (Wilds' lambda) are statistically significant at the 0.079 level. (3). International strategic alliance with partners from Japan: the results of canonical correlation analysis show that the two canonical functions (independent variate including variables of core intelligence, external uncertainty, organizational similarity, knowledge transfer difficulty, and interaction with partner) can explain the alliance learning performance up to 87% and 71% respectively. The canonical functions (Wilds' lambda) are statistically significant at the 0.05 level.

Foreign Partner Assignment Policy and Trust in IJVs

Alex Mohr, Bradford University School of Management, a.t.mohr@bradford.ac.uk
Markus Kittler, University of Erlangen-Nuremberg, Markus.kittler@wiso.uni-erlangen.de

This paper investigates the assignment policy of MNEs when managing IJVs with local companies and its importance for the development of trust between the JV partners. Hypotheses are developed on the basis of extant research on inter-firm and inter-personal relationships and by analyzing interviews carried out with JV managers. These hypotheses are then tested against data gathered through a questionnaire survey of 110 managers of German-Chinese Joint Ventures (GCJV) in the People's Republic of China (PRC). Surprisingly, the variables reflecting the assignment policy of the foreign partner, such as the age of the representative or the length of his/her assignment, do not have a discernible effect on IJV trust. Rather, the findings show that the long-term performance of IJVs, which was included as a control variable, is the only

variable that seems to have a major impact on the development of trust between JV partners. This raises interesting questions for future research on the role of trust in IJVs.

Knowledge transfer in international strategic alliances: The China-Singapore Suzhou Industrial Park

Wang Pien, National University of Singapore, bizwangp@nus.edu.sg

This paper examines knowledge transfer in international strategic alliances (ISAs) using a case study of the China-Singapore Suzhou Industrial Park (SIP), an ISA involving the Chinese and Singaporean governments, their agencies, state owned enterprises, government linked firms, and various private firms. The objective is to extend existing knowledge in the ISA knowledge transfer area and provide deeper understanding of determinants of knowledge transfer and the impact of knowledge learned, adapted and applied by the ISA on its performance.

Session 3.6.2 - Track 9 - COMPETITIVE

International Mergers and Acquisitions: Performance and Control

Room: Spyglass 2 Time: 8:30-10:00 a.m.

Chair: Jiawen Yang, The George Washington University, jwyang@gwu.edu
Discussant: Reid Click, The George Washington University, rclick@gwu.edu

Dividend Policy Inside the Firm

Mihir A. Desai, Harvard Business School, mdesai@hbs.edu
Fritz Foley, University of Michigan, ffoley@umich.edu
James R. Hines Jr., University of Michigan, jrhines@umich.edu

This paper analyzes dividend remittances by a large panel of foreign affiliates of U.S. multinational firms. The dividend policies of foreign affiliates, which convey no signals to public capital markets, nevertheless resemble those used by publicly held companies in paying dividends to diffuse common shareholders. Robustness checks verify that dividend policies of foreign affiliates are little affected by the dividend policies of their parent companies or parent company exposure to public capital markets. Systematic differences in the payout behavior of affiliates that differ in organizational form, and those that face differing tax costs of paying dividends, reveal the importance of tax factors; nevertheless, dividend policies are not solely determined by tax considerations. The absence of capital market considerations and the incompleteness of tax explanations together suggest that dividend policies are largely driven by the need to control managers of foreign affiliates. Parent firms are more willing to incur tax penalties by simultaneously investing funds while receiving dividends and to regularize dividend payments when their foreign affiliates are partially owned, located far from the United States, or in jurisdictions with inefficient judicial systems, all of which are implied by control theories of dividends.

International Mergers and Acquisitions: Wealth Effects and Firm Characteristics

J. Jay Choi, Temple University, jjchoi@temple.edu
Eric C. Tsai, State University of New York at Oswego, tsai@oswego.edu

Existing work on domestic M&As shows a wealth loss for acquirers, while the results on international M&As are more mixed. This paper shows that the wealth gains after the announcement of international M&As by U.S. firms are more positive and statistically significant and greater in magnitude than those reported in existing work. An analysis of determinants of wealth effects shows that the market may value future growth opportunity more than past international experience or profitability, and that the gains may be related to cultural and geographical distance. It is also shown that winning and losing acquiring firms differ significantly in terms of the conventional financial ratios and corporate governance. In particular, the winners have superior corporate governance system, as measured by agency costs and executive compensation.

Performance and Value Implications of Cross-Border Acquisitions In Telecommunications Industry: The Case of US Telecom Companies

C. Bulent Aybar, Southern New Hampshire University, baybar@minerva.snhu.edu
Ozgur Berk Kan, Western Connecticut State University, KanO@wcsu.edu

This study analyzes the impact of cross-border acquisitions of US Telecom Operators on the shareholder value and firm performance. We analyzed the value implications of 33 acquisitions made by US Telecommunication companies in 18 countries located in North America, Europe, Latin America and Asia Pacific. While 15 of the target companies were domiciled in developed countries, 18 were located in Latin American and Asian emerging markets. Total value of acquisitions included in the sample was $12.3bn with a mean transaction value of $363.8m. Our small sample analyses revealed that cross-border acquisitions of US Telecom companies on the average did not create value for the shareholders. We also could not identify any significant performance improvements in the post acquisition period. An interesting result of our empirical analysis was the finding that acquisitions of targets in emerging markets generated higher cumulative abnormal returns than the targets in developed country markets.

Can Investment Opportunities and Free Cash Flows Explain the Wealth Effects of International Joint Ventures?

Rahul Verma, University of Texas Pan American, rverma@panam.edu

This paper examines the role of investment opportunities and free cash flow in explaining the mixed previous results found for the wealth effect of joint ventures. Our study is an improvement on the existing literature in that we apply these two theories to the firms listed in the NYSE and AMEX undertaking international joint ventures, which has not been studied significantly in the past. We find that firms with promising investment opportunities experience a significant positive response in the stock market to international joint venture announcements. In contrast, we find that free cash flow is insignificant in explaining the cross sectional difference in abnormal returns. Unlike previous results, we find weak support for free cash flow theory when we control for the firms engaged in the information technology industry. We also find that small firms are more likely to have a positive response than large firms. Our findings can have important implications for international as well as domestic investors while devising appropriate investment and portfolio diversification strategies.

Session 3.6.3 - Track 4 - WORKSHOP

Methods of International Growth: Mode of Entry in Foreign Markets

Room: Big Sur 1-2 Time: 8:30-10:00 a.m.

Chair: Myles Shaver, University of Minnesota, james054@umn.edu

Entry Mode, Economic Crisis and Survival.

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

This study investigates the relationships between foreign entry mode, economic crisis, and survival and exit. This longitudinal analysis encompasses the characteristics of Japanese foreign direct investment in more than 100 countries both pre- and post-economic crisis. This study covers a full spectrum of determinants of survival and exit of foreign subsidiaries - from regional, national, industry and parent firm to subsidiary levels. This comprehensive study, with its unique time-framing, allows us to draw special reference to the relationship between entry mode and survival during times of crisis. This study argues that the support of the global parent networks enhances the survival likelihood of foreign subsidiaries during times of crisis. In economic crisis environments, entries through acquisitions are most likely to exit, followed by joint ventures and wholly owned subsidiaries, in that order. Our thorough analyses further suggest that the impact of the economic crisis is indeed greatest in the operations of joint ventures, followed by acquisitions and wholly owned subsidiaries, in that order.

How Corruption Affects Firm Strategy: Entry Mode Adaptation by Telecom MNEs Entering Emerging Economies

Klaus Uhlenbruck, Texas A&M University, kuhlenbruck@tamu.edu
Peter Rodriguez, Texas A&M University, prodriguez@tamu.edu
Jonathan Doh, Villanova University, jonathan.doh@villanova.edu
Lorraine Eden, Texas A&M University, leden@tamu.edu

In this study we identify government corruption as an important country factor influencing firm strategy. Drawing on transaction cost economics, we predict that multinational firms use the mode of entry into a foreign country as a strategy for coping with corruption. We consider both equity and non-equity modes of entry as a mechanism for firms to adapt to corruption. We hypothesize that firms mitigate the costs and risks associated with corruption by avoiding equity entry but pursuing non-equity entry instead. Further we predict that those firms entering via equity modes pursue joint ventures with local partners to reduce costs and risk of the investment and to overcome barriers to entry likely formed by local firms operating in a corrupt institutional environment. Using data on 275 telecommunications development projects in 72 emerging economies, we find that firms confront corruption via short-term contracting or joint ventures with local and international partners, and that the arbitrariness of corruption provides additional explanatory power to the absolute level of corruption. Further, pervasiveness and arbitrariness of corruption interact in strengthening their impact on entry mode choice.

The Internationalization Process of MNEs in the Service Sector: A Study of Japanese Trading Companies in the US and China

Anthony Goerzen, Babson College, agoerzen@babson.edu
Shige Makino, The Chinese University of Hong Kong, makino@baf.msmail.cuhk.edu.hk

The process of internationalization has been studied for many years, but virtually all that we know has been derived from research on manufacturers. Despite the fact that trade in services has become a very large and growing component of the global economy, our understanding of this key sector is incomplete. This study, therefore, is designed to fill part of this gap by examining internationalization patterns of service sector MNEs. To assist in this analysis, a new typology of service categories is identified (i.e., *Core-global Services*, *Core-local Services*, *Unrelated-global Services*, and *Unrelated-local Services*), based on the location specificity and relatedness of services that are to be transferred across international borders. Using a sample of the five largest Japanese trading companies, our findings suggest that the initial investments of these large service MNEs are closely related to their core business and are less location-specific, but that subsequent investments are more location-specific and are in lines of business that are unrelated to the firm's core service activities. Our results also reveal that Japanese trading companies tend to hold a larger proportion of equity when investing in services that are less location-specific and closer to their core businesses.

A Knowledge-Based Services Classification for Application in Services Firm Internationalization Studies

Tinne Lommelen, Limburg University Center, tinne.lommelen@luc.ac.be
Paul Matthyssens, Limburg University Center, paul.matthyssens@luc.ac.be
Peter W. Liesch, The University of Queensland and Copenhagen Business School, P.Liesch@business.uq.edu.au

Progress in understanding how service firms behave in today's international environment depends on the acknowledgement of services heterogeneity. The search for a services classification to guide research on services firm internationalization has led to a classification of four international services types. Scrutiny of existing classifications reveals that various problems hinder the widespread adoption of any of the existing schemes in service firm internationalization studies. Based on Hill's (1999) definition of services and Kogut and Zander's (1993, 1995) knowledge perspective, an alternative services classification is introduced. Four service types are defined and expectations concerning entry mode choices for internationalizing services firms are formulated.

Session 3.6.4 – Track 3 - PANEL

Teaching International Business in Emerging Economies

Room: Big Sur 3 Time: 8:30-10:00 a.m.

Facilitators:

Peter Buckley, Leeds University, pjb@lubs.leeds.ac.uk
Nakiye Boyacigiller, San José State University, nakiye@boyacigiller.com
Marjorie Lyles, Indiana University, mlyles@iupui.edu

Session 3.6.5 - Track 3 - WORKSHOP

China — Opportunities and Challenges

Room: Cypress 1-2 Time: 8:30-10:00 a.m.

Chair: Tamer Cavusgil, Michigan State University, cavusgil@msu.edu

US Apparel Market Liberalisation: Strategic Implications for China
Doren Chadee, The University of Auckland, d.chadee@auckland.ac.nz

The US and China are two of the world's most important players in world apparel trade. The US is the world's largest importer of apparel while China's exports have grown rapidly to become the second largest exporter in less than a decade. However, much of today's world trade in textile and clothing has been shaped by the Multi Fibre Agreement (MFA) (1974) which allowed industrialised countries to limit their imports from developing countries. Because of its gradually more restrictive nature over the last three decades, MFA was brought under WTO rules in 1995 and replaced by the Agreement on Textile and Clothing (ATC). Under ATC, MFA will be phased out by 2005 thereby allowing greater access to many apparel markets which were once protected. This paper focuses on the implications for China's apparel exports to the US following import liberalisation in the US. We develop a multi-country import model to simulate the likely impacts of gradual liberalisation on China. The results suggest that China will benefit most from US apparel market liberalisation and will emerge as the largest exporter to us by 2010.

Flying Under the Radar? Taiwanese Investment in Mainland China
Jonathan Brookfield, Texas A&M University, brookfield@tamu.edu

Despite having invested over $100 billion in mainland China, the experience of Taiwanese investors has been relatively unexplored and underappreciated. The experience of Taiwanese business in mainland China is interesting and deserves greater attention for at least three reasons. First, the experience of Taiwanese business in mainland China may provide some lessons for other foreign investment in mainland China. Second, Taiwanese investment has important political ramifications, both in terms of cross strait relations as well as international security in the Asia-Pacific region. In the same vein, Taiwanese FDI in mainland China has implications for Taiwan's economy, and to a lesser degree, implications for mainland China. Finally, Taiwanese foreign investment in mainland China may also speak to some important issues regarding research trends in the study of foreign direct investment.

Ownership Structure and Corporate Performance: Evidence from the Chinese Stock Market
Weidong Pu, The National University of Singapore, augustk@21cn.com
Jinyan Zhu, The National University of Singapore, fbap9055@nus.edu.sg, zhujinyan@yahoo.com

This study examined the relationship between ownership structure and corporate performance of listed companies in China. We find that ownership concentration has a positive impact on corporate performance. It does not seem that ownership structure is endogenously determined. We also test the ownership identity hypothesis by examining the relationship between share structure of listed companies in China and corporate performance. The state shareholdings have a non-linear impact on performance, the legal person shareholdings help improve performance and the fraction of A-shares is negatively related with corporate performance. We are not able to find a clear relationship between the fractions of employee shares, H-shares as well as B-shares and corporate performance. We find that the ownership of CEO and Chairman of the board of directors are positively related with corporate performance, while the ownership of the other senior managers and board directors are either insignificantly or negatively related with corporate performance. This result needs to be treated with caution as the shareholdings of CEO and Chairman of the board are pretty low.

The Development of Entrepreneurship in Transitional Economies: The Perspective of Chinese and South African Entrepreneurs

Harald Dolles, German Institute for Japanese Studies, dolles@dijtokyo.org
Michael Babo, ZF Sachs AG

During the past decade the Chinese and the South African economies have undergone a fundamental change towards a liberalised market economy, with equal opportunities for all to set up ones own business. This comparative research represents a first attempt to discover similarities and differences between the development of entrepreneurship in both countries. It is based on extensive surveys and 250 interviews carried out in four locations: Shanghai and Dalian in the People's Republic of China, Johannesburg and Witbank in the Republic of South Africa.
We examined the ways in which these economic reforms and institutional changes are interpreted, incorporated and employed by economic actors in both countries. We take the perspective that entrepreneurs bring to the ongoing economic transition. This empirical focus on the decisions and practices of the entrepreneurs in the market place will shed light on the processes of transition in China and South Africa, which have not been adequately illuminated before. Our research reports similarities in the entrepreneurial target-orientation between Chinese and South African entrepreneurs. Differences are related to the means of strategic use and moderating factors. The reforms in both countries have a strong effect on the motivation of the founders and are influencing their aims, business strategies and company characteristics, too. It is clearly indicated that those entrepreneurs in both countries, which have clear aims and strategies and a positive attitude towards entrepreneurship, are performing much more successful than the others.

Session 3.6.6 - Track 6 - WORKSHOP

Exploring Expatriation: Policies, Practices and People

Room: Cypress 3 Time: 8:30-10:00 a.m.

Chair: Joyce Osland, San José State University, osland_j@cob.sjsu.edu

The Effects of Strategic Human Resource Management Practices on MNC Subsidiary Performance

Hyeon Jeong Park, Cornell University, hp14@cornell.edu
Carl F. Fey, Stockholm School of Economics, carl.fey@hhs.se
Ingmar Björkman, Swedish School of Economics, Helsinki, ingmar.bjorkman@shh.fi

The purpose of this study is to examine the relationship between HR practices and firm performance and the relationship due to parent company national culture or location. Using a sample of 240 MNC subsidiaries operating in the US, Russia and Finland, we examining the impact of HR valuing practices and strategic HR practices on firm performance. The results of the regression analysis show that indeed these practices have a significant positive effect on MNC subsidiary performance. In particular we find that subsidiaries which are located in Finland tend to perform better than those located in the US and Russia. Likewise subsidiaries, which are located in the US tend to perform better than those located in Russia. The findings illustrate the varying impacts of HR practices and differences across varying national contexts.

Managing Expatriates Unrealistic Role Expectations Relative to Global Assignment

Michael Harvey, University of Mississippi, mharvey@bus.olemiss.edu
Milorad M. Novicevic, University of Wisconsin, novicevi.milo@uwlax.edu
M. Ronald Buckley, University of Oklahoma, mbuckley@ou.edu

This paper proposes a theoretical, yet practical framework for managing expatriate unrealistic expectations engendered by the shift to global assignments. Unrealistic expectations of expatriates relative to global assignment are explored using relational contracting theory as the theoretical foundation. Also, alternative interventions, designed both to suppress the development of expatriate entitlement process and to enhance the intended firm-specific learning outcomes from expatriation, are examined. Finally, a matrix of remedies for effective management of expatriate unrealistic expectations is proposed. In conclusion, operationaliztion of the proposed framework for managing the assignment of expatriate managers in global organizations is examined.

Homeostatis Theory and Expatriates Issues in a Global Economy

Nader Asgary, State University of New York, Nader@geneseo.edu
Alf H. Walle, University of Alaska at Fairbanks, alfwalle@yahoo.com
M. L. Brimo, University at Buffalo, Bolanis121@aol.com

As firms confront the global arena, they must adopt strategies and tactics that enhance the job performance of expatriates, insure the emotional well-being of their families, and facilitate the repatriation process. Building upon the human resources literature, the theories of family homeostasis and culture shock are adapted to portray the stress caused by expatriate life. The resulting model is able to serve as an overarching and synthesizing theory that unites a disparate literature and unifies the efforts of human resource professionals who help expatriates and their families deal with the stress they face.

Top Managerial International Characteristics and International Training Programs: Implications for International Business Education

Ben L. Kedia, University of Memphis, bkedia@memphis.edu
Liliana M. Pérez, University of Memphis, lperez@memphis.edu
Jiun-Shiu Chen, University of Memphis, stoptoe103@hotmail.com

The purpose of this study was to examine whether the international characteristics of top managers have an impact on 1) the extent and type of international training programs in which firms embark and 2) the perceived importance of improving international business education in certain specific content areas. The findings suggest that a) the more international background top managers have, the more firms engage in international training programs, b) top managers with greater international background perceive as important to improve international business education in general, c) top managers with greater international responsibilities perceive as important to have mandatory language training and stronger international emphasis in business school curricula in international business education, and f) the more firms use international training programs, the more they emphasize on the importance to improve international business education at the graduate and undergraduate levels. The results also show that the international characteristics of top managers have no relationship to the type of providers companies use to provide international training programs.

Session 3.6.7 - Track 1 - PANEL

The Power of New Ideas for International Sustainable Development: Collaboration by Firms, Governments, and NGOs

Room: Windjammer 1-2 Time: 8:30-10:00 a.m.

Chair: Jonathan P. Doh, Villanova University, jonathan.doh@villanova.edu
Discussant: William E. Newburry, Rutgers University, newburry@andromeda.rutgers.edu

Multinational corporations (MNCs), governments, and nongovernmental organizations (NGOs) are increasingly involved in collaborative efforts to conserve natural resources and promote sustainable development. Yet, there has been little research exploring these interactions. Historically, governments, firms, and NGOs were often found in adversarial roles regarding environmental protection and sustainable development. More recently, there is evidence that the reactive and antagonistic role is shifting to a more collaborative orientation. In this panel, we explore the range of interactions among MNCs, governments, and NGOs to achieve natural resource conservation and sustainable development. We include both theoretical and practitioner-oriented paper presentations, focusing on development of conceptual frameworks for understanding these interactions, and discussion of actual cases of collaborations among MNCs, national and international governments, and the nongovernmental sector. Through examination of the range of collaborations among these sectors, and the challenges, benefits, and future prospects associated with them, we contribute to international business research and practice in this important and emergent area of study.

Cooperative Strategies in Environmental Nongovernmental Organizations
Jonathan P. Doh, Villanova University, jonathan.doh@villanova.edu
William E. Newburry, Rutgers University, newburry@andromeda.rutgers.edu
Hildy J. Teegen, The George Washington University, teegen@gwu.edu

Creating Legitimacy and Trust in Knowledge- Based International Cross- Sectoral Environmental Alliances
Ted London, University of North Carolina at Chapel Hill, londont@unc.edu
Dennis A. Rondinelli, University of North Carolina at Chapel Hill, rondined@bschool.unc.edu
Hugh O'Neill, University of North Carolina at Chapel Hill, hugh_oneill@unc.edu

From Local to Global to Local: The World Wildlife Fund's Certification Program for Marine Conservation
Meredith Lopuch, World Wildlife Fund, meredith.lopuch@wwfus.org

Biodiversity as Business: How Industry, Academia, and a Non-Profit Organization Create Cash and Conserve Species Worldwide
Jeffrey A. Langholz, Monterey Institute of International Studies, jeff.langholz@miis.edu

Session 3.6.8 - Track 2 - PANEL

Ideas, Institutions and International Trade: Critical Reflections on the Evolving Governance of Global Business

Room: Windjammer 3-4 Time: 8:30-10:00 a.m.

Chair: Thomas C. Lawton, Imperial College London, t.lawton@ic.ac.uk
Discussant: Stefanie A. Lenway, University of Minnesota, slenway@csom.umn.edu

This symposium focuses on the interplay between supranational organisations, regional economic agreements and relationships and international corporations. In particular, we are keen to explore the power and governance tensions that exist between supranational entities such as the WTO or the EU and national governments in the realm of international trade. By association, we are interested in investigating the range of factors (domestic and international) that influence specific national trade and state aid policies and thus developing a better understanding of the institutional, non-market variables that influence industry competitiveness and corporate strategy. The symposium also considers the tensions between regionalism and globalism within international business and models the current interaction between states and firms within the institutional context of international trade and investment agreements. A third theme debated is the role of firms in the trade policy-making process. This discourse focuses on industry-led organisations such as the Transatlantic Business Dialogue (TABD) and examines the part it plays in the mediation and development of EU-US trade relations.

Governing From Geneva? Exploring the Impact of WTO Rulings on EU Antidumping Regulation and Trade Strategy
Thomas C. Lawton, Imperial College London, t.lawton@ic.ac.uk
Steven M. McGuire, University of Bath, S.M.McGuire@bath.ac.uk

Oiling the Wheels of Transatlantic Trade Diplomacy? The Transatlantic Business Dialogue
Yusaf H. Akbar, Southern New Hampshire University, yusafakbar2003@yahoo.co.uk

The Demise of the WTO and Rise of Regional Trade Agreements
Alan M. Rugman, Indiana University, rugman@indiana.edu

Session 3.7.1 - Track 7 - COMPETITIVE

Entry Mode and Interfirm Cooperation

Room: Spyglass 1 Time: 10:30 a.m.-12:00 p.m.

Chair: Carl Fey, Stockholm School of Economics, carl.fey@hhs.se
Discussant: Benjamin Gomes-Casseres, Brandeis University, bgc@brandeis.edu

Mode of Entry in R&D: A National Knowledge Resource Perspective

Barry Scholnick, University of Alberta, Barry.Scholnick@ualberta.ca
Susan Bartholomew Saunders, University of Alberta, Susan.Saunders@ualberta.ca

In this study, we examine the influence of home country factors on mode of entry for international R&D projects. We develop an alternative perspective to the home country cultural or “national character” perspective of international entry mode choice, by focusing on the national knowledge resources embedded in a firm’s home country environment. Based on an analysis of the R&D mode of entry choices of 148 US and Japanese firms in the biotechnology sector, our study provides evidence that is consistent with the national knowledge resource explanation of R&D mode of entry choice, but is inconsistent with the national cultural explanation. These new results shed light on transaction cost entry mode theory as applied to firms in R&D intensive industries.

The Effects of Psychological Biases upon Resource Commitment and Performance of Collaborative Foreign market Entry

Arturs Kalnins, University of Southern California, kalnins@usc.edu

Abstract: This paper combines theories of foreign market entry and psychological biases and develops hypotheses that (1) inexperienced firms do not make smaller resource commitments than more experienced firms when entering new markets via collaborative agreements, but that (2) the relationship between experience and success is moderated by resource commitment. The first hypothesis makes a contribution by explaining the mixed support received to date by the famous hypothesis of incremental foreign market entry. The second contributes by filling a gap in knowledge about the effect on success of resource commitment levels within collaborative agreements. Both of these hypotheses receive empirical support.

International Joint Venture R&D Activity in China

Malika Richards, Drexel University, mr26@drexel.edu
Yi Yang, Drexel University, yy35@drexel.edu

This study extends the entry-mode literature into more specific strategic decisions, that is, under which condition multinationals will form R&D international joint ventures within the context of an emerging economy. We identify three levels of factors: host country-specific, industry-specific, and firm-specific factors, which may predict R&D activities in international joint ventures. Based on the data of 1,198 international joint ventures established in China from 1986 to 1999, we found that the industry-specific and host country-specific factors do have significant effects on R&D activities in international joint ventures. However, firm-specific factors, except for firm size, are not strong predictors of R&D activities in international joint ventures.

Political Connectedness and the Formation of Cross-Border Alliances: A Study of Korean Firms and Their American, European and Japanese Partners (1987-2000)

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

This study analyzes cross-border alliance matching in the context of weak and/or incomplete governance institutions. The goal is to identify matching patterns using the record of empirical design and the theoretical concepts from the matching market literature. In doing so, it operationalizes several alternative definitions of firm-level quality and political connectedness. The study finds strong evidence of assortative alliance matching based on size and profitability. Smaller Korean firms were significantly more likely to form cross-border alliances with smaller foreign firms. More profitable Korean firms had a higher propensity to form multiple alliances with all types of foreign firms, and less profitable foreign firms had a higher propensity to form multiple alliances with all types of Korean firms. Furthermore, the Korean firms' investments in political connectedness provided the most consistent returns for securing access to cross-border resources and capabilities.

Session 3.7.2 - Track 9 - COMPETITIVE

Corporate Governance: The Role of Ownership Structure

Room: Spyglass 2 Time: 10:30 a.m.-12:00 p.m.

Chair: J. Jay Choi, Temple University, jjchoi@temple.edu
Discussant: Sandra Dow, Université de Québec à Montreal, dow-anvari.sandra@uqam.ca

Postprivatization Corporate Governance: The Role of Ownership Structure and Investor Protection

Narjess Boubakri, HEC Montreal, Narjess.Boubakri@hec.ca
Jean-Claude Cosset, Université Laval, Jean-Claude.Cosset@fas.ulaval.ca
Omrane Guedhami, Université Laval, Omrane.Guedhami@fsa.ulaval.ca

In this paper, we investigate the role of ownership structure and investor protection in corporate governance using a sample of 170 firms from 26 developing countries that were privatized over the 1980-97 period. Our findings suggest that following privatization, private ownership tends to concentrate over time. More specifically, we show that privatization indeed results in a relinquishment of control by the privatizing government in the year of privatization and over three years thereafter. Much of the decrease in the government ownership is absorbed by the local institutional investors as well as by foreign investors. The average stake held by individuals is relatively less important. Our results also show that firm size, growth, and industry affiliation as well as the level of institutional development, and the level of investor protection do explain the cross-firm differences in ownership concentration. We also examine whether ownership concentration and legal protection have an impact on firm performance, and we find evidence that they do. More importantly, our tests show that the interaction between legal protection and ownership concentration has a significant negative effect on firm performance, suggesting that ownership concentration matters more in countries with weak legal protection.

Ownership Concentration, the Largest Shareholder and Corporate Performance: Evidence from the Chinese Stock Market

Jinyan Zhu, The National University of Singapore, fbap9055@nus.edu.sg, zhujinyan@yahoo.com
Weidong Pu, The National University of Singapore, augustk@21cn.com

We analyze the relationship between the ownership of the largest shareholder and corporate performance. Our findings show that that the relationship is non-monotonic and in "U" shape. We find evidence that the non-monotonic relationship is due to tunneling effect of the largest shareholder. We find that compared with other types of shareholders, the state shareholder as the largest shareholder has less incentive to transfer the wealth out of the firm, which provides additional evidence to support the argument that the state shareholders are not profit-oriented. We do not find evidence that the ownership is endogenously determined. The ownership of the largest shareholder is always significantly related with corporate performance regardless of whether the endogeneity of ownership is controlled.

Bank Monitoring, Bank Health and the Pricing of Japanese Corporate Public Debt

Laurent Jaque, Tufts University, Laurent.jacque@tufts.edu
Patrick J. Schena, i X Partners, Ltd., pat.schena@ixpartners.com

The Japanese banking crisis is progressively reshaping the economics of financial intermediation for Japanese corporations. Using a data sample of public debt issuances over the period 1993 to 1999 this paper shows that when Japanese banks are healthy a strong main bank relationship may reduce their client firms' cost of public debt. Such credit enhancement benefits typically accrue to leveraged firms also known as high agency cost debt issuers. When the financial health of the main bank deteriorates however such a close relationship turns into a tax burden which penalizes the client's firm cost of debt

Stock Option Compensation: Impact of Expense Recognition on Performance Indicators of Non-Domestic Companies Listed in the US

Donna L. Street, University of Dayton, donna.street@notes.udayton.edu

During November 2002, the IASB issued an Exposure Draft which proposes that all companies using IASB standards be required to recognize the fair value of employee stock options granted as an expense in determining earnings. To ascertain the impact expense recognition would have on companies domiciled in countries subject to accounting standards issued by the IASB's liaison national standard setting partners, this research examines the US GAAP pro forma stock option disclosures provided in Form 20-F for 291 companies domiciled in the UK, Ireland, Canada, Australia, France, Germany, and Japan.

The findings indicate the impact of expense recognition, as proposed by the IASB, would result in a material decline in key performance measures including diluted EPS, ROE, and net income, for a significant number of the sample companies. Our findings accordingly indicate that absent a requirement that stock option compensation expense be recognized by the IASB and its national standard setting partners, including the FASB, a material upward bias will continue to be reflected in key performance indicators of many companies utilizing stock based compensation

Session 3.7.3 - Track 4 - WORKSHOP

The Internationalization Process

Room: Big Sur 1-2 Time: 10:30 a.m.-12:00 p.m.

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

From Domestic Conglomerate to Global Specialist: The Driving Forces behind the Accelerated Internationalization.

Klaus E. Meyer, Copenhagen Business School, km.cees@cbs.dk

Over the past decade, European businesses have accelerated internationalization, moving beyond Europe and into emerging markets. I argue that the main driving forces behind this push towards global presence is the fundamental restructuring in business strategies, which in turn is a result of gradual institutional changes in home markets.

Many businesses restructure from diversified conglomerates to global specialists in narrower niche markets. This brings them in direct confrontation with a small number of key competitors operating worldwide. On this stage, key competitive advantages are gained by making best use of resources across the world, and by effective global integration of operations. Hence de-diversification and internationalization are opposite sides of the same coin.

The argument is developed with inductive research into the restructuring of the largest Danish manufacturing enterprises, outlining the economic forcing driving this process, and discussing the implications. On this basis, propositions for empirical testing are suggested. Moreover, the paper points to consequences of liberalization, and is thus of high relevance for managers and policy makers in countries that are not yet as open as the Danish economy.

Elements of an Integrated Internationalization Model

Tamar Almor, The College of Management, School of Business Administration, talmor@colman.ac.il
Niron Hashai, The Hebrew University, nironH@mscc.huji.ac.il
Seev Hirsch, Tel Aviv University, Hirsch@post.tau.ac.il

We present static and dynamic extensions to Dunning’s OLI paradigm. The static extension distinguishes between FDI in production and FDI in marketing. The motivations for the two differ according to product knowledge and service intensities. The dynamic extension links the OLI paradigm to Vernon’s product cycle, in order to derive hypotheses regarding the sequence of exports, FDI in production and FDI in marketing. The empirical results mostly support the hypotheses.

A Strategic Approach to Internationalization: a Traditional Versus Born Global Approach.

Sylvie Chetty, Massey University, s.chetty@massey.ac.nz
Colin Campbell-Hunt, University of Otago, ccampbell-hunt@business.otago.ac.nz

This paper is based on a study of 22 in-depth case studies of New Zealand firms. It uses both the traditional and born global approaches as a framework to study the internationalization processes of these firms. The key question is; what strategic approach do New Zealand firms have towards internationalization? The main findings are that these firms fall into three strategic groups, namely: regional, global and born global. The study provides mixed support for the traditional and born global approach to internationalization. It is the least internationalized firms in this study that opt to manufacture in a foreign country thus contradicting the traditional approach. Born globals tend to enter their domestic and international markets simultaneously. Although the domestic market was not as important for the born globals as it was for the regionals and globals its relevance in terms of providing credibility and ideas for product innovation has been underestimated in the born global literature. Finally, the case studies confirm that prior knowledge helps to overcome uncertainties and motivates founders to be proactive in their efforts to internationalize. Prior knowledge provides them with the capability to form long term relationships with customers, suppliers, distributors and subcontractors to acquire resources such as, technology, finance and market specific knowledge.

Resource-Based Teleological Analysis of the Internationalization Process
Alvaro Cuervo-Cazurra, University of Minnesota, acuervo@csom.umn.edu
Miguel Ramos, University of Minnesota, mramos@csom.umn.edu

We study the process models underlying the internationalization process of the firm. We integrate previous explanations of the internationalization process (product life cycle, incremental, innovation-related, and evolutionary structure) within a general framework and discuss the emergent teleological process view of internationalization. In this view, the firm internationalizes in order to achieve an explicit objective, the creation of value, planning and taking the necessary steps to obtain that objective, and changing its actions over time as both it and its environment are transformed. It achieves this by developing, transferring, and using resources, especially knowledge, in and across countries. It evaluates the motivations, methods, and modes of internationalization depending on their ability to achieve value based on the resource set of the firm. Although teleology stresses the purposiveness as a motor of change, it does not negate limits to action. We illustrate the teleological process through analysis of the internationalization process of the Mexican cement firm Cemex. (155 words)

Session 3.7.4 - Track 4 - COMPETITIVE

Institutional Environments and MNEs: Social Resources and Networks Across Countries

Room: Big Sur 3 Time: 10:30 a.m.-12:00 p.m.

Chair: Anthony Goerzen, Babson College, agoerzen@babson.edu
Discussant: Nicholas Athanassiou, Northeastern University, n.athanassiou@neu.edu

Approaching initial resources for high-tech new ventures: social network or market means?
Jing Zhang, National University of Singapore, fbap9513@nus.edu.sg
Pek-Hooi Soh, National University of Singapore, bizsohph@nus.edu.sg
Poh-Kam Wong, National University of Singapore, bizwpk@nus.edu.sg

Many prior researchers have found that entrepreneurs employed a wide variety of social networks driving the resource acquisition process. However, entrepreneurs cannot always rely on social networks to acquire initial resources, because their existing personal contacts can be limited or unresouceful, or because they perceive the disadvantages or bias that may occur after acquiring resources using personal networks. In this paper, we seek to answer the question: under what necessary conditions, are direct ties, the major social network means, more likely to be employed by entrepreneurs. We argue that entrepreneurs employ their direct ties to varying levels when approaching different types of resources, namely key management team members, investors and lead users. We also propose that entrepreneurs with richer social resources are more likely to consult with their direct ties, while those with higher level of social skills are less likely to confine their contacts with perspective resource providers to their direct ties. Finally, we argue that the effects of social resources are stronger if the social skills of the entrepreneurs are poorer. Using semi-structured questionnaires, we conducted face-to-face interviews with 128 founders of independent high-tech firms located in Singapore over nine months in 2002. Both interview and questionnaire survey data provide empirical support for our hypotheses.

First Mover Advantages in International Business and Firm-Specific Political Resources
Jedrzej George Frynas, University of Birmingham, j.g.frynas@bham.ac.uk
Kamel Mellahi, Loughborough University, K.Mellahi@lboro.ac.uk
Geoffrey Allen Pigman, Coventry Business School

Experienced international managers know that political support can be critical in establishing an early market entry, especially in transition economies where free market competition did not exist until fairly recently. However, while the literature on first mover advantages (FMAs) discusses various market mechanisms through which first movers can gain pioneering benefits, it does not take account of political resources in creating FMAs. It is this gap in the literature which the present paper aims to address. The paper adopts a case study approach, utilising primary research on Shell-BP in Nigeria, Volkswagen in China and Lockheed Martin in Russia. Empirical evidence suggests that the causal relationship between political resources and FMAs is a complex one: political resources can lead to early market entry (as seen most clearly in the case of Shell-BP) but firms can also obtain considerable political resources by being first to market (as exemplified by VW in China); while non-market strategies can be used successfully by both first movers, they can also be used by late

movers to neutralise FMAs (as shown in the case of Lockheed Martin). The paper highlights the importance of organizational learning when dealing with the political business environment.

Guanxi and Foreign Direct Investment: A study of Taiwanese Investments in China
Lan-Ying Huang, The Overseas Chinese Institute of Technology, lyh@ocit.edu.tw
H. Young Baek, Nova Southeastern University, hybaek@nova.edu
Shawn M. Carraher, Texas A & M University, Shawn_Carraher@tamu-commerce.edu

This study examines the guanxi network factors - both formal (i.e., business and government ties) and informal (i.e., ethnic and friendship ties) in explaining the extent of foreign direct investment (FDI) and performance of 276 Taiwanese firms in China. This study also empirically tests an eclectic framework to include traditional factors suggested by the literature (i.e., firm specific and host country factors). A firm's business ties have a significant impact on the firm's extent of FDI, but its personal friendship ties show a significant influence on performance. Both ethnic ties and government ties with officials are insignificant determinants on FDI scale and firm performance. The results of this research benefit not only the foreign investors to formulate and implement realistic business and investment strategies tailored to the Chinese context, but also the Chinese national and provincial governments to formulate strategies to attract more foreign investments.

The turtle-hare race story revisited: Achieving late mover competitive advantages through social capital
Lei Li, University of Texas at Dallas, lileic@utdallas.edu
Zhiang (John) Lin, University of Texas at Dallas, zlin@utdallas.edu

This article examines the role of social capital in advancing the competitiveness of resource-strapped firms. We propose that resource-strapped firms will likely receive long term net resource inflow and consequently move toward competitive advantages by (1) forming extensive and moderately strong ties with sparsely networked resource-abundant competitors, (2) forming extensive and strong ties with cohesively networked distributors, and (3) bridging themselves as structural holes between distributors and resource-abundant competitors. We suggest that our conceptual framework is particularly applicable to the transnational business environment.

Session 3.7.5 - Track 3 - WORKSHOP

Aftermath of the Asian Crisis

Room: Cypress 1-2 Time: 10:30 a.m.-12:00 p.m.

Chair: Robert Grosse, Thunderbird American Graduate School, grosser@t-bird.edu

Japanese Foreign Direct Investment in Korea: Pre and Post Economic Crisis
Changwha Chung, University of Western Ontario, cchung@ivey.uwo.ca
Paul W. Beamish, University of Western Ontario, pbeamish@ivey.uwo.ca

This study investigates how an economic crisis transforms the characteristics of foreign direct investment (FDI) in an emerging market. This study utilizes a longitudinal analysis that encompasses the characteristics and performance of Japanese FDI in South Korea, both before and after the economic crisis of 1997. Building on Dunning's eclectic framework, we hypothesize the contrasting sets of the characteristics of foreign subsidiaries between pre-crisis expansionary and post-crisis recessionary periods, and the relationships between the characteristics of foreign subsidiaries and their survival and exit during times of crisis. The empirical testing utilizes both bivariate and multivariate analyses. This study attempts to provide a prescriptive message to newly emerging countries regarding how they structure their FDI markets to attract foreign investors, and how they can balance the need for their industrial development against the demands of foreign investors. More importantly, this study provides foreign investors with recommendations regarding how they position themselves in emerging markets to take advantage of local market transformations.

Analysis of outside directors in Korean companies

Jootae Kim, Seoul National University, jtk512@unitel.co.kr
Dong-Sung Cho, Seoul National University, cho@ips.or.kr

There have been many researches about governance structure, but there are few researches about outside director in strategic management and also few researches to analyze internal mechanism of governance structure and external factors influencing it. This paper intends to analyze the internal mechanism and external factors of outside director system and to apply this model in Korean companies. Internal factors for successful implementation of outside director are independence, information and compensation. External determinants influencing in implementing outside director were searched in management, environment and resources that are main sources of competitive advantage. As the result of empirical test, effective implementation of outside director in Korean companies after currency crisis has been found to have positive relationship with firm size and debt ratio and negative relationship with ownership rate of large shareholder and mixed result with past performance.

What Korean Firms Learned from the 1997 Financial Crisis: Comparison of Korean Firms FDI before and after the Crisis

Young-Ryeol Park, Yonsei University, yrpark@base.yonsei.ac.kr
Yong Suhk Pak, Ewha Womans University, Seoul, Korea, yspak@base.yonsei.ac.kr
Jeoung Yul Lee, Yonsei University, 7consensus@hanmail.net

This study examines the effect of the 1997 Korean financial crisis on Korean firms' foreign direct investment (FDI) by focusing on the firm's behavioral difference before and after the crisis. It compares Korean firms' FDI propensity by empirically exploring location, governance, and strategic factors. Using a large and updated sample of Korean FDI, we find that Korean firms no longer follow *chaebol*'s FDI behavior after the 1997 financial crisis. Second, Korean parent companies' firm-specific advantages such as knowledge and reputation do not affect the FDI propensity both before and after the crisis. Third, Korean investors are very sensitive to environmental factors both before and after the crisis. Finally, our findings suggest that Korean firms now invest in host countries with lower trade barriers, contrary to before the 1997 financial crisis. This implies that Korean FDI is moved from the Asian emerging markets, which are financially unstable and have relatively higher trade barriers, to the developed markets, which are financially stable and have relatively lower trade barriers.

Exchange Rate Behavior and Financial Market Crises: Developed Country Markets Versus Emerging Country Markets

Raj Aroskar, University of Wisconsin, aroskar@uwec.edu
Peggy E. Swanson, The University of Texas at Arlington, swanson@uta.edu

This study investigates the impact of the 1992 European crisis and the 1997 Asian crisis on relationships among four European and five Asian currencies, respectively, by studying crisis and non-crisis periods. Cointegration results show the existence of a long-run relationship among the European currencies during all periods and among the Asian currencies only during the crisis period. However, the European relationship is unstable during the pre-crisis and post-crisis periods. Further, the crisis period relationships within regions do not have better predictive power than a simple random walk model, demonstrating unpredictability of contagion among the European and Asian currencies during their respective crisis periods.

Session 3.7.6 - Track 6 - COMPETITIVE

Business Across Borders: Exporting, Absorbing, Sourcing and Supplying

Room: Cypress 3 Time: 10:30 a.m.-12:00 p.m.

Chair: Harry Lane, Northeastern University, ha.lane@neu.edu
Discussant: Naomi Gardberg, City University of New York, naomi_gardberg@baruch.cuny.edu

Export Behavior of Small Firms: An explanation based on managerial style

Sonia Suárez-Ortega, Universidad de Las Palmas de Gran Canaria, sortega@empresariales.ulpgc.es
Yasmina Araujo-Cabrera, Universidad de Las Palmas de Gran Canaria, yasmina@empresariales.ulpgc.es

This paper exams the influences exerted by managerial style on firms' export intention. First, we review literature that has addressed managerial influences on the internationalization process and export activity as well as that on managerial behavior itself. Second, we propose a model of causal relationships among the influences on initial export behavior, highlighting the role played by managerial style. And finally, in trying to provide a foundation and stimulus for empirical research into the links between managerial style and the export intention of firms, the paper identifies some major propositions, and methodological suggestions.

Managing Potential and Realized Absorptive Capacity: Evidence from a Large European Multi-unit Corporation

Justin J.P. Jansen, Erasmus University, jjansen@fbk.eur.nl
Frans A.J. Van den Bosch, Erasmus University, fbosch@fbk.eur.nl
Henk W. Volberda, Erasmus University, hvolberda@fbk.eur.nl

This paper draws on an intra-organizational perspective and examines how business units within a large MNC manage their level of absorptive capacity. Our framework explores the dynamics between the ratio of realized to potential absorptive capacity (Zahra and George, 2002), explorative and exploitative adaptations (March, 1991), and financial performance. Moreover, we classify existing and introduce new organizational antecedents of absorptive capacity and empirically investigate their partial relationships with the ratio of realized to potential absorptive capacity. We conducted a survey research at 462 business units within 150 autonomous branches of a large European multi-unit corporation. Results indicate that coordination capabilities positively influence the ratio of realized to potential absorptive capacity; system and socialization capabilities are particularly conducive to realized absorptive capacity. Moreover, the ratio of realized to potential absorptive capacity leads to different outcomes in terms of explorative/exploitative adaptations and financial performance. Accordingly, this paper confirms the importance of separating two components of absorptive capacity, and provides further insight into managing absorptive capacity over time.

Sourcing Patterns of Multinational Subsidiaries in Europe: Testing the Determinants

Stephen Young, University of Strathclyde, stephen.young@strath.ac.uk
Ana Teresa Tavares, Universidade do Porto, atavares@fep.up.pt

This paper investigates the determinants of the international input sourcing propensities of multinational (MNE) subsidiaries in four EU host countries. Major findings concern the impact of subsidiary roles and economic integration (and related corporate integration) on international sourcing patterns. Regional and global integration are leading to a greater import-orientation among MNE subsidiaries, including Product Mandate firms which have high levels of autonomy and authority and are assumed to be strongly embedded within host economies. The results cast serious doubts on the effectiveness of traditional targeting criteria for investment attraction. The stimulation of local sourcing in practice is problematic, and the focus should be on enhancing the general capabilities of the local industrial fabric.

Developing a Method for the Selection of Global Account Management Team Members
Michael Harvey, University of Mississippi, mharvey@bus.olemiss.edu
Matthew Myers, University of Tennessee, mmyers8@utk.edu
Milorad M. Novicevic, University of Wisconsin-La Crosse, novicevi.milo@uwlax.edu

The rapid globalization of business has accentuated the issues of coordination and communication of marketing, service and selling efforts between suppliers and their global customers. Multinational corporations are increasingly requiring suppliers to develop a means to provide a consistent marketing program throughout the world. To address this demand, suppliers are adopting a global account management (GAM) as a supply organizational structure and linkages that provide their global customers with a single point of contact on a global basis. This point of contact in the supplier organization is often the GAM team that has the responsibility to establish a proactive strategic posture with the global customer and to insure that the supplier marketing, service and selling efforts meet the customer demands. The influence of the GAM team characteristics on the effectiveness of a GAM relationship program is the focus of this paper. The proposed means to select GAM team members is based upon the multiple IQs and the type of tasks to be faced by the GAM team servicing the global customers. The practical frameworks of selecting GAM team members are developed for the design and implementation of effective GAM relationships.

Session 3.7.7 - Track 1 - COMPETITIVE

Ideas of the MNC - Global or Regional?

Room: Windjammer 1-2 Time: 10:30 a.m.-12:00 p.m.

Chair: Yair Aharoni, Leon Recanati Graduate School of Business Administration, yairah@post.tau.ac.il
Discussant: Bernard M. Wolf, York University, bwolf@schulich.yorku.ca

Multinationality of the Firm: Conceptualization and Measurement
Ahmet H. Kirca, University of South Carolina, ahmet_kirca@darla.moore.sc.edu

Despite the growth of literature on firms' activities in international markets, surprisingly little attention has focused on the measurement of the extent of firms' internationalization. This paper establishes a link between two related but conceptually distinct constructs: multinationality of the firm, state aspect, and internationalization of the firm, process aspect, and proposes a multidimensional conceptualization of firm multinationality. Then, using meta-analytic data collection procedures, the paper identifies existing measures of multinationality of the firm in the extant literature. Finally, after the classification of measures into one of previously defined dimensions, this paper proposes an alternative scale development procedure for the construction of multinationality index. In the first part of the study, major theoretical approaches explaining the internationalization process of the firm is discussed and various definitions of internationalization was drawn together from previous literature. In the second part of the paper, particular attention was given to the delineation and specification of the domain of internationalization and multinationality constructs. Here, a distinction was made between internationalization - the process aspect - and the multinationality of the firm – the state aspect of the construct-. Then, two dimensions for the multinationality of the firm construct, depth and dispersion of multinationality were derived from the literature. These dimensions provided us with a framework for the classification of indicators of a formative index that measures the multinationality of the firm. Finally, steps to be followed to purify and validate the multinationality index were described for future research.

The New Zoology of Global Business: Strategic Issues for Managers
Charles Snow, Penn State University, csnow@psu.edu
John Mathews, Macquarie University, john.mathews@mq.edu.au

Globalization is widely regarded as the dominant economic issue of our time, and the multinational corporation as its principal driver. Globalization creates complex issues for business executives, in terms of how they view their own firms and the opportunities to be seized, as well as in their relations with the governments and other institutions that help to shape the globalization process. We provide an overview of these issues, focusing on the new kinds of multinational firms that are emerging in the global economy – what we call the "new zoology" of global business – and the importance of multi-firm networks in organizing international business activities. We believe that executives must adopt a global mind-set as

they plan strategically for their firms. Firms that focus too narrowly, or fail to join or lead appropriate networks, will find themselves increasingly marginalized as the global economy expands in scale and scope.

Global Marketing Strategies of ICT Companies

Mika Gabrielsson, Helsinki School of Economics, mika.gabrielsson@hkkk.fi
Peter Gabrielsson, Helsinki School of Economics, peter.gabrielsson@hkkk.fi

The study presents a number of powerful ideas related to global product and marketing strategies when globalising ICT companies. Two major globalization paths are distinguished: Born Globals and Globalising Internationals. The paper describes the characteristics of these two approaches, outlines a framework for understanding the product, brand and channel strategies in the globalisation process. It further elaborates on two important dimensions, namely standardisation across countries and co-operation in value networks. The study shows how the product and marketing strategies should be standardised along the globalisation process. A novel finding relates to the importance of examining co-operation possibilities in both vertical and horizontal value networks.

Regional Multinational Enterprises in a Global World

Alan M. Rugman, Indiana University, rugman@indiana.edu
Cecilia Brain, Braintrust

A paradox of international business is that the multinational enterprises (MNEs) which are its agents largely operate within their home-base markets in each part of the “triad” of North America, the E.U. and Japan. Empirical evidence is presented across the 500 largest MNEs shows that even the twenty most “international” MNEs (those with the highest ratio of foreign to total sales) are mainly home-triad based in their activities. We conclude that the strategic management of MNEs needs to be regionally focused, not global.

Session 3.7.8 - Track 2 - WORKSHOP

Emerging Patterns of Trade and Investments under International Political Conflict, National Capital Controls and Diversity in Market Regulation Regimes

Room: Windjammer 3-4 Time: 10:30 a.m.-12:00 p.m.

Chair: Devesh Kapur, Harvard University, dkapur@latte.harvard.edu

Transatlantic Divergence: GE-Honeywell and the EU’s Merger Policy

Eleanor J. Morgan, University of Bath, mnsejm@bath.ac.uk
Steven M. McGuire University of Bath, S.M.McGuire@bath.ac.uk

This paper examines one of the most controversial merger cases in recent years: GE-Honeywell. The paper considers the reasons for the EU’s rejection of the proposed deal. The paper argues that, contrary to some observations, the deal did not collapse because regulators on both sides of the Atlantic failed to communicate with one another. Rather, it locates much of the explanation in institutional failings within the European Commission’s policy making apparatus – particularly its inadequate staffing and over-reliance on external advice – as well as in continuing, substantive differences between the EU and the US concerning the competitive effects of mergers.

Capital Controls, Liberalizations, and Foreign Direct Investment

Mihir Desai, Harvard Business School, mdesai@hbs.edu
Fritz Foley, University of Michigan, ffoley@umich.edu
James Hines, University of Michigan, jrhines@umich.edu

This paper analyzes the effect of capital controls on foreign direct investment by American multinational firms between 1982-1997. The evidence indicates that capital account restrictions reduce the size of local multinational affiliates by roughly 20 percent, and also distort their asset allocation, financing, transfer pricing, and dividend policies. American firms operating in countries with capital controls overinvest in physical assets and underinvest – by as much as 40 percent – in

financial assets. Real borrowing rates facing American firms are 2-7 percent higher in countries with capital controls than elsewhere, in response to which affiliates rely heavily on initial parent equity infusions in place of debt finance or retained earnings. American affiliates move profits out of capital control countries by manipulating the prices at which foreign affiliates trade with their US parents and by regularizing remittances to their US corporate parents, both indicative of the desire and ability to extract profits from countries imposing repatriation restrictions. These patterns imply that capital account restrictions affect foreign investors differently than they do local firms. Since foreign multinational firms can leverage internal markets to access inexpensive capital on world markets and are able to avoid some features of capital account restrictions, these firms have advantages over local firms in investing in capital-intensive activities. It follows that capital account liberalizations should be associated with greater investment, particularly in local financial assets, greater use of debt finance, and a reduced likelihood of remitting dividends, all of which characterizes the experience of American firms.

U.S. Economic Sanctions Against China: Who Gets Hurt?

Hossein Askari, The George Washington University, askari@gwu.edu
John Forrer, The George Washington University, jforrer@gwu.edu
Hildy Teegen, The George Washington University, teegen@gwu.edu
Jiawen Yang, The George Washington University, jwyang@gwu.edu

United States maintains a broad spectrum of economic sanctions against China ranging from export controls to prohibitions on certain imports. Our study finds that, although from a macroeconomic perspective, U.S. sanctions have had no significant adverse effect on China’s overall economic growth and trade between the two countries, they do have a negative impact on individual firms and consumers in both countries. U.S. economic sanctions have hindered technology transfer to China and U.S. investment in China. U.S. restrictions on imports from China have caused deadweight losses for the U.S. due to higher domestic production costs for import substitutes and a reduction in consumption. U.S. export controls have hindered U.S. exports to China and contributed to large U.S trade deficits with China. The export controls have also caused losses of high-paid jobs in the United States and benefited competitors from other countries. In addition, U.S. economic sanctions against China have had significant third-party effects. China’s diversification of imports to sources other than the United States may have a long-term effect on U.S. exports to China even after U.S. economic sanctions against China are lifted.

Session 3.8.1 - Track 7 - WORKSHOP

Interfirm Cooperation and the MNE

Room: Spyglass 1 Time: 1:30-3:00 p.m.

Chair: Pierre-Xavier Meschi, Marseille-Provence Business School, pxmeschi@univ-aix.fr, pxmeschi@romarin.univ-aix.fr

International Joint Ventures and the Boundaries of the Firm

Fritz Foley, University of Michigan, ffoley@umich.edu
Mihir Desai, Harvard Business School, mdesai@hbs.edu
James Hines, University of Michigan, jrhines@umich.edu

This paper analyzes the determinants of partial ownership of the foreign affiliates of U.S. multinational firms and, in particular, why partial ownership has declined markedly over the last 20 years. The evidence indicates that whole ownership is most common when firms coordinate integrated production activities across different locations, transfer technology, and benefit from worldwide tax planning. Since operations and ownership levels are jointly determined, it is necessary to use the liberalization of ownership restrictions by host countries and the imposition of joint venture tax penalties in the U.S. Tax Reform Act of 1986 as instruments for ownership levels in order to identify these effects. Firms responded to these regulatory and tax changes by expanding the volume of their intrafirm trade as well as the extent of whole ownership; four percent greater subsequent sole ownership of affiliates is associated with three percent higher intrafirm trade volumes. The implied complementarity of whole ownership and intrafirm trade suggests that reduced costs of coordinating global operations, together with regulatory and tax changes, gave rise to the sharply declining propensity of American firms to organize their foreign operations as joint ventures over the last two decades. The forces of globalization appear to have increased the desire of multinationals to structure many transactions inside firms rather than through exchanges involving other parties.

The alliance portfolio effect on MNE performance

Anthony Goerzen, Babson College, agoerzen@babson.edu
Paul W. Beamish, University of Western Ontario, pbeamish@ivey.uwo.ca

This paper examines the relationship between the characteristics of a multinational enterprise’s (MNE) portfolio of international joint ventures (IJVs) and the economic performance of the MNE. We examine two competing hypotheses derived, alternatively, from the network literature and from transaction cost theory. Using a latent variable structural equation modeling approach on a sample of 580 very large Japanese MNEs, we found that MNEs with larger, more diverse IJV portfolios experienced lower average economic performance as compared to MNEs with smaller, less diverse IJV portfolios.

Modeling Modality Choices in Emerging International Service Industries: A Study of the U.S. Public Utilities

Cliff Wymbs, The City University of New York, Clifford_Wymbs@baruch.cuny.edu

Over the past decade, liberalization in the service industries has initiated an increase in foreign investment similar to that experienced by manufacturing industries fifty years before. This study specifically addresses the multi-level set of factors that drive the foreign expansion part of the investment cycle and uses both survey research and multinomial logistic modeling to identify nine significant institutional, industry, country, firm and project dynamic drivers of modality choice for public utilities.

Public Affairs Management in Multinational Corporations. Findings of an Empirical Study in six countries
Nicola Berg, University of Dortmund, nicola.berg@udo.edu
Martin K. Welge, University of Dortmund, martin.welge@udo.edu

In this paper the importance of public affairs management in MNCs will be examined. The focus is on two main questions: First, how is the behavior of MNCs influenced by different socio-political stakeholders? Second, which strategies and instruments of public affairs management are developed by MNCs to cope with the issues raised by them? The paper proceeds as follows. After briefly discussing the state of the art in international business and society literature a conceptual framework for public affairs management in MNCs is developed. This framework serves as the theoretical basis for an empirical study among the largest 19 German MNCs in their home country and in their subsidiaries in China, France, India, Russia and the United States. The study demonstrates that MNCs are not only seen as market actors but that also their political, social and ecological behavior is observed very intensively. To deal with their socio-political stakeholders and the issues raised by them MNCs use several instruments of public affairs management. The relevance of these instruments is the higher, the stronger is the overall influence of socio-political stakeholders.

Session 3.8.2 - Track 10 - WORKSHOP

Measuring and Managing in a Global Context

Room: Spyglass 2 Time: 1:30-3:00 p.m.

Chair: Ann Langlois, Palm Beach Atlantic University, ANN_LANGLOIS@pba.edu

A Cross-National Scale for Short-Term Export Performance Improvement
Luis Filipe Lages, Universidade Nova de Lisboa, lflages@fe.unl.pt
Cristiana Raquel Lages, Warwick Business School, c.r.c.lages@warwick.ac.uk

This paper is a direct response to a recent observation in the literature that managers appear to be short-term oriented when they assess the performance of an export venture (Madsen 1998). Based on a survey of Portuguese and British exporters, this paper presents a three-dimensional scale for assessing managerial judgment of Short-Term Export Performance (the STEP scale). The three dimensions are: 1) satisfaction with short-term performance improvement; 2) short-term exporting intensity improvement; and 3) expected short-term performance improvement. The findings are used to generate implications for public policy making and managerial practice as well as directions for future research.

Psychic Distance: Similarity or Familiarity?
Paul Brewer, The University of Queensland, p.brewer@business.uq.edu.au

The concept of psychic distance as developed by the Uppsala internationalisation school has important implications for the prediction of a firm's international market selection (IMS) outcomes, at least in the early stages of its internationalisation. It is argued that firms tend towards country markets from which information flows are least impeded. This has been commonly interpreted as being synonymous with the degree of similarity of business systems between the countries as understood by the firm's managers. There have been a number of efforts to empirically verify the concept but only with limited success and with considerable ongoing debate. The author takes a fresh look at the current state of research in psychic distance and through an Australian multiple case study project recommends there be some shift in interpretation of psychic distance to better reflect actual firm practice. Case firm managers were not so intent on locating country markets similar to their own but rather markets with which they can easily become familiar. These two groups of countries may be very different.

Does Product Category Influence COO Perceptions?
Sindy Chapa, University of Texas Pan American, control57@aol.com

This study analyzed variables affecting the Country of Origin effect (COO) and its level of influence on intention to purchase. The literature suggested that the country of origin effect is pervasive, yet varies between cultures and product categories. Due to these differences, we developed a model testing the variables of COO and its influence on four different types of products within a specific country. The survey was conducted in two cities in Chile. The results supported the model among the four product categories; 1) publicly consumed luxury, 2) publicly consumed necessity, 3) privately consumed luxury, and 4) privately consumed necessity (Piron, 2000). Overall, the finding suggested that the relationship between COO and intention to purchase was greater for products associated with luxury and publicly consumed products than for products seen as necessary.

Session 3.8.3 - Track 4 - COMPETITIVE

Methods of International Growth: International Alliances

Room: Big Sur 1-2 Time: 1:30-3:00 p.m.

Chair: Lin Lerpold, Stockholm School of Economics, lin.lerpold@hhs.se
Discussant: Ben Gomes-Casseres, Brandeis University, bgc@brandeis.edu

Partnerships versus Self-Reliance: The Option for Small- and Medium-Sized Technology-based Enterprises in Overseas Markets

Gong Ming Qian, The Chinese University of Hong Kong, qian@baf.msmail.cuhk.edu.hk
Chuck Kwok, University of South Carolina, ckwok@darla.badm.sc.edu
Lee Li, Atkinson College, Leeli@yorku.ca

Small-and medium-sized firms face a difficult decision with regard to partnerships when they enter overseas markets. Existing theories contradict each other as to the strategic benefits of partnerships. This study compares these theories in the context of small-and medium-sized technology-based enterprises. Findings from this study suggest that merits of partnerships vary with market contexts and the resources under a firm's control. This study identifies and differentiates these contexts and the resources**.**

The Impact of Control on Joint Venture Performance: A Contingency Approach

Nitin Pangarkar, National University of Singapore, bizpn@nus.edu.sg
Saul Klein, University of Victoria, sklein@business.uvic.ca

This study aims to identify the impact of control on IJV performance. We assess a broad multi-item construct to measure IJV performance, and compare this measure to a narrower one. The broad construct is based on the parents' expectations for the IJV and satisfaction with the IJV as well as sales growth, market share and profitability attained by the IJV. We find that a narrower measure, excluding expectations, correlates very highly with the broader measure. We hypothesize that two contingent factors have an impact on the relationship between control and IJV performance, partner similarity and previous relationships, and that control has a positive impact on performance only when transaction costs are high. Our analysis provides support for the hypothesized contingent nature of the effect of control on performance.

The Expansion of Multinationals in the Host Country: The Influence of Domestic Interfirm Experience, Host Country Experience, and Alliance Strategy

Thomas W. Roehl, Western Washington University, Tom.Roehl@wwu.edu
Soonkyoo Choe, Yonsei University, skychoe@yonsei.ac.kr
Shyam Kumar, Zicklin School of Business, s_kumar30@hotmail.com

We measure the expansion of Japanese auto parts suppliers in the United States in terms of the development of new buyer-supplier relationships, and examine the factors that may influence their post-entry performance. Results indicate that domestic interfirm experience, host country experience, and partnership with local firms are significant determinants. These findings highlight not only the role of organizational capabilities developed in the host country as a major factor in sequential expansion, but also the enduring effects of domestic business experience after the initial entry.

Session 3.8.4 - Track 4 - WORKSHOP

Institutional Environments and MNEs: Location Advantages

Room: Big Sur 3 Time: 1:30-3:00 p.m.

Chair: Arturs Kalnins, University of Southern California, kalnins@usc.edu

Past Interactions and New Foreign Direct Investment Location Decisions: Firm-Specific Analysis in the Global Tire Industry

Kiyohiko Ito, University of Hawaii at Manoa, kito@cba.hawaii.edu
Elizabeth L. Rose, University of Auckland, e.rose@auckland.ac.nz

This paper analyzes the nature of competitive interaction among multinational firms in the tire industry, incorporating both the presence of rivals and the extent of past interactions into location decisions for new foreign direct investment (FDI). Our analysis is based on the frameworks of multimarket contact, oligopolistic reaction and herding behavior, first-mover advantages, and FDI. Our sample includes data for the five largest global tire manufacturers – Bridgestone, Continental, Goodyear, Michelin, and Pirelli. Binomial logit modeling provides evidence that strategic behaviors differ, depending on both the presence of individual rival firms and the history of interactions between firms. Along with characteristics of the host country and the investing firm, the number of rival firms in a foreign market and the number of prior meetings with specific rivals are related to the decision to enter a new market. The investment behaviors of the major companies in the world tire industry imply a consideration of the extent of competition in individual markets.

The home-based advantages and a hierarchy of location advantages

Lilach Nachum, City University New York, Lilach_Nachum@baruch.cuny.edu

This study seeks to explain why, in some cases, locationally advantageous countries attract foreign firms, who develop dominant competitive position in the market, rather than facilitate the development of internationally competitive national firms, as theory suggests. Comparative analyses of samples of foreign and British-owned insurance firms in the London wholesale insurance market are used to establish a hierarchy of location advantages in terms of their competitive importance. It is shown that, foreign affiliates compensate for their liability in accessing Britain's location advantages by accessing resources via the MNE internal networks. Their competitive strength is based primarily on such resources. The contributions of the findings to the conceptualisation of the MNE as an internal network within an external network, and the potential substitution of internal and external resources, are discussed. The implications for the theory of the national origin of the competitive advantages of MNEs are outlined.

The micro-foundations of cluster stickiness — entering the mind of the entrepreneur

Ivo Zander, Stockholm School of Economics, ivo.zander@hhs.se

This paper offers a micro-level explanation to the uneven spatial and sectoral concentration of firms across national boundaries. By focusing on the geographical movements of (prospective) entrepreneurs and the cognitive processes that underlie new business formation, it is suggested that powerful forces work against the entrepreneur's active response to business opportunities that present themselves in geographically distant locations. As a result, clusters tend to evolve in locally distinct ways and over time maintain their unique business and technological profiles. The entrepreneurship perspective offers an explanation to cluster stickiness which in important respects differs from the cost-benefit reasoning that currently dominates the economic geography literature.

Decision Factors Influencing MNEs Regional Headquarters Location Selection Strategies

John Holt, University of New South Wales, j.holt@unsw.edu.au
William R. Purcell, University of New South Wales, w.purcell@unsw.edu.au
Sidney J. Gray, University of New South Wales, s.gray@unsw.edu.au
Torben Pedersen, Copenhagen Business School, tp.int@cbs.dk

The purpose of this paper is twofold. First, it uses factor analysis to identify what is the underlying dimensional of the range of decision variables that MNEs generally associate with making RHQ location choices. Second, it examines the

extent to which MNEs, when grouped according to some contextual characteristic, use discernibly different decision criteria when making RHQ location selection decisions. Principal component analysis yielded 9 interpretable factor dimensions underlying 39 location decision variables. These 9 factors were used to compare decision schemas groups. Two contextual classifications, 'strategic purpose of RHQ establishment' and 'nationality of company origin', were used to categorize the sample. Analysis revealed that while subgroups within these grouping categories were associated with distinctive location selection priorities, those RHQs established to be responsive to regional markets used significantly different selection criteria to those RHQs established to facilitate global coordination. Similarly, the selection criteria US-based MNEs used to make RHQ location decisions, were found be significantly different to the selection criteria Asian-based MNEs used when making their RHQ location decisions. The implications these findings have for multinational firms, policy makers and international researchers are discussed.

Session 3.8.5 - Track 3 - WORKSHOP

Multinationals in Eastern Europe

Room: Cypress 1-2 Time: 1:30-3:00 p.m.

Chair: Len J. Trevino, The University of Southern Mississippi, trevino@cba.usm.edu

Openness to Organizational Integration in Multinationals: the example of MNCs in Transition Economies
Bertrand Venard, Nantes School of Management, bvenard@audencia.com

Our central question in this paper concerns the factors that account for the development of openness to organisational change in multinationals. Openness to change has been defined as “support for change and positive effect about potential consequences of change” (Miller, Johnson, Grau, 1994). The topic is crucial for international development in general. This is also fundamental in the particular situation of transition economies. Indeed, firms in transition economies have to face huge social, political and economic transformations (Danis, Parkhe, 2002). In such a radical evolution of their environment, multinationals and their subsidiaries have also dramatically transformed themselves. We have chosen the case of Hungary, a former communist country, which has been very impressive in dealing with radical transformation in recent years. The paper examines employees’ openness to change of employees in multinationals, taking as an example the case of multinationals in Hungary. The first section of the paper concerns the theoretical framework leading to various hypotheses. The second describes briefly the context of research in Hungary. The following section addresses questions of methodology. The last part of the article examines the results of a quantitative survey carried out in multinationals operating in Hungary. These analyses lead to a conclusion.

Do Foreign Companies Crowd Out Domestic Companies? - Evidence from the Czech Panel Data
Renata Kosova, University of Michigan, kosova@umich.edu

I analyze the effect of foreign sales growth on growth and exit of domestic firms, while separating two opposite effects that MNCs are supposed to impose on the domestic companies namely: competitive (market-stealing) effect and technology spillovers. While most studies analyzed FDI spillovers via firm productivity, my estimated equations are derived from the stochastic model, which combines both firm and industry dynamics. Using firm level data for the Czech Republic, between 1994 and 2000, I do not find any evidence that larger foreign sales growth leads to the contraction in domestic sales over time (*dynamic* market stealing). Surprisingly, larger foreign growth reduces exit rate of Czech firms. These results were robust across all empirical specifications. I conjecture that positive effect of foreign growth rates represents export market spillovers, which help domestic companies to survive. However, foreign market share has significant and positive effect on domestic firm exit. These results, together with analysis of differences in market shares, suggest that market stealing is a static event realized shortly upon foreign entry. I also found that though there are *intra-industry* technology spillovers, reducing domestic firms’ exit, there is no evidence that these spillovers would increase growth rates of domestic firms.

Corporate governance, human resource strategies and performance of Ukrainian firms

Igor Filatotchev, Bradford University School of Management, i.filatotchev@bradford.ac.uk
Trevor Buck, De Montfort University, tbcor@dmu.ac.uk
Mike Wright, Nottingham University, mike.wright@nottingham.ac.uk
Natalya Demina, Nottingham University, dgt735@yandex.ru

A novel, integrated theoretical framework is developed of strategic experimentation in a turbulent environment, covering corporate governance, HRM strategies and firm performance. This is tested in Ukraine, 2000 using a unique dataset of 1,684 privatized firms. Inside ownership and legal form is shown to be associated with different HRM strategies. In performance terms, traditional social welfare, and cost-reduction strategies are associated with weaker firm performance, but a high-commitment HRM strategy is significantly associated with improved performance.

Impact of Ownership and Location Factors on Internalization of Service Multinationals into Transitional Economies: An Empirical Study

Sumit K. Kundu, Florida International University, kundusk@slu.edu
Vikas Kumar, Saint Louis University, kumarv@slu.edu
Susan D. Peters, California State Polytechnic University, sdpeters@csupomona.edu

Foreign direct investment in the service sector has been gaining importance in the past decade, as more countries transform themselves into post-industrialized economies. The transition from a centrally planned economy to market based economy has generated a surge of foreign direct investment from industrialized nations to Central and Eastern European nations. This is one of the pioneering research studies on the services foreign direct investment (SFDI) into central and eastern Europe, as these countries launch their economies towards increased privatization, deregulation, and liberalization. This paper examines the impact of ownership and location factors on internalization for service multinationals seeking to enter into Czech Republic, Hungary, and Poland.

Session 3.8.6 - Track 6 - PANEL

Cross-Cultural Teaching Insights and Techniques

Room: Oaktree Time: 1:30-3:00 p.m.

Chair: Nakiye Boyacigiller, San José State University, nakiye@boyacigiller.com

This interactive session will present and share the lessons learned at the UCLA CIBER Workshop for Master Teachers that are published in a new book, *Teaching and Experiencing Cross-cultural Management: Insights From Master Teachers*, a collaborative effort by many AIB members. The panelists will recreate the excitement and learning of a teaching workshop by allowing participants to experience first hand various teaching tools, techniques and approaches. Our broader purpose is to focus more attention on teaching effectiveness in our field and create a forum to share knowledge about teaching.

Current Understanding of Culture's Complexities From Anthropology - And How Does This Help Our Understanding of International Organizational Behavior
Mary Yoko Brannen, San José State University, brannen_m@cob.sjsu.edu

One's Many Cultures: A Multiple Cultures Perspective
Sonja Sackmann, University Bw Munich, Sonja.sackmann@unibw-muenchen.de

Crossing Cultures: The Star Trek Case
Margaret E. Phillips, Pepperdine University, margaret.phillips@pepperdine.edu

Using the Hero's Journey: A Framework for Making Sense of the Transformational Expatriate Experience
Joyce Osland, San José State University, osland_j@cob.sjsu.edu

Shaping the Global Mindset
Harry Lane, Northeastern University, Ha.lane@neu.edu

Conceptualizing and Designing a Course in International Human Resource
Colette Frayne, California Polytechnic University, c_frayne@hotmail.com

Reflective Silence: Developing the Capacity for Meaningful Global Leadership
Nancy J. Adler, McGill University, Adler@management.mcgill.ca

Teaching Culture in the Capstone Strategy Course
Allan Bird, University of Missouri-St. Louis, abird@umsl.edu

Session 3.8.7 - Track 1 - WORKSHOP

Ideas on Foreign Entry -Modes, Risks, and Performance

Room: Windjammer 1-2 Time: 1:30-3:00 p.m.

Chair: Pervez N. Ghauri, UMIST, Pervez.Ghauri@umist.ac.uk

Managing International Technology Transfer Risk: An Alternative Perspective
Mark V. Cannice, University of San Francisco, Cannice@usfca.edu
Roger (Rongxin) Chen, University of San Francisco, chenr@usfca.edu
John Daniels, University of Miami, daniels@miami.edu

This exploratory study builds propositions for protecting technology when exploiting it through foreign production. It uses transaction cost and other theories as a preliminary basis to explore alternative methods to predict and assess firms' methods of managing international technology transfer risks. It adds theoretical explanations based on experiences of nine U.S. high-tech companies' entries and operations in Asia. We find that firms rely on their transferred technologies' tacitness to increase the difficulty of misappropriation. We also find that firms make their internationally transferred technologies' dependent on headquarters-controlled technology to decrease the value of those technologies to potential misappropriators, thus decreasing the motivation to misappropriate. Finally, we develop a theoretical framework on managing international technology transfer risks.

Misuse of Ideas: Buying Pirated Products

Somchanok Coompanthu, Chulalongkorn University, Fcomscp@phoenix.acc.chula.ac.th

Product piracy has been a long unsolved problem for international marketers as it damages their brand reputation and discourages innovation in a business arena. However, some say that product piracy benefits to society if products copied are worth the price paid. This study tends to answer who the buyers of pirated products are and to provide a useful information for domestic and international marketers as well as the government. Thailand was used to be the site of study as it is a big production site and market of copy products. Demographic and personal experiences were posited in the model in determining the purchase intention of copy products, international branded products, and Thai products. It was found that men are more likely to choose copy products rather than Thai products than women as women are more likely to choose Thai products rather than international branded products than men. Peer pressure also had a high effect as people tend to choose similar products as their peers. Results also indicated that people who travel less often are less likely to buy copy products. Finally, people who are less exposed to buy Thai campaign are more likely to choose copy products not Thai products.

An Examination of Early Internationalization: Determinants of Entry Mode and Its Effects

Wen- Kuei Liang, Tatung University, wkliang@ttu.edu.tw

A firm pursuing to enter a foreign market must make an important strategic decision as to which entry mode to adopt for that particular market, especially true for those early internationalizers. This study examines that how companies enter foreign markets and the relationship between entry mode they selected and their performance.
From the 86 valid respondents of biotech companies from Taiwan, it shows that nearly half of them prefer higher control mode while expanding overseas markets. Further from discriminant analysis of entry mode choice, it indicates that the discriminatory power of R&D intensity, multinational experience, technology innovation, contractual risk, global synergies, and global strategic motivates is significant. As to ownership advantage, companies with high level of multinational experience, R&D intensity, and technology innovation will favor high-control entry mode. With respect to internalization advantage, positive relationship exists between contractual risk and control level of entry mode. As to global strategic factors, companies exercising global strategic motivates will favor high-control mode. Nevertheless, the hypothesis that the better the location advantage is, the more likely the high-control entry mode will be adopted, and that entry modes adopted by companies significantly affect their performance are not supported. Future research can expand to incorporate companies entering different countries and adopting various entry modes within the same time frame, explore the relationship between entry mode choice and business performance by including other important deciding factors, and employ different metrics of corporate performance (balanced score card, for example).

Model of Foreign Entry Modes: The Dual Perspective

Lyubov Bogun, Odessa Institute of Entrepreneurship and Law, lbogun@yahoo.com

The opening of growing markets of Eastern and Central Europe represents the large opportunities both for local and foreign firms. This research investigates applicability of dynamic model of a firm's gradual entry in a foreign market (so-called Uppsala-model) to conditions of transition economies. Detailed analysis of different factors from the dual perspective suggests that while Uppsala-model is applicable for the firms from a transition economy entering abroad, foreign firms entering a transition economy follow modified dynamic model: export - wholly owned subsidiary - international joint venture. This research can have practical implication and help executives to consider isolated, acting sometimes in different directions, foreign entry modes factors in their integrity.

Session 3.8.8 - Track 8 - COMPETITIVE

Economic Theory of the Multinational Enterprise

Room: Windjammer 3-4 Time: 1:30-3:00 p.m.

Chair: Alan M. Rugman, Indiana University, rugman@indiana.edu
Discussant: Bo Bernhard Nielsen, Copenhagen Business School, bn.int@cbs.dk

The Emergence of Multinational Enterprises: A General-equilibrium Analysis
Li Guoqiang, National University of Singapore, fbap8755@nus.edu.sg

This paper develops a general-equilibrium model to explain the emergence of multinational enterprises from the perspective of saving transaction costs. After management specialists' real incomes from domestic production, domestic licensing, export, international licensing, and international production have been derived in a unifying framework, the emergence of multinational enterprises can be explained endogenously. Inframarginal analysis (total cost-benefit analysis across corner solutions in addition to marginal analysis of each corner solution) of the model shows that, even without structural market distortions, the activities of multinational enterprises still occur wherever there are transaction gains from the common governance of activities in different locations. Our model also extends Yang and Ng's theory of indirect pricing of the firm by considering international trade, international licensing, and foreign direct investment. It is easier to apply the model of this paper to study the emergence of domestic firms (this is the task of another paper). Therefore, the evolution of economic organization from autarky to division of labor without firms, to domestic firms, and finally to multinational enterprises can be described with general-equilibrium models within a unifying framework. Probably, it is no longer necessary to distinguish the theory of domestic firm and the theory of multinational enterprise.

Multinational Knowledge Spillovers with Centralized versus Decentralized R&D: a game theoretic approach
Reinhilde Veugelers, University of Leuven, Reinhilde.Veugelers@econ.kuleuven.ac.be
Francesca Sanna-Randaccio, University of Rome "La Sapienza" fsr@dis.uniroma1.it

AIB Best Paper Finalist

This paper provides a theoretical model on the trade-offs a MNE faces when assigning subsidiaries an active role in innovation and organizing its R&D decentralized versus centralized. R&D decentralization avoids having to adapt centrally developed innovations to local markets, being able to use the specific know-how of the subsidiary. In addition R&D subsidiaries can be used to source locally available external know-how. But the MNE has to organize the transfer of local know-how internally so as to be able to benefit from this location specific know-how throughout the organization. At the same time, decentralization of R&D to the subsidiary level intensifies the challenge of effectively appropriating core technology know-how, preventing the spilling over of valuable know-how to competitors, located in the foreign markets. While R&D decentralization has repercussions on both intra-company technology transfers as well as inter company technology spillovers, it emerges as a possible equilibrium outcome from the resulting strategic interaction between the foreign subsidiary and local competition. The proposed model treats both internal and external spillovers in a game-theoretic context explicitly recognizing that absorptive capacity is required to be able to use external spillovers. The analysis suggests that a strong local know-how base is not a univocally positive factor for locating R&D abroad and indicates the critical complementary role of managing internal and external spillovers to capitalize on the benefits from R&D decentralization. It also shows that the intensity of product market competition in the host country is important, especially in determining the outgoing spillover costs.

Session 3.9.1 BALAS - PANEL

The Janet Kelly Balas Panel: The ABC of Discontent: Lessons for Businesses and Governments in Latin America

Room: Spyglass 1 Time: 3:30 -5:00 p.m.

Chair: Joseph Ganitsky, Loyola University New Orleans, JOEGANITSKY@cba.loyno.edu

Panelists:

Henry Gomez Samper, IESA, Caracas, hgomez@iesa.edu.ve
Antonio Carlos Manfredini, FVGSP, Sao Paolo, amanfredini@fgvsp.br
Harvey Arbeláez, Monterey Institute of International Studies, harvelaez@yahoo.com

Session 3.9.2 - Track 10 - COMPETITIVE

Global Marketing Strategy

Room: Spyglass 2 Time: 3:30 -5:00 p.m.

Chair: David A. Griffith, The University of Hawaii, griffith@cba.hawaii.edu
Discussant: Matthew B. Myers, University of Tennessee, mmyers8@utk.edu

Unravelled Magic: Rethinking the Impact of Outsourcing on Firm Performance
Masaaki Kotabe, Temple University, mkotabe@sbm.temple.edu
Michael J. Mol, Nijmegen University, m.mol@nsm.kun.nl

This study reviews and reassesses the relationship between outsourcing and financial performance. Outsourcing has been one of the most pervasive management trends in the last 20 years. However, there is still no consensus on the relationship between outsourcing and firm performance. Some authors have argued for a positive relationship while others have pointed at the advantages of vertical integration and posited a negative relationship. Yet there is also theory to suggest that there should not be any direct relationship between outsourcing and firm performance. Combining these points of view, we argue that over time there is a negative curvilinear relationship between outsourcing and financial performance. We then proceed to test this thesis on a sample of 1,147 firms with hard performance data on the Dutch assembly industry and conclude in favor of it. Most empirical tests in the literature to date have various limitations because they only look at cross-sections of firms and use only perceptual data. We find that balancing the advantages of integration and outsourcing will lead to the best results. A future point of interest is what variables moderate a firm's optimal degree of outsourcing.

The Role of Market Orientation and Organizational Learning in Managing Economic Crisis ***Haynes Prize Finalist***
Aysegul Ozsomer, Koc University, aysegul.ozsomer@anderson.ucla.edu

The literature reflects remarkably little effort to develop a framework for understanding capabilities for managing economic crises. Recent cases in Asia, Argentina, Russia, and Turkey demonstrate that economic crises are becoming more prevalent around the globe. This paper investigates the role of market orientation and organizational learning in helping firms in Turkey manage through the recent economic crises of November 2000 and February 2001. The results demonstrate the need to study market orientation at the sub-dimension level, because of asymmetric influences of responsiveness on performance after crisis. Similarly, when organizational learning is investigated as the type of knowledge created through exploration and exploitation, exploration is found to have a positive effect on performance. It seems that managers are well advised to emphasize exploration and allocate more resources to this type of learning when they are going through economic crises.

Strategic Modularization, Evolution of Sourcing Strategies and Performance Implications

Masaaki Kotabe, Temple University, mkotabe@sbm.temple.edu
Ronaldo Parente, Salisbury University, Ronaldo@Parente.com

The present research examines the trend toward modularization and the evolution of sourcing strategies. The paper focus on understanding how modular strategy has been implemented in manufacturing industries. The purpose of our study is theory construction (i.e. elaboration of constructs and research propositions). We conducted in-depth interviews and developed a conceptual framework to explain the dynamics of modular strategy in a manufacturing industry. The automobile industry in Brazil provided an interesting environment in which to examine modular strategies in the design and production of automobiles. Global automakers and their suppliers setting factories in Brazil have been emphasizing the concept of modularity in their facilities. These firms have been implementing different degrees of modularization in pursuit of competitive advantage in this very dynamic and uncertain market. Our theoretical framework suggests that strategic modularization will improve firm's positional advantage by reducing the cost of managing tacit knowledge. In addition, the adoption of modularization also influences the nature of relationships with major suppliers, further blurring the boundaries of the firm.

Session 3.9.3 - Track 4 - COMPETITIVE

Globalization and Studies of Performance in MNEs

Room: Big Sur 1-2 Time: 3:30 -5:00 p.m.

Chair: Donald Lessard, Massachusetts Institute of Technology, dlessard@mit.edu
Discussant: Jane W. Lu, National University of Singapore, bizluj@nus.edu.sg

The Degree of Firm Internationalisation, International Experience and Performance

James Clarke, The University of Queensland
Rick Tamaschke, The University of Queensland, r.tamaschke@business.uq.edu.au
Peter W. Liesch, The University of Queensland and Copenhagen Business School, P.Liesch@business.uq.edu.au

Previous research on the firm's degree of internationalisation (DOI) and its performance has produced contrary findings. These findings have estimated U-shaped, inverted U-shaped, and more recently S-shaped relationships between the degree of internationalisation and performance. This study incorporates international experience into the DOI-performance relationship to find that international experience influences significantly the relationship between the DOI and performance. For firms with some international experience, the DOI-performance relationship follows a horizontal S-shaped curve beginning with an initial performance decline, followed by a subsequent performance increase, and then a performance decrease. In contrast, firms with extensive international experience enjoyed an initial performance increase followed by a subsequent performance decline and a performance increase. Australian firms are studied to estimate these DOI-performance relationships.

The Effects of Regional Integration and Globalisation on the Firm's International Performance

Gary A. Knight, Florida State University, gknight@cob.fsu.edu
Peter W. Liesch, The University of Queensland and Copenhagen Business School, P.Liesch@business.uq.edu.au

This paper reports an empirical investigation of the hypothesis advanced by Rugman (2001) that 'globalisation' has been over-stated both in the literature and in practice. From trade pattern data and supported by leading cases, Rugman (2001) argues that regionalism among the triad of NAFTA, the European Union and Asia dominates international business, rather than does globalisation. Using Canadian firm-level data, our results show that the moderating effects of regional integration are stronger than the moderating effects of globalisation on the associations between international performance and each of technology acquisition, manufacturing leadership, product leadership and quality leadership. There is no significant difference in the association of perceived level of environmental hostility with high globalisation and high regional integration, nor do regional integration and globalisation significantly differ in their moderating effects on the association between cost leadership and international performance.

International acquisitions and shareholder wealth: An empirical examination of the internalization and agency perspectives

Yangmin Kim, Marquette University, yangmin.kim@marquette.edu

This study examines two different perspectives-- internalization and agency perspectives- on international acquisitions, and tests under what conditions U.S. firms earn abnormal returns from international acquisitions. The theory and the hypotheses were examined with a sample of 87 acquisitions made by U.S. companies from 1991 through 1997. We argue that: (1) there are two drivers of international acquisition decisions—strategic and managerial drivers; (2) while strategic drivers increase acquisition value, managerial drivers could destroy it; and (3) acquiring firms' intangible assets and corporate governance mechanisms help to increase their stock values upon acquisition announcements. Combining an event study with multiple regression tests, we found that acquirer's marketing and R&D intensities, and the debt levels were significantly associated with stock market performance upon acquisition announcements. Acquirer's debt level, in particular, was found to have an inverted U-shaped relationship with stock market performance, suggesting that moderate debts are beneficial for the acquiring firm while too high debt can be detrimental to the organization. The test results support both internalization arguments and agency arguments.

National Institutional Factors and the Persistence of Firm Performance

Balagopal Vissa, London Business School, bvissa@london.edu
Aya S. Chacar, London Business School, achacar@london.edu

This study aimed to test the implicit assumption of institutional efficiency of past research on performance persistence by examining the impact of country institutional differences on the persistence of firm performance. We first estimated performance persistence of firms from 35 countries of which 18 are developed economies and 17 are emerging economies. We then examined the impact of three specific aspects of market supporting institutions of these countries, namely, efficiency of the judicial system, efficiency of the market for corporate control and the rigidity of labor markets, on the persistence of firm performance. We find robust evidence that the efficiency of the judicial system and the efficiency of the market for corporate control have a significant negative effect on the persistence of firm performance, while labor market rigidities did not have an impact. Overall, our evidence suggests that institutional inefficiencies are an important source of firm performance persistence that complement traditional drivers such as industry structure and firm resources. The key implication for managers is that they are much better served by developing strategies that fit the particular institutional context in which their firm is embedded, rather than blindly adopting strategies that were developed in different, possibly more advanced contexts.

Session 3.9.4 - Track 4 - PANEL

Corporate Governance from a Comparative Perspective

Room: Big Sur 3 Time: 3:30 -5:00 p.m.

Chair: Thomas Murtha, University of Minnesota, TMURTHA@csom.umn.edu
Discussant: Tatiana Kostova, University of South Carolina, KOSTOVA@MOORE.SC.EDU

The internationalization of markets led to a remarkable resurgence in the study of comparative corporate governance. This area of scholarship has traditionally been dominated by taxonomists whose main goal was to classify national systems of corporate governance according to specified attributes (Anglo-Saxon versus Continental models). By contrast, internationalization provided firms with both opportunities and constraints because it allowed for the *transportability* of corporate governance practices around the world, leading to an inquiry into the convergence and divergence debate of these systems, as well as diffusion practices. We deliberately attempt to move beyond the theoretical discussions on convergence and divergence of corporate models and examine instead how different theoretical approaches explain comparative corporate governance both at the national level (cross-national comparisons) as well as at the organizational level (Multinational firms versus networks).

How Corporate Governance Systems Affect Globalization of European MNCs
Ruth Aguilera, University of Illinois at Urbana-Champaign, ruth-agu@uiuc.edu
George Yip, London Business School, gyip@london.edu

Corporate Governance, Network Dynamics and a Firm's Strategic Flexibility: A Multi-Lens Perspective
Steve Toms, University of Nottingham, Steve.Toms@nottingham.ac.uk
Igor Filatotchev, Bradford University, i.filatotchev@bradford.ac.uk

An Integrative Model of International Corporate Governance Systems: Issues and Implications for Developing Nations
Anju Seth, University of Illinois at Urbana-Champaign, a-seth@uiuc.edu

The German Code of Corporate Governance - Principles and Practical Acceptance
Axel v. Werder, Technical University Berlin, A.Werder@ww.tu-berlin.de

Session 3.9.5 - Track 3 - COMPETITIVE

International Environment

Room: Cypress 1-2 Time: 3:30 -5:00 p.m.

Chair: Daniel Van Den Bulcke, University of Antwerp, daniel.vandenbulcke.1@ua.ac.be, daniel.vandenbulcke@ufsia.ac.be
Discussant: Klaus E. Meyer, Copenhagen Business School, km.cees@cbs.dk

Dynamic International Competitiveness of Transition Economies: The Case of Poland
Jørgen Ulff-Møller Nielsen, The Aarhus School of Business, jum@asb.dk

This paper shows that the reform on the structures of the Polish economy has had an impressively fast effect on the numbers of different products this country exports to Western countries. The time path may well be described by a logistic curve. The change in the exports of this country may therefore be characterised by a widening, instead of a deepening in specialisation. The paper introduces a new empirical methodology to evaluate the dynamic changes in export activities of a country. The result of this new methodology is that quality competition is becoming increasingly important for Poland over time.

Assessing the Impact of Demographic, Psychographic and Product Specific Variables on Nationalistic Product Preference
Shawn Thelen, Hofstra University, mktstt@hofstra.edu, shawnthelen@hotmail.com
John B. Ford, Old Dominion University, jbford@odu.edu
Earl D. Honeycutt, Jr., Elon University, ehoneycut@elon.edu

This research assesses which variable sets--demographic, psychographic and product specific--have the greatest impact on consumer preference for domestically-produced versus imported products in Russia. Demographic variables include age, gender, income, and education with the psychographic variable being represented by the CETSCALE. Product specific variables include "purity" for consumables and "quality" for manufactured goods. The Wald test is utilized to determine if there is a significant difference between full and reduced variations of the model. Data collected from 438 Russian consumers indicate that different variables possess varying levels of explanatory power for product preference across 10 consumer products. This indicates that, although commonly accepted factors such as demographics and consumer ethnocentric tendencies may explain feelings towards imported products in general, it is necessary to include product specific variables to achieve a comprehensive understanding of consumer attitudes toward specific imported goods. A discussion of the relationships that Russian consumers have experienced with imported goods during the chaotic transition from a centrally-planned economy to a more market-driven economy provides an explanation of why variables have more/less explanatory power across different products.

Investigating the growing attractiveness of the EU candidate countries of Central and Eastern Europe to foreign investors

Marina Papanastassiou, Athens University of Economics and Business, marinap@aueb.gr
Constantina Kottaridi, Athens University of Economics and Business, ck@aueb.gr
Fragkiskos Filippaios, Athens University of Economics and Business, frafil@aueb.gr

In a globalized environment, where intense competitive pressures comprise the main feature, Central and Eastern Europe is emerging as a promising investment host offering inbound-location specific advantages. This paper develops a novel approach to the analysis of inward foreign investments in the area, combining elements from Vernon's Product Cycle Theory and Dunning's Investment Development Path. Following the main lines of these theories, a theoretical model is formulated and two main corollaries are posed according to which both market-oriented and export-oriented MNCs exploit the country specific advantages, i.e. cheap, however high skilled labor force and prospective markets. Based on this analysis, a complementary relationship between FDI and Exports is claimed to hold for the region. Finally, empirical tests are carried out which give support to our hypotheses.

Session 3.9.6 - Track 5 - WORKSHOP

A Focus on the Multinational Enterprise

Room: Cypress 3 Time: 3:30 -5:00 p.m.

Chair: Sarianna Lundan, University of Maastricht, S.Lundan@mw.unimaas.nl

Assessing the Impact of Social Standards on Compliance and Integrity-Management in International Companies

Andreas Rasche, European Business School, Andreas.Rasche@ebs.edu
Dirk Ulrich Gilbert, European Business School, Dirk.Gilbert@ebs.edu
Michael Behnam, European Business School, Michael.Behnam@ebs.edu

This paper analyzes the relation between currently available social standards and compliance as well as integrity-management. Based on a short introduction of compliance and integrity as two distinct strategies for ethics management in international organizations, we suggest a new conceptual framework to assess the impact of social standards for fulfilling the demands of both approaches. The main contribution of this paper is to provide international managers with a toolbox for aligning their undertakings in the field of ethics management (e.g., the implementation of social standards) with either a compliance or integrity strategy. Furthermore, the framework allows NGOs, stakeholders, and other interested groups to improve currently existing global social standards with reference to a compliance or integrity orientation. Although the developed model is flexible in its constitution, and can thus be applied to different forms of ethics tools, we will focus our analysis exclusively on the SA 8000 standard, since this initiative is currently one of the most widely used frameworks for social accounting in an international context. We characterize SA 8000 as a "quasi-regulative" standard, as the nature of this initiative supports both, a compliance and an integrity ethics strategy in international companies

Fighting for Power: The Strategy of Global MNCs Subsidiaries

Fabrizio Noboa, University of Navarre, fnoboa@iese.edu
Carlos García–Pont, University of Navarre, cgarcia@iese.edu

The purpose of this paper is to examine the relational configurations for a subsidiary that belongs to a global industry such as auto components manufacture. As global integration pressures are high in this environment, there are pressures for centralization and some subsidiaries are losing resources and capabilities in benefit of headquarters or other subsidiaries Consequently, they may fight within the MNC to maintain the control over certain resources and capabilities, mainly through strong relationships with local suppliers, providers, customers or other units of the MNC, that may reach global relevance. While previous studies have identified the significance of networks as a metaphor to understand MNC structure, we attempt to show how the analysis of the networks of contacts of a subsidiary is a useful tool to identify which role is the subsidiary playing in the overall multinational. It shows useful to apply networks as a tool that to proactively develop a formulated strategy on the side of the subsidiary.

Imitating and Learning from Others: Multiple Perspectives on Diffusion of Management Knowledge

Jon Erland Lervik, Norwegian School of Management BI, jon.e.lervik@bi.no
Randi Lunnan, Norwegian School of Management BI, randi.lunnan@bi.no

Management knowledge play an important role in Multinational corporations, but diffusion of management knowledge evokes very different images, as easily imitable ideas or as complex organizational practices that are difficult to replicate. In this paper we review four theoretical perspectives on diffusion of management knowledge labeled the Adoption-, Translation-, Transfer- and Local Learning- perspective. Perspectives differ in their basic assumptions about knowledge, and we identify two central dimensions: conceiving management knowledge as leaky or sticky, and conceiving knowledge as a reified (given) object or as an ongoing construction. We argue that each perspective only captures some relevant outcomes for how diffusion affects organizations and is not sensitive to other outcomes. We illustrate the perspectives with cases of diffusion in a Norwegian Multinational Company. We argue for multiperspective approaches to studying diffusion, and we especially identify an untapped potential in studies of introduction of technology that can inform and revitalize future research on the diffusion of management knowledge

Controlling the Process of International Technology Transfer in the Multinational Firm: Formal and Informal Assessments of Technology Mastery

David McArthur, University of Nevada, Las Vegas, dmcarthu4@ccmail.nevada.edu

Multinational enterprises (MNEs) create and exploit knowledge resources by transferring them internationally within the firm or to joint ventures in different markets in order to gain competitive advantage and earn higher returns. One of the problems MNE subsidiary unit managers face in controlling the technology transfer process is evaluating the effectiveness and efficiency of their efforts to pass on their technical knowledge. Using within- and across-case comparisons I will show that managers in international technology transfers adapt the transfer process in response to differences in certain variables from their domestic technology transfer process "norm," that either the technology-sending or technology-receiving units may take an active or passive approach to "proving the technology is mastered," and that managers adapt the process by returning to earlier stages in the sequence of activities that comprise the technology transfer process and transferring knowledge again.

Session 3.9.7 - Track 1 - COMPETITIVE

The International Flow of Ideas and Knowledge

Room: Windjammer 1-2 Time: 3:30 -5:00 p.m.

Chair: Charles Snow, Penn State University, csnow@psu.edu
Discussant: Michael J. Enright, University of Hong Kong, menright@business.hku.hk

Centrifugal Forces, R& D Co- Practice, and 'Reverse' Knowledge Flows in Multinational Firms

Changhui Zhou, Peking University, czhou@gsm.pku.edu.cn
Tony Frost, University of Western Ontario, tfrost@ivey.uwo.ca

This paper contributes to the developing literature on knowledge integration in multinational firms with dispersed technical activities. We develop a conceptual framework that that identifies important centrifugal forces – structural aspects of multinationals that tend to inhibit the integration of knowledge – as well as an important integrating device, which we term *R&D co-practice*. The framework is tested through an empirical analysis of "reverse" (subsidiary to headquarters) knowledge flows in two sectors, automotive and pharmaceuticals, over a 15 year period. We find strong support for our main argument that R&D co-practice in prior periods is conducive to the current period flow of knowledge from foreign subsidiaries to the parent firm.

Benefiting from Subsidiary Knowledge: An Empirical Investigation of Reverse Knowledge Transfers

Tina C. Chini, Vienna University of Economics and Business Administration, Tina.Chini@wu-wien.ac.at
Bjorn Ambos, Vienna University of Economics and Business Administration, Bjoern.Ambos@wu-wien.ac.at
Bodo Schlegelmilch, Vienna University of Economics and Business Administration, Bodo.Schlegelmilch@wu-wien.ac.at

Within MNCs, the traditional role of headquarters as prime source of knowledge and competencies is changing. Increasingly, headquarters act as a receiver of knowledge from their internationally dispersed subsidiaries. But what drives the benefits headquarters can gain from such reverse knowledge transfers? Drawing on an empirical sample of 294 individual intra-MNC knowledge transfers, we identify the key variables impacting on headquarters' ability to benefit from offshore knowledge. Moreover, our results show that knowledge judged to be most beneficial is least often transferred. Taken collectively, our findings indicate that the efficiency of the MNC as a knowledge integrating institution is being challenged by changes in both, the subsidiary's context and its capabilities to process knowledge. We discuss the implications of our analysis on the emerging knowledge based theory of the firm, draw out inferences for the strategic agenda of MNCs and suggest avenues for future research.

Learning by Exporting: New Insights from Examining Firm Innovation

Robert Salomon, University of Southern California, salomon@marshall.usc.edu
J. Myles Shaver, University of Minnesota, mshaver@csom.umn.edu

Empirical findings across many nations show that exporters have superior productivity compared to non-exporters and that this relationship is driven by productive firms becoming exporters. The conclusion drawn from these studies is that there is little learning by exporting. We, however, assess if there are *ex post* benefits that accrue to exporting firms by examining innovation outcomes. We argue that exporters can often access diverse knowledge inputs not available in the domestic market, that this knowledge can spill back to the focal firm, and that such learning can foster increased innovation. By examining product innovation and patent application counts of a stratified representative sample of Spanish manufacturing firms from 1990-1997, we find that exporting is associated with innovation. Moreover, the panel data allow us to begin to explore the temporal relationship between exporting and innovation. In contrast to existing findings, we find some evidence of learning by exporting – albeit in dimensions not previously examined in the literature.

Reverse Technology Transfer: A Patent Citation Analysis of the European Chemical and Pharmaceutical Sectors

Paola Criscuolo, Maastricht Economic Research Institute on Innovation and Technology and University of Sussex, p.criscuolo@sussex.ac.uk

One consequence of the internationalisation of R&D, particularly in high-tech sectors such as chemicals and pharmaceuticals, may be the transfer of foreign technology from the multinational to other firms in its home country. This phenomenon, which may be termed *inter-firm reverse technology transfer*, has not yet been directly analysed by either the international management literature or the literature on foreign direct investment. But its implications for policy – particularly in Europe – may be significant. Drawing on the evolutionary theory of the multinational, and on the concept of embeddedness, this paper is a first attempt at addressing this issue. We test the hypothesis of inter-firm reverse technology transfer by performing a patent citation analysis on a database of USPTO patents applied for by 29 chemical and pharmaceutical companies over the period 1980-99. Our findings suggest that multinationals, especially in the pharmaceutical sector, act as a channel for the transmission of knowledge developed abroad to other home country firms. These results point to an alternative understanding of foreign direct R&D investment and its implications for both the home country's technological activity, and its competitive performance in general.

Session 3.9.8 - Track 1 - PANEL

Building International Research Networks

Room: Windjammer 3-4 Time: 3:30 -5:00 p.m.

Coordinator: John Mezias, University of Miami, jmezias@miami.edu

Panelists:

John Mezias, University of Miami, jmezias@miami.edu
John McIntyre, Georgia Tech University, ciber@mgt.gatech.edu
Mary B. Teagarden, Thunderbird, teagardenm@t-bird.edu
Mary Sully de Luque, University of Pennsylvania, sully@wharton.upenn.edu
Arie Lewin, Duke University, ayl3@mail.duke.edu

A promise and expectation of international research is developing and testing theory in multiple countries. However, large-scale empirical studies that simultaneously investigate phenomenon in multiple countries are the exception rather than the norm despite the benefits such research would bring to the field. This void persists primarily because doing multi-country research is very difficult. Different countries' governments, institutions, and organizations tend to create and collect substantially different types of data, which makes achieving equivalence in measures difficult. Attempting to construct or collect equivalent data requires communicating with potential respondents and informed actors and/or uncovering different data sources in different countries, all of which is complicated by language and cultural differences. Even when individuals possess language skills and cultural acumen, other challenges emerge such as the travel expenses and time constraints. Although assembling a diverse team of international researchers native to the various countries of interest may overcome most of the problems detailed above, how exactly does one form and manage such a team. Building International Research Networks is a proposed panel for the upcoming Academy of International Business's conference that is designed to discuss many of the facets in the formation and management of international research teams.

Poster Session #3 with wine and cheese

Room: Monterey Ballroom Time: 5:30-7:00 p.m.

Chair: Margaret E. Phillips, Pepperdine University, mphillip@pepperdine.edu

Track 1 - The Power of Ideas and International Business

Does the Internet Influence Entry Mode Theorizing?
Helen Mansolas, University of Warwick, phd98hc@wbs.warwick.ac.uk

The entry mode theoretical perspectives attempt to answer how firms choose entry modes. However, these perspectives have developed over time reflecting different emphases on processes, knowledge acquisition and economics etc. One commonality they share is that they are all silent on the impact of new communication technologies that emerged during the 1980s, such as the Internet. This paper thus seeks to investigate to what extent different usage of the Internet has influenced or shaped foreign market entry theorizing.

Forecasting Global Markets: The Power of the Composite Method

Andrew Gross, Cleveland State University, a.gross@csuohio.edu
Raj Javalgi, Cleveland State University, r.javalgi@csuohio.edu

Formulating global business strategy requires long-range planning. Short run, macro-economic projections are available for most nations. Projections for many categories of consumer goods in industrialized countries can also be obtained from several sources. However, long-run forecasts for industrial goods and business markets on a nation by nation, or even region by region, basis are relatively scarce and often unavailable. We offer an analytical framework for viewing global business markets on an industry by industry, country by country basis. We discuss sources of forecasts, methodology of forecasting, and an assessment of past forecasts. We conclude by presenting briefly three global market case studies for: electronic components; commercial refrigeration equipment; heavy construction machinery.

The Effect of Organizational Variables on Innovative Performance in Overseas R&D Units

Chris Grevesen, DeVry College of Technology, cgrevese@nj.devry.edu
Fariborz Damanpour, Rutgers University, fdamanpo@andromeda.rutgers.edu

Increasingly, multinational enterprises (MNEs) in science- and technology-based industries are locating their research and development activities abroad. This trend has been paralleled by a growing interest in overseas R&D on the part of scholars from multiple disciplines, including international business, strategic management, economics, and organization theory. Unfortunately, most of these studies neglect the performance implications of cross-border research and development. This gap in the literature leaves an important research question unanswered: How do managerial decisions concerning organizational structure and process affect innovative performance in overseas R&D units? This study examines the effect of five such organizational variables on innovative performance in the overseas R&D units of North American, European and Japanese MNEs. An analysis of data from a survey of overseas R&D unit directors in 17 countries suggests that innovative performance is enhanced by the lateral and hierarchical exchange of knowledge but suppressed by bureaucratic coordination and control mechanisms.

What is Outstanding International Business Research?: Nature and Trends in Farmer Award Finalists in the 1990s

Raj Aggarwal, Kent State University, raggarwa@bsa3.kent.edu
Victor Petrovic, Kent State University, vpetrovi@bsa3.kent.edu
John K. Ryans, Bowling Green State University, jryans@bsa3.kent.edu
Sijing Zong, Kent State University, ksu1999@yahoo.com

This paper is an analysis of the nature and trends in the dissertations of the Farmer Award finalists for the decade of the 1990s. This paper finds that while most of the finalist's dissertations were done at North American universities, there is little concentration in doctoral granting universities or advisors among the finalist dissertations. Management, Organization, Economics, and Finance made up nearly five-sixths of the finalist dissertations and two-thirds of the dissertations focused on a single country. The most popular countries were the US and Japan and the popular areas were North America and Western Europe. Survey research is the most common procedure for collecting primary data but the use of secondary data in IB dissertations is growing. Not surprisingly, the finalists are on average a very productive group with the earlier finalists publishing more scholarly papers but more recent finalists publishing at a higher annual rate.

Colombia's Economic Groups: Managerial Philosophies

Carmen Leonor Martínez-López, University of Texas Pan American, cmartinez13@panam.edu

This article uses the four types of managerial philosophies, managerial, alliance, personal and political capitalism, to investigate whether there is a type of managerial philosophy related specifically to Colombian business groups. It proposes that the characteristics of each Colombian business group identify the type of managerial philosophies involved. Some of the propositions corroborate that the Colombian business group known as Grupo Empresarial Antioqueño (GEA) is characterized by managerial and political capitalism, and the other Colombian business groups, such as Grupo Empresarial Bavaria (GEB), Grupo AVAL (AVAL) and Grupo Ardila Lulle (GAL), are characterized by managerial, personal and political capitalism. This corroboration of the propositions confirms Schroter's (1997) finding that these types of managerial philosophies do not exist in absolute terms in a country or [business group]. Key words: Colombia, Managerial, Philosophies and Groups.

Wal-Mart Vs. Carrefour: Retail Internationalization and Changing Global Strategies
Syed Tariq Anwar, West Texas A&M University, sanwar@mail.wtamu.edu

This paper discusses two global retailers, Wal-Mart and Carrefour, and analyzes and compares their retail internationalization and changing international business and global strategies in world markets. The primary purpose of this work is to examine Wal-Mart and Carrefour's changing focus and retailing strategies in Asia, Europe, North America and other markets. Both companies show significant future expansion in their domestic and international markets. Analysts believe that in the coming years, Wal-Mart will continue to expand in Europe and Asia. On the other hand, Carrefour is also seeking aggressive internationalization in the same markets. In the coming years, Wal-Mart and Carrefour may face a heightened competition and will be challenged by national retailers. The work is intended to look at both companies' changing markets and future expansion within the concept of market entry, retail internationalization and global strategies. The significance of this work lies in its timeliness and relevance to the ongoing debate of internationalization in the global retailing industry.

The Global Organizational Transformation Process in an MNE: The Impact of Information System Implementation
Päivi J Tossavainen, Helsinki School of Economics and Business Administration, paivi.tossavainen@nokia.com

Scientific management and systems thinking have been dominating organization and management as well as international business research. In turbulent, times these traditional theories may loose some of their explanatory power. Therefore, new thoughts in theory perspectives should be considered. This paper reports a research, in which the new perspective has been applied. It looks into complexity sciences to have explanatory power in organizational transformation process in a MNE. This paper aims to increase understanding on factors affecting organizational transformation process. The change process is furthermore interrelated to information system implementation. The research related to enterprise resource planning (ERP) system implementation has been either technical or business driven resulting various process models. These models, however, concentrate on tasks and activities during the implementation rather than on the organizational issues. Little attention has been paid on organizational design or structure. Organizational structures represent the governance mechanism in a MNE and thus should be closely incorporated in information systems research. Implications of this research include extending new theoretical perspective (complexity sciences) in MNE and IS related research area as well as bringing the organizational focus on ERP implementation.

Shareholder Protection and Firm Performance: Is More Necessarily Better?
Jean McGuire, Concordia University, jeanm@jmsb.Concordia.ca
Pierre-Yves Gomez, EM-Lyon, Gomez@em-lyon.com
Sandra Dow, Université de Québec à Montreal, sandradow@sympatico.ca
Zied Guedri, Concordia University, zied@simpatico.ca

We build upon current research on the relationship between legal protection of shareholders by examining the relationship between the legal protections offered shareholders and firm market and accounting performance. We also examine the moderating role of cultural distance and individualism on this relationship. We find that shareholder protection has little overall relationship with firm performance. We find limited evidence for the moderating effect of cultural variables

Acting on Ideas from Other Fields: Drawing from Theater to Make Organizational Improvisation More Proactive
David M. Berg, The University of Wisconsin, bergd@uwm.edu
Terrie C. Reeves, The University of Wisconsin, tcreeves@uwm.edu
Mark Hooker, AEG, SAG, AFTRA, markhooker@wi.rr.com

Flexibility and the ability to adapt quickly are important organizational attributes in a world becoming ever more complex, more globally competitive, and more technologically advanced. In the management literature, improvisation has been examined as a possible method of attaining these attributes. In this paper, we examine the historic parallels between theory in management and theater theory and practice that have led to the inclusion of improvisation in both fields. In the organizational literature, improvisation has been viewed as fast, reactive adaptation to sudden challenges; micro-reactions to situations in which a response is cobbled together from readily available means. Based on the theatrical concept of

improvisation--a proactive, disciplined process with a distinct, envisioned outcome that uses each actor's personal repertoire--we propose 'proactive improvisation' as a strategy-making method that would incorporate the benefits of planning, but would also allow quick adaptation in firms facing increasingly complex, often global, environments. We suggest that organizations incorporating proactive improvisation into strategy making will ultimately perform better than those not using proactive improvisation, especially in certain contexts.

Moral Imagination: Dostoevskian Ethical Reflections

Nariman Skakov, Kazakh State University, Al-Farabi, nariman.skakov@pmintl.com

Metaphorical interpretations of social systems are regarded as a fruitful approach to define complex structures. There are numerous advantages to the use of novels, poetry, and other art manifestations over standard linear texts to explore business theories and moral dilemmas. Thus, applications interrelating with multi- and transdisciplinary techniques and nonlinear thinking approaches became common in most curricula. It is now generally accepted that the creative process includes failure, chaos, uncertainty and the holding of contradictory positions. Calás and Smircich (1999) believe alternative forms of research and knowledge representation can comprise non-linear texts, poetry, graphics and images, and experimental audiovisual media. Writings and artefacts from alternative, yet relevant sources, such as popular or classical cultures might have enormous value in the post-positivist paradigm. Thus, Fyodor Dostoevsky's heritage will be examined in this essay as a pure artistic manifestation with clear moral and scientific references. I claim that while creating a new paradigm one could find his/her inspiration in Fyodor Dostoevsky's literary heritage. Many features make the Russian thinker's ethical reflections valid to contemporary concepts. His irrational man who is not a predictable mechanistic something; his healing suffering which renews him; his 'Ocean' where everything intermingles; his holistic science – antinomy to fragmented mind; his brotherhood – responsibility for every deed and every thing; and his absolute light in nethermost darkness are all the manifestations of his Human Heart. These are among those few ideas which could fascinate and inspire present-day thinkers.

Inter-Cultural Differences in International Business: Reciprocity, Redistribution, Market Exchange

Chong Ju Choi, Cambridge University, russell_choi@hotmail.com
Carla C.J.M. Millar, Universities of Groningen & Twente, carla@webbox.com
Brian Hilton, Cranfield University, hilton_brian@hotmail.com

The nature of national and business cultures has become a growing research topic in international business. The purpose of this paper is twofold. First, at the level of national culture, we present analyses of the Anglo-Saxon societies and of communitarian societies; and analogously at a business culture level, we analyse shareholder versus stakeholder values. Secondly, we show that the differences observed can be better understood by analysing the nature of "exchange". We conclude that these analyses allow us not only to better understand the nature of the western business cultures - in which all three of the forms of exchange that we distinguish are found to be present, but also allow an extensions of our ideas to emerging cultures, distinguishing as we do between reciprocity (mostly Asian uncertain / emerging cultures), redistribution (mostly European communitarian / stakeholder cultures) and market exchange (mostly Anglo Saxon. / shareholder cultures). Finally we argue for the crucial importance of an analysis that goes beyond pure market and economic factors and that takes into account the non-market, social and political actors and factors which influence inter-cultural and organizational differences in international business.

Articulating International Business Development

Mark McGovern, Queensland University of Technology, m.mcgovern@qut.edu.au

International business develops in a variety of ways and places. It embodies a diversity of activities and parties delineated and articulated in explicitly regional settings. Much international business analysis draws from a relatively narrow base, one potentially poorly attuned to the impacts of such variety and diversity. While this may not have been a problem in an era of relative security and growth, new times and challenges encourage a reassessment. A number of ideas inform international businesses today, and our understanding of them. These ideas point, at best, to possibilities for effective change; at worst they limit, compete and confuse. Coherence is then lost, and it is often only regained by overly restricted analysis. A step towards rectification of these problems is presented in this paper. Three sets of ideas are explored: "X-" regional business; growth, development and redistribution; and articulation. An encapsulating working construct, termed

the b-entity, is developed. More adequate ideas, concepts and constructs aided by technological advances, particularly in the implementation of object-oriented approaches, can improve international business thinking and performance.

Track 5 - Macro-Organizational Behavior and Organization/Institutional Sociology

A Comparative Study of Organizational and Individual Resistance to Implementation of E-health Technology in France, South Korea, Italy, Great Britain and the U.S.A.

Robert Doktor, University of Hawaii, doktor@cba.hawaii.edu
David Bangert, University of Hawaii, bangert@cba.hawaii.edu

Management is the act of coordinating and controlling disparate entities so as to achieve common goals (Etzioni, 1965). Coordination and control have both a formal bureaucratic, structural side and an informal, social, and cultural side (Ouchi, 1997; Child, 1973; Mintzberg, 1983; Pfeffer, 1972). In studies of e-health systems, well-designed formal bureaucratic structures were not sufficient to insure acceptable utilization rates of e-health technologies (Bangert and Doktor, 2001). Qualitative research has yielded organizational structural and cultural dimensions related to uncertainty avoidance which may explain some of the variance in utilization rates. Cross-national studies of e-health utilization and cultural levels of uncertainty avoidance (Cyert and March, 1963) supply evidence of the role this dimension of culture may play in effective e-health implementations. High uncertainty avoidance nations, such as South Korea and France appear to have higher utilization success in e-health implementations than in low uncertainty avoidance nations such as Great Britain and the United States.

Foreign Entry Strategies: Adaptation to Institutional Effects

Manuel P. Ferreira, Escola Superior de Tecnologia e Gestao, Leiria, Portugal and The University of Utah, pmgtmpf@business.utah.edu
Dan Li, Texas A&M University, dli@cgsb.tamu.edu

Institutional pressures from the international business environment demand organizations to architect the best possible combination of strategy and structure that maximizes their likelihood to survive and prosper. For the multinational firm this signifies the need to balance the internal pressures towards conformity and efficiency with the external environment constraints. These constraints are imposed simultaneously by the institutional environments of the host and home markets. Previous research has noted that under these conditions, firms search for an isomorphic fit with their competitors or with referent agents in the local markets. This paper focuses on the entry strategies into foreign countries and how the entry strategy and organizational form of entry are likely to be largely determined by exogenous pressures for legitimacy. The purpose of this paper is to enhance our understanding of the multiple and simultaneous constraints the international managers face in their internationalization decisions.

Framing the Direct Foreign Investment Decision in Emerging Economies

Van V. Miller, Texas A&M International University, vmiller@tamiu.edu
Kurt Loess, East Tennessee State University, kloess@etsu.edu
Charles T. Crespy, University of Texas at El Paso, crespyct@utep.edu
Robert Andresen, University of Texas at El Paso

The authors propose a laboratory study and then a field study to examine decisions made by international business managers confronting a highly uncertain situation. That situation deals with the judgment to stay in or to relocate from a country where a prior choice had resulted in a direct foreign investment (DFI) decision for that country. The new judgment—to stay or to relocate—can be framed using institutional theory and then calculated using prospect theory. Together, the theories provide a valid explanation that is consistent with the three main constructs of the eclectic paradigm. To date, research based on the eclectic paradigm has not analyzed the judgment to re-direct foreign investment. Operational constructs and a research design for studying the DFI decision in the Mexican Maquiladora Program are proffered.

Does National Culture Affect Organizational Learning Styles? A Proposed Framework
Carolyn B. Mueller, Stetson University, cmueller@stetson.edu
Cheryl A. Van Deusen, University of North Florida, CVanDeus@unf.edu

A great deal of literature and research have focused on the areas of organizational learning, national culture, and managerial decision making. However, little research exists that considers the effects of national culture on learning style and the combined effects of national culture and learning style on effective decision-making. This paper theoretically suggests relationships between the organizational learning constructs of exploration and exploitation and four dimensions of national culture, and how these relationships are likely to affect the performance of new acquisitions. A two-by-two matrix is developed, based on high and low levels of exploration and exploitation activity, and suggests why four of Hofstede's (2001) dimensions of national culture relate to different combinations of organizational behavior.

Track 6 - Micro-Organizational Behavior and Human Resource Management

Reward Preferences and Perceptions – The Contextual Antecedents of Reward Effectiveness across Borders
Flora Birtch, Chinese University of Hong Kong, florab@baf.msmail.cuhk.edu.hk

Reward strategies that are effective in one country may be very different from those that are successful in others. This is largely due to reward preference, which is shaped by different individual needs, values and perceptions. By integrating both the theories of motivation and culture, this study examines the multi-dimensional nature of employee reward preference across four different regions, including Asia (Hong Kong), Europe (United Kingdom), Scandinavia (Finland) and North America (Canada). The findings lend support to and extend the existing body of research. Yet, in contrast to prior research, empirical analysis reveals that the influence of culture may be diminishing or at least giving way to the forces of convergence and other contextual factors.

Individuals' Attitudes toward Work, Family & Career and its Relationship with Job Satisfaction and Intent to turnover
Madan Annavarjula, Northern Illinois University, madan@niu.edu
Sri Beldona, University of Dallas, sbeldona@gsm.udallas.edu
Sam Beldona, Wichita State University, sam.beldona@wichita.edu

As the modern workplace becomes increasingly complex and demanding, companies around the world are striving to hire and hold the best talent that exists. The influence of non-work activities on work activities merits closer examination. Arguing that work and family need not always conflict each other, this study is a cross cultural examination of the individuals' attitudes towards work, family and leisure and their relationship with job satisfaction and intent to quit.

The Facets of Job Satisfaction: A Nine-Nation Comparative Study
Catherine Kwantes, University of Windsor, ckwantes@uwindsor.ca

Archival data from an attitude survey of employees in a multinational organization were used to examine the degree to which national culture affects the nature of job satisfaction. Responses from nine countries were compiled to create a benchmark against which nations could then be individually compared. Factor analysis revealed four factors: Organizational Communication, Organizational Efficiency/Effectiveness, Organizational Support, and Personal Benefit. Comparisons of factor structures indicated that Organizational Communication exhibited the most equivalence across nations, Organizational Support the least, with Organizational Efficiency/Effectiveness and Personal Benefit exhibiting moderate equivalence. Furthermore, national culture exerted a differential effect on the degree to which these different factors of job satisfaction contributed to an overall level of satisfaction on the part of employees. An analysis of respondents' overall level of job satisfaction indicated that the least satisfied employees in this sample were those from China, and the most satisfied were from Brazil, contrary to previous findings that individuals in collectivistic nations would report higher satisfaction. While other factors may contribute to differences in the nature of job satisfaction, the research provided findings suggesting that cultural dimensions do exert an effect in determining the nature of job satisfaction.

The Expatriate Experiences - A Critique and Future Research Agenda

Richard B. Peterson, University of Washington, dickp@u.washington.edu
Rebecca Portnoy, University of Washington

This article critiques the more recent empirical research on expatriates and presents a proposed research agenda that should guide future research on the expatriate experience. The critique focuses on the research studies on expatriate experience as reported by the expatriates themselves at different stages of their posting. Results from this review indicate that the research is largely a theoretical, and even where the theory of employee adjustment is used, the respondents constitute a small percentage of the surveys. The research agenda outlines steps that if pursued, would offer more, and greater, insights about the situation that such expatriates experience before, during, and on repatriation from the foreign assignment.

Cultural Influences on Negotiation Behaviors; Resurrecting and Revitalizing an Overlooked Framework

Allan Bird, University of Missouri, abird@umsl.edu
Lynn E. Metcalf, California Polytechnic State University, lmetcalf@calpoly.edu

Cultural variation has long been recognized as a key background factor in models of international negotiation. A review of country-specific negotiation literatures revealed scant effort to relate cultural variability to the work that exists regarding negotiating behavior. In 1985 Weiss and Stripp proposed a framework that seemed to offer an ideal starting point, however, it has received almost no attention. Three weaknesses in the framework are identified and addressed. This paper pursues three objectives: (1) to remove conceptual ambiguity and propose refinements that allow for empirical testing; (2) to ground the framework in the relevant bodies of negotiation research built up over the last two decades; and (3) to relate the dimensions of the framework to existing comparative frameworks, more specifically Hofstede's (1984, 1991, 2001) dimensions of cultural variability to negotiating behavior. Finally, we propose a set of relationships between Hofstede's cultural value dimensions and each dimension in the Weiss and Stripp framework, which are supported by evidence from prior research.

The Effect of Culture and Life Stage on Workplace Strategies of Upward Influence: A Comparison of Thailand and the United States

David A. Ralston, University of Oklahoma, dralston@ou.edu
Philip Hallinger, Mahidol University, philip.h@cmmu.net
Carolyn P. Egri, Simon Fraser University, egri@sfu.ca
Subhatra Naothinsuhk, Mahidol University, subhatra.n@cmmu.net

We present a comparison of the influence styles in Thailand and the U.S. for managers/professionals in two life stage (age) groups, early adulthood (23-37 years of age) and middle adulthood (42-56 years of age). This study integrates previous values research that has focused on the importance of including life stage (age) as a variable in cross-cultural studies with previous influence research that has contrasted Eastern and Western cultures. Our findings confirm that Eastern and Western cultures do emphasize different influence styles. The findings also clearly show that culture, while important, is not the only factor that systematically affects individuals' behaviors in organizations. Moreover, our findings indicate that life stage of the respondent is as important as culture, if not more important than culture in explaining influence behavior. An implication is that studies that simply compare cultures, without taking into consideration key demographic influences, such as life stage, may not be identifying the full set of factors that significantly influence behavior, whether in a single country or across cultures.

Why do American companies need European Works Councils?
Helen Bicknell, University of Birmingham, Helen.Bicknell@t-online.de

This paper will investigate what are European Works Councils and which companies are obliged to install them. In particular, why do American companies have to have them? The history of the European Works Council Directive (EWCD) is an interesting example of how European industrial relations legislation is established, illustrating the role played by the Commission, the social partners and national governments. It demonstrates how European social policy is connected to European economic integration. The role of works councils within European industrial relations show national differences and similarities. How can European works councils interact with various national and European industrial relations actors? How are EWCs established and what is discussed at the meetings? In theory and in practice. what costs and/or benefits do they have for companies and workers? What is the difference between 'voluntary' and 'statutory' EWCs? The implications of EWCs for American multinationals operating in Europe will be shown, with examples taken from various case studies and personal research in the financial and airline sectors. Future trends in European Industrial relations, such as the European Company Statute and the National Information and Consultation Directives, as well as the proposed amendments to the EWCD will also be discussed.

Track 8 – Economics

Estimating the Efficiency of Foreign Direct Investment in the USA
Harri Ramcharran, The Unviersity of Akron, ramchar@uakron.edu

This paper estimates the efficiency of FDI in the USA using data for the period 1977-2000. We estimate a non-homogenous production function to obtain annual estimates of labor and capital productivity and returns to scale (RTS). This model specification provides results that could identify the pattern of efficiency changes over time. The results indicate an overall decrease in efficiency over this period: (i) RTS decreases from 1.03 to 0.48, (ii) the output elasticity of capital decreases from 0.406 to 0.179, and (iii) the output elasticity of labor decreases from 0.627 to 0.235. These results are substantiated when compared with financial performance ratios indicating decrease in Sales/ Total Asset, Net Income/ Sales and Net Income/ Total Assets. These production results suggest that an improvement in the capital/labor proportion is necessary to enhance productivity since capital input growth exceeds that of labor over this period. This study has deepened the literature on the empirical assessment of allocative efficiency of the multinational enterprise.

Agglomeration Forces as Drivers of FDI Flows into Scandinavia: The Role of Knowledge Externalities
Bo Bernhard Nielson, Copenhagen Business School, bn.int@cbs.dk

In a recent global competitiveness report by IMF the four Scandinavian countries all ranked in top ten, attesting to the region's growing attractiveness as location for MNCs. This paper investigates the factors determining foreign direct investment flows into Scandinavia. We use a panel data set covering FDI inflows to Denmark, Sweden, Norway and Finland for the period 1979-2000. Our results suggest that, in addition to traditional determinants of FDI, agglomeration variables are of particular importance as motivation for FDI into the Scandinavian region. The results provide strong evidence of the changing patterns of international production combined with increasing globalization. Of particular interest is the shift of comparative advantage toward more knowledge-based factors for developed countries.

Track 9 - Finance, Accounting, and Taxation

Strategies in Global Financial Services, the Shareholders and the System; Is Bigger and Broader Better?

Ingo Walter, New York University, iwalter@facultymail.stern.nyu.edu

The classic structure-conduct-performance approach to industrial organization centers on three questions. First, why is does an industry look the way it does, in terms of numbers of competitors, market share distribution and various other metrics? Second, how do firms actually compete, in terms the formation of prices, product and service quality, rivalry and collaboration within and across strategic groups, and other attributes of economic behavior? And third, how does the industry perform for its shareholders, its employees, its clients and suppliers, and within the context the system as a whole in terms of its impact on income and growth, stability, and possibly less clearly defined ideas about such things as social equity? In the financial services industry, these same questions have attracted more than the normal degree of attention. The industry is "special" in a variety of ways, including the fiduciary nature of the business, its role at the center of the payments and capital allocation process with all its static and dynamic implications for economic performance, and the systemic nature of problems that can arise in the industry. So the structure, conduct and performance of the industry has unusually important public interest dimensions. One facet of the discussion has focused on size of financial firms, however measured, and the range of activities conducted by them. Exhibit 1 depicts a taxonomy of broad-gauge financial services businesses. What are the strategic opportunities and competitive consequences of deepening and broadening a firm's business within and between the four sectors and eight sub-sectors? Is size positively related to total returns to shareholders? If so, does this involve gains in efficiency or transfers of wealth to shareholders from other constituencies, or maybe both? Does greater breadth generate sufficient information-cost and transaction-cost economies to be beneficial to shareholders and customers, or can it work against their interests in ways that may ultimately impede shareholder value as well? And what about the "specialness," notably the industry's fiduciary character and systemic risk -- is bigger and broader also safer? This paper begins with a simple strategic framework for thinking about these issues from the perspective of the management of financial firms. What should they be trying to do, and how does this relate to the issues of size and breadth? It then reviews the available evidence and reaches a set of tentative conclusions from what we know so far, both from a shareholder perspective and that of the financial system as a whole.

An Empirical Study of Electronic Commerce within the Turkish Insurance Sector

Selim Yazici, Istanbul University, selim@istanbul.edu.tr
Serhat Yanik, Istanbul University, syanik@istanbul.edu.tr

Today, Internet and electronic commerce changes the ways many production and service organization market and deliver products, create markets, and serve customers. They also change the rules of the economy. The Insurance Sector is facing a dramatic transformation with the introduction of the Internet and electronic commerce. Both introduction, selling and distribution methods begin to evolve thus creating value for the customers. Despite these, the insurance sector has lagged other financial services, and is still in its infancy in implementation of technology-based strategies. Insurance firms have been largely glued to the blocks, opting to deny electronic commerce. The key question is whether insurance sector is ripe for an explosion in electronic commerce or it will continue to lag other financial services. This study is designed to measure the perceptions of insurance companies for the impact of the Internet on the Turkish insurance sector. The aim of this research project is to help understand current and potential future sector dynamics. The research objective is to investigate the efforts of Turkish insurance companies with respect to the Internet, design and structure of their web sites and efficiency of their usage. Beyond these limitations, one of our major points is to clarify the effects of electronic commerce and define the changing environment in Turkish insurance sector. Whilst most Turkish insurance companies are well aware of the importance of electronic commerce, many of them fail to gain a competitive advantage.

Effect of Multinationality on Capital Structure: Evidence of Interaction with Dividend Policy

Raj Aggarwal, Kent State University, raggarwa@bsa3.kent.edu
NyoNyo A. Kyaw, Kent State University, nkyaw@bsa3.kent.edu

Given that international trade and investment and the international operations of most large companies have grown much faster than global production over the last half-century, the relationships between firm multinationality and its capital structure and dividend policy remains of much interest. Unlike prior studies, this study recognizes the theoretical and empirical reasons for the interdependence between capital structure and dividend payout policy. Using a simultaneous equations model, this study documents that multinational companies have significantly lower debt ratios than domestic

companies and the level of leverage decreases with the degree of multinationalilty. There seems to be no significant relation between foreign activities and dividend payout decisions but unlike single equation models that show a negative relationship, our simultaneous equations model documents a significant positive relationship between leverage and dividend payout.

A Comparison of the Weighted Average Cost of Capital Across Multinational Corporations: The Case of the Soft Drink Industry

Carl B. McGowan, Oakland University, mcgowan@oakland.edu
Asrat Tessema, Eastern Michigan University, asrat.tessema@emich.edu

The objective of this paper is to determine to what extend the cost of capital differs across companies in different countries. We compare and contrast the cost of capital for four companies in the soft drink industry. We find that the weighted average cost of capital for the four largest companies in the soft drink industry are similar. Since the companies in this study are all large, multinational companies in a single industry, numerous confounding variables are controlled.

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Wintoro, Djoko 1.1.2
Wise, Jorge 1.2.1
Wolf, Bernard M. 3.7.7
Wong, Poh-Kam 1.2.5, 3.7.4
Wright, Mike 3.8.5
Wu, Terry Sun. 12PM
Wymbs, Cliff Mon. 12PM, 3.8.1
Xie, Henry Yu Sun. 12PM
Xu, Dean 1.1.5, 2.4.5
Xu, Sichuan 2.4.7
Yakova, Nevana Sun. 12PM, 2.4.2, Mon. 12PM
Yamazaki, Katsuo C. 2.3.6
Yan, Aimin 2.4.5
Yang, Jiawen Sun. 12PM, 1.2.1, 3.6.2, 3.7.8
Yang, Xia Sun. 12PM
Yang, Yi 3.7.1
Yanik, Serhat Tue 5:30PM
Yazici, Selim Tue 5:30PM
Yeoh, Caroline Mon. 12PM, 3.6.1
Yeung, Bernard 1.2.8
Yin, Haiyan Sun. 12PM
Yip, George 2.5.4, 3.9.4
Yiyun, Qiu Sun. 12PM
Young, Stephen 3.7.6
Zaheer, Srilata Sat. 10AM, 1.1.4
Zaidi, Mahmood A. 2.3.3
Zander, Ivo Sun. 12PM, 2.5.8, 3.8.4
Zander, Lena 1.1.6
Zander, Udo Sat. 4PM, Sun. 8:30AM
Zellmer-Bruhn, Mary Sat. 10AM
Zelner, Bennet 1.2.7
Zhan, Wu 1.2.5
Zhan, Xiang 1.1.6
Zhang, Jing 3.7.4
Zhang, Man 2.4.7
Zhang, Yan 2.4.3
Zhou, Changhui 3.9.7
Zhu, Jinyan 3.6.5, 3.7.2, Mon. 12PM
Zimmerman, Alan 1.2.2
Zollo, Maurizio Mon. 12PM
Zong, Sijing Tue 5:30PM

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For information, please contact:
AIB Executive Secretariat
James R. Wills Jr., Executive Secretary, or
Laurel King, Managing Director
2404 Maile Way
University of Hawai'i, CBA C-306
Honolulu, Hawai'i 96822 USA
Tel: (808) 956-3665 ● Fax: (808) 956-3261 ● E-mail: aib@cba.hawaii.edu
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