Proceedings of the

47th Annual Meeting

of the

Academy of International Business

"Local Roots, Global Links"

Québec City, Canada
July 9-12, 2005

Editors
Yves Doz, Program Chair
Tunga Kiyak, AIB Managing Director

(c) 2005 Academy of International Business
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2005 AIB Summary Program
Quebec City, Canada
July 9-12, 2005

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<tr>
<td>Room: Main Hall, 4th Floor (Main Entrance)</td>
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<td>Hours: 8:30-17:00 (Sun-Tue)</td>
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<td>Hours: 9:30-17:30 (Sun-Mon), 9:30-16:00 (Tue)</td>
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**FRIDAY, JULY 08**

**FRIDAY JUL 08 - 08:30-17:00**

AIB Executive Board Meeting

**FRIDAY JUL 08 - 08:30-18:30**

AJBS Conference

**FRIDAY JUL 08 - 15:00-20:00**

Doctoral Consortium

**SATURDAY JUL 09 - 08:00-16:00**

**SATURDAY JUL 09 - 08:00-12:00**

AIB Executive Board Meeting

**SATURDAY JUL 09 - 12:00-15:30**

AIB Chapter Chairs' Luncheon Meeting

**SATURDAY JUL 09 - 13:00-15:00**

Teaching Roundtables

**SATURDAY JUL 09 - 08:00-16:00**

**JIBS/AIB Paper Development Workshop**

Time: 08:00-16:00
Room: 206B

**Junior Faculty Consortium**

Time: 08:00-16:00
Room: 207

**Doctoral Consortium**

Time: 12:00-15:30
Room: 201B
### SATURDAY, JULY 09

**Opening Plenary**
- **Time**: 16:30-18:00
- **Room**: 200A

**Track Chairs Meeting**
- **Time**: 18:00-18:30
- **Room**: 201B

**Presidential Reception**
- **Time**: 19:00-22:00
- **Room**: Foyer 4

### SATURDAY, JULY 10

**JIBS Departmental Editors’ Meeting**
- **Time**: 07:30-08:30
- **Room**: 205C

**Fellows Panel: "What is International Business?"**
- **Time**: 08:30-10:00
- **Room**: 200A

**Coffee Break**
- **Time**: 10:00-10:30
- **Room**: 200B

### SUNDAY, JULY 10

**Institutions, Politics, and Business: Emerging Research Themes**
- **Session**: 1.1.1 - Panel
  - **Track 1 - Context of Global Business**
  - **Time**: 10:30-12:00
  - **Room**: 202

**Culture, Capabilities and Knowledge**
- **Session**: 1.1.2 - Competitive
  - **Track 2 - Forging Global Links**
  - **Time**: 10:30-12:00
  - **Room**: 204A

**Cross Border Subcontracting**
- **Session**: 1.1.3 - Competitive
  - **Track 3 - Growing Local Roots**
  - **Time**: 10:30-12:00
  - **Room**: 205A

**Spillovers**
- **Session**: 1.1.4 - Competitive
  - **Track 4 - Economics, Finance and Taxation**
  - **Time**: 10:30-12:00
  - **Room**: 205B

**Real Options (I)**
- **Session**: 1.1.5 - Competitive
  - **Track 4 - Economics, Finance and Taxation**
  - **Time**: 10:30-12:00
  - **Room**: 205C

**High Tech Stocks**
- **Session**: 1.1.6 - Competitive
  - **Track 5 - Innovation and Marketing**
  - **Time**: 10:30-12:00
  - **Room**: 301A

**Subsidiary Knowledge Creation**
- **Session**: 1.1.7 - Competitive
  - **Track 5 - Innovation and Marketing**
  - **Time**: 10:30-12:00
  - **Room**: 301B

**Innovation in China and Taiwan**
- **Session**: 1.1.8 - Competitive
  - **Track 6 - Internationalization of Services**
  - **Time**: 10:30-12:00
  - **Room**: 302A

**Services in Emerging Markets**
- **Session**: 1.1.9 - Competitive
  - **Track 7 - Managing Across Borders**
  - **Time**: 10:30-12:00
  - **Room**: 302B

**Regionalization Strategies**
SUNDAY, JULY 10

Session: 1.1.11 - Competitive
Track 7 - Managing Across Borders
**International Venture Capital**

Time: 10:30-12:00
Room: 303A

Session: 1.1.12 - Panel
Track 8 - Managing People Across Cultures
**From Cross-Cultural to Inter-cultural: New Paradigms and Directions for Research**

Time: 10:30-12:00
Room: 303B

Session: 1.1.13 - Competitive
Track 8 - Managing People Across Cultures
**Top Management Teams**

Time: 10:30-12:00
Room: 304A

Session: 1.1.14 - Panel
**AJBS Special Session 1: Current Research on Japan : Best Paper Finalists from the AJBS Conference**

Time: 10:30-12:00
Room: 304B

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**SUNDAY JUL 10 - 12:00-12:15**

**Break**

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**SUNDAY JUL 10 - 12:15-13:30**

Session: Poster1
**Poster Session 1 with Light Lunch**

Time: 12:15-13:30
Room: 200B

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**SUNDAY JUL 10 - 13:30-15:00**

Session: 1.2.1 - Competitive
Track 1 - Context of Global Business
**Regulating International Business**

Time: 13:30-15:00
Room: 202

Session: 1.2.2 - Competitive
Track 1 - Context of Global Business
**Country and Regional Environments & International Business**

Time: 13:30-15:00
Room: 204A

Session: 1.2.3 - Competitive
Track 2 - Forging Global Links
**Generating Competitive Advantage through Alliances**

Time: 13:30-15:00
Room: 204B

Session: 1.2.4 - Panel
Track 2 - Forging Global Links
**Management Challenges in the New Europe**

Time: 13:30-15:00
Room: 205A

Session: 1.2.5 - Panel
Track 3 - Growing Local Roots
**International Expansion of Emerging Market Businesses**

Time: 13:30-15:00
Room: 205B

Session: 1.2.6 - Competitive
Track 4 - Economics, Finance and Taxation
**I3: Injuries, Inequality and Insurance**

Time: 13:30-15:00
Room: 205C

Session: 1.2.7 - Competitive
Track 4 - Economics, Finance and Taxation
**Ownership, FDI and M&A**

Time: 13:30-15:00
Room: 301A

Session: 1.2.8 - Competitive
Track 5 - Innovation and Marketing
**Inter-subsidiary Knowledge Transfer, and R&D Personnel Movements**

Time: 13:30-15:00
Room: 301B

Session: 1.2.9 - Competitive
Track 5 - Innovation and Marketing
**Product Innovation and Marketing**

Time: 13:30-15:00
Room: 302A

Session: 1.2.10 - Competitive
Track 6 - Internationalization of Services
**Empirical Studies of Global Services**

Time: 13:30-15:00
Room: 302B

Session: 1.2.11 - Competitive
Track 7 - Managing Across Borders
**International Acquisitions**

Time: 13:30-15:00
Room: 303A

Session: 1.2.12 - Competitive
Track 7 - Managing Across Borders
**Capabilities and Skills in Internationalization**

Time: 13:30-15:00
Room: 303B
| Session: 1.2.13 - Competitive Track 8 - Managing People Across Cultures | Time: 13:30-15:00 Room: 304A |
|---------------------------------------------------------------|
| **Psychic Distance** |
| Session: 1.2.14 - Competitive Track 8 - Managing People Across Cultures | Time: 13:30-15:00 Room: 304B |
| **International HRM Practices** |
| **SUNDAY JUL 10 - 15:00-15:30** |
| **Coffee Break** |
| **SUNDAY JUL 10 - 15:30-17:00** |
| Session: 1.3.1 - Panel Track 1 - Context of Global Business | Time: 15:30-17:00 Room: 301A |
| **MNEs, Spillovers and International Development: New Research Directions** |
| Session: 1.3.2 - Competitive Track 1 - Context of Global Business | Time: 15:30-17:00 Room: 301B |
| **Ethical and Social Issues in International Business** |
| Session: 1.3.3 - Competitive Track 2 - Forging Global Links | Time: 15:30-17:00 Room: 302A |
| **Alliances Acquisitions and Learning** |
| Session: 1.3.4 - Competitive Track 2 - Forging Global Links | Time: 15:30-17:00 Room: 302B |
| **Off-Shoring** |
| Session: 1.3.5 - Panel Track 4 - Economics, Finance and Taxation | Time: 15:30-17:00 Room: 303A |
| **Unlocking the Power of Securitization in Emerging Market Countries: The Case of Asia** |
| Session: 1.3.6 - Competitive Track 4 - Economics, Finance and Taxation | Time: 15:30-17:00 Room: 303B |
| **Japanese Internationalization of R&D and Subsidiary Technology Sourcing in the U.S.** |
| Session: 1.3.7 - Competitive Track 5 - Innovation and Marketing | Time: 15:30-17:00 Room: 304A |
| Session: 1.3.8 - Competitive Track 6 - Internationalization of Services | Time: 15:30-17:00 Room: 304B |
| **Strategic Issues in Service Industries** |
| Session: 1.3.9 - Panel Track 7 - Managing Across Borders | Time: 15:30-17:00 Room: 202 |
| **JIBS 3 Lenses Panel: MNE Political Strategies, Experience with Corruption and Corporate Social Responsibility** |
| Session: 1.3.10 - Competitive Track 7 - Managing Across Borders | Time: 15:30-17:00 Room: 204A |
| **Entry and Expansion Strategies** |
| Session: 1.3.11 - Competitive Track 7 - Managing Across Borders | Time: 15:30-17:00 Room: 204B |
| **Learning and Expanding** |
| Session: 1.3.12 - Competitive Track 8 - Managing People Across Cultures | Time: 15:30-17:00 Room: 205A |
| **Cultures and Values** |
| Session: 1.3.13 - Competitive Track 8 - Managing People Across Cultures | Time: 15:30-17:00 Room: 205B |
| **Int'l OB Issues: Negotiation, Decision-making and Job Satisfaction** |
| Session: 1.3.14 - Panel | Time: 15:30-17:00 Room: 205C |
| **BALAS Special Session: International Business in Latin America** |
| **SUNDAY JUL 10 - 17:15-18:00** |
| **JIBS Decade Award Plenary** |

**SUNDAY, JULY 10**
SUNDAY JUL 10 - 18:00-18:45

JIBS Decade Award Reception

Room: Foyer 2

Time: 18:00-18:45

SUNDAY JUL 10 - 19:30-21:30

Fellows Dinner

MONDAY, JULY 11

MONDAY JUL 11 - 07:00-08:30

WAIB Breakfast and Business Meeting

Room: 205C

Time: 07:00-08:30

MONDAY JUL 11 - 08:30-10:00

Session: 2.1.1 - Panel
Track 1 - Context of Global Business

Time: 08:30-10:00
Room: 202

International Entrepreneurship: Opportunities for Conceptual and Empirical Advancement

Session: 2.1.2 - Competitive
Track 1 - Context of Global Business

Time: 08:30-10:00
Room: 204A

Multinationals' Political Strategy

Session: 2.1.3 - Competitive
Track 2 - Forging Global Links

Time: 08:30-10:00
Room: 204B

Partner for Alliances

Session: 2.1.4 - Competitive
Track 2 - Forging Global Links

Time: 08:30-10:00
Room: 205A

China

Session: 2.1.5 - Competitive
Track 3 - Growing Local Roots

Time: 08:30-10:00
Room: 205B

Human and Social Capital: Bridging Local and Global

Session: 2.1.6 - Competitive
Track 4 - Economics, Finance and Taxation

Time: 08:30-10:00
Room: 205C

Real Options (II)

Session: 2.1.7 - Competitive
Track 4 - Economics, Finance and Taxation

Time: 08:30-10:00
Room: 301A

Capital Structure and Dividend Policy

Session: 2.1.8 - Competitive
Track 5 - Innovation and Marketing

Time: 08:30-10:00
Room: 301B

Internationalization of R&D

Session: 2.1.9 - Competitive
Track 5 - Innovation and Marketing

Time: 08:30-10:00
Room: 302A

Born Global Firms

Session: 2.1.10 - Panel
Track 6 - Internationalization of Services

Time: 08:30-10:00
Room: 302B

The Shift Towards Services

Session: 2.1.11 - Panel
Track 7 - Managing Across Borders

Time: 08:30-10:00
Room: 303A

Networks in International Management Research: Assessing Progress, Opportunities and Challenges

Session: 2.1.12 - Competitive
Track 7 - Managing Across Borders

Time: 08:30-10:00
Room: 303B

Sharing What We Know

Session: 2.1.13 - Competitive
Track 8 - Managing People Across Cultures

Time: 08:30-10:00
Room: 304A

Staffing International Assignments

Session: 2.1.14 - Panel

Time: 08:30-10:00
Room: 304B

AJBS Special Session 2: Japan as a Research Focus
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<td>Track 1 - Context of Global Business</td>
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<td><em>The Evolving Policy Framework for International Business and the IB Research Agenda: A Broken Connection?</em></td>
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<td>Track 1 - Context of Global Business</td>
<td>Room: 204A</td>
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<td><em>Bargaining, Institutions and Power in the International Context</em></td>
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**Environmental and Natural-Resource Issues in International Business**

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**Clusters: Development and Evolution**

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**Banking, Financial Institutions and Post-privatization**

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**Location Decisions**

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**Knowledge Integration and Knowledge Management in MNCs**

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**Global Outsourcing of Services: Developing a Research Agenda**

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**Value Chains and Networks**

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**Managing Uncertainty and Risk**

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**Difficult Human Relationship in Global World: Conflict and Stress**

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**MONDAY JUL 11 - 13:30-15:00**

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**Coffee Break**

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**MONDAY JUL 11 - 15:30-17:00**

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**Institutions & Multinationals' Assets & Performance**

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**Multinational Ownership, Structure & Organization**

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**The Environment & Multinational Performance**

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**Global Supply Chain**

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**Clustering: Innovation and Performance**

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**The Conference Board: The Link Between Barriers to Trade and Canada-US Relative Productivity**

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**Debt Service and Regional Concentration**
MONDAY, JULY 11

Session: 2.4.8 - Competitive
Track 4 - Economics, Finance and Taxation

**Financial Integration and Information Economics**

Session: 2.4.9 - Competitive
Track 5 - Innovation and Marketing

Session: 2.4.10 - Competitive
Track 5 - Innovation and Marketing

**Patents, Licensing and Methodological Issues**

Session: 2.4.11 - Panel
Track 6 - Internationalization of Services

Session: 2.4.12 - Competitive
Track 7 - Managing Across Borders

**Capabilities, Branding and Marketing**

Session: 2.4.13 - Competitive
Track 7 - Managing Across Borders

Session: 2.4.14 - Competitive
Track 8 - Managing People Across Cultures

**Managerial Control, Power and Inter-organizational Issues**

MONDAY JUL 11 - 17:15-18:00

**AIB Executive of the Year Award Presentation**

MONDAY JUL 11 - 19:00-22:00

**Gala Event at the Museum of Fine Arts**

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TUESDAY, JULY 12

TUESDAY JUL 12 - 07:30-08:30

**JIBS Editorial Review Board Meeting**

**TUESDAY JUL 12 - 08:30-10:00**

Session: 3.1.1 - Competitive
Track 1 - Context of Global Business

**FDI and Its Impact**

Session: 3.1.2 - Panel
Track 1 - Context of Global Business

**Fostering Business Opportunities at the Base of the Pyramid**

Session: 3.1.3 - Competitive
Track 2 - Forging Global Links

**Networks**

Session: 3.1.4 - Competitive
Track 2 - Forging Global Links

**International Joint Ventures**

Session: 3.1.5 - Competitive
Track 3 - Growing Local Roots

**Investment Attraction: Global and Local**

Session: 3.1.6 - Competitive
Track 4 - Economics, Finance and Taxation

**Accounting Standards**

Session: 3.1.7 - Competitive
Track 4 - Economics, Finance and Taxation

**Crisis, Contagion and Volatility**

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**Research on Multinationality-Performance Relationship: Current Status and New Directions**

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**TUESDAY JUL 12 - 12:00-12:15**

**Break**

**TUESDAY JUL 12 - 12:15-13:30**

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**TUESDAY JUL 12 - 13:30-15:00**

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**The Organizational and Environmental Context Dimension of the Scope-Performance Relationship (or) What NGOs Can Teach (and Learn From) International Business About Diversification**

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**Emerging Market Environment**

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**The Resource Curse Revisited: Managing Mineral-Resource Revenues for Sustainable Development**

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<td>Track 2 - Forging Global Links</td>
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**Network Strategies**

| Time   | Session: 3.3.5 - Competitive | Room: 205B
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**Performance in Strategic Alliances**

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**Theoretical Contributions on Internationalization**

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**Emerging Markets**

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**Developing Country Firms, First Movers and Diversification in Asia**

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**Franchising, and the International Supply Chain**

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<td>Track 6 - Internationalization of Services</td>
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**Globalization of Business Education: Strategic Approaches, Opportunities, and Challenges**

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<td>13:30-15:00</td>
<td>Track 7 - Managing Across Borders</td>
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**Joint Ventures and Alliances**

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<td>Track 8 - Managing People Across Cultures</td>
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**Leadership, its Effects and Effectiveness**

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<td>Track 8 - Managing People Across Cultures</td>
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**HRM Practices and Performance**
TUESDAY, JULY 12

Session: 3.3.14  Time: 13:30-15:00  Room: 206A

Meet the Editors Session 2: Learning to Publish in International Business

TUESDAY JUL 12 - 15:00-15:30

Coffee Break

Room: 200B

TUESDAY JUL 12 - 15:30-17:00

Session: Fellows2  Time: 15:30-17:00  Room: 200A

AIB Fellows Panel: China's Future Role in International Business

TUESDAY JUL 12 - 17:15-18:45

AIB General Business Meeting & AIB Awards Ceremony

TUESDAY JUL 12 - 18:45-19:30

Farewell Party

Room: Foyer 2
ABSTRACTS FOR SATURDAY, JULY 9, 2005

Opening Plenary

Presented On: 7/9/2005 - 16:30-18:00

Chair: Alan M. Rugman, Indiana University, AIB President

International Business in Canada and Quebec
Alan Rugman, Indiana University, AIB President

Introduction of Conference Theme: “Local Roots, Global Links”
Yves Doz, INSEAD, AIB 2005 Program Chair

Keynote Speech
Henri-Paul Rousseau, Chairman and Chief Executive Officer of Caisse de Dépôt et Placement du Québec

Caisse de Dépôt et Placement du Québec is the largest institutional fund manager in Canada and one of Québec’s leading financial institutions.

Mr. Rousseau will address the peculiarities of Quebec and Canada within a global context, and also discuss the interests and effects of NAFTA from a Quebec/Canadian perspective.
Session: Fellows1

Fellows Panel: "What is International Business?"

Presented On: 7/10/2005 - 08:30-10:00

Chair: Peter J. Buckley, University of Leeds

Visions of International Business
Mark Casson, University of Reading

Technological Determinism, Globalization and the Multinational Firm
Steve Kobrin, University of Pennsylvania

Defining International Business Through its Research
John Daniels, University of Miami
Daniel Sullivan, University of Delaware

The Institutional Environment for International Business
Witold Henisz, University of Pennsylvania

What is International Business? A Sociologist's View
Eleanor Westney, M.I.T.

Session: 1.1.1 - Panel
Track: Track 1 - Context of Global Business

Institutions, Politics, and Business: Emerging Research Themes

Presented On: 7/10/2005 - 10:30-12:00

Chair: Michael A. Witt, INSEAD and Arie Y. Lewin, Duke University
Discussant: D. Eleanor Westney, M.I.T.

Interests, Intensity, Institutions and Influence: The 4Is of Political Risk
Witold J. Henisz, University of Pennsylvania
Bennet A. Zelner, Georgetown University

Innovation Management and the Firm’s Institutional Context
Patricia A. Nelson, University of Edinburgh/Hitotsubashi University

Cross-National Differences in Paths of Institutional Adjustment: Theory and First Evidence
Michael A. Witt, INSEAD
Arie Y. Lewin, Duke University

This panel seeks to advance the scholarly debate about the interaction of institutions and business. It presents current research on two salient questions: First, exactly what kinds of organizational forms, behaviors, or capabilities are associated with what kind of institutional context? Second, at a higher level, how does the institutional context itself evolve over time in response to changes in endogenous preferences and exogenous conditions? (For more information, contact Michael A. Witt, INSEAD, France, michael.witt@insead.edu)
Interorganizational Imitation and Institutional Change: A Prescriptive Model of Diffusion
Jun Xia, Texas Tech University

This work examines the diffusion of Western acquisitions by firms originating from developed economies in the Eurasian transition economies. Drawing upon study on (1) the diffusion of organizational practices and innovations, (2) diffusion through interorganizational imitation, and (3) diffusion through institutional change mainly found in the institutional theory literature, I develop a prescriptive model of diffusion. I argue that both interorganizational imitation among Western firms and institutional change of host countries foster (1) the deinstitutionalization of established practices and norms of acquired local firms, as well as (2) the reinstitutionalization of Western practices and norms infused by Western firms through the diffusion of Western acquisitions. Four types of interorganizational imitation and five elements of institutional change are identified. Nine propositions are developed based on the prescriptive model of diffusion. (For more information, contact Jun Xia, Texas Tech University, USA, jxia@ba.ttu.edu)

Harnessing Knowledge from Global Communities of Practice
Tracy Gonzalez-Padron, Michigan State University

Dispersed throughout the global operations, subsidiaries have access to diverse perspectives and knowledge from that is often difficult for multinational corporations to harness – that of worldwide employee participation in communities of practice. Global participation in communities of practice acts as a catalyst for creating proprietary know-how and gaining operational advantage. How can a multinational enterprise access the social capital available through worldwide staff participation in extended communities of practice? What organizational practices encourage participation and increase the value of information obtained to create organizational advantage? (For more information, contact Tracy Gonzalez-Padron, Michigan State University, USA, gonzalez@bus.msu.edu)

The Double-Edged Sword of Cultural Distance in Developing Combinative Capability of International Acquisitions
Taco H. Reus, Florida Atlantic University
Bruce T. Lamont, Florida State University

In earlier studies on international acquisitions, authors have either argued for a negative or a positive effect of cultural distance on acquisition performance. Building on a knowledge-based view of international acquisitions, we integrate these seemingly contradicting arguments to develop a “double-edged sword” model of the role of cultural distance in international acquisition performance. On the one hand, cultural distance complicates the development of international acquisitions’ combinative capability because it reduces the ability and opportunity to combine knowledge. On the other hand, cultural distance elevates the effect of combinative capability on acquisition performance because the combination of culturally disparate knowledge-based resources results in a collective knowledge bundle that is more unique, rare, and difficult to imitate by competitors. Empirical tests with a sample of international acquisitions by 114 U.S. multinational companies provide support for the proposed model. (For more information, contact Taco H. Reus, Florida Atlantic University, USA, treus@fau.edu)
Cross Border Subcontracting

Presented On: 7/10/2005 - 10:30-12:00

Chair: Peter Ping Li, California State University, Stanislaus
Discussant: Andreas Michael Klossek, Freiberg University of Mining and Technology

To Commit or Not to Commit? A Contract Manufacturer's Perspective
Hui-mei Wang, Fu Jen Catholic University
Heng-Chiang Huang, National Taiwan University

Committing relational assets and learning from partners are strategic decisions in forming strategic alliances. While the two decisions are even more critical for vulnerable, small partners, extant literature mostly examines the issues with a large buyer’s focus and is seldom devoted to cross-border cases. Building on dynamic resource-based and relational views, we propose a model to explain how offshore contract manufacturers should proactively meet the challenges of learning and commitment in situations characterized by significant size asymmetry. Using Taiwan-based survey data of 110 cross-border subcontracting relationships, statistical analyses reveal that relation-specific investments have an effect, through the mediating role of joint actions, on competence building of small partners. The results suggest that the level of small partners’ commitment could be a strategic choice with a learning purpose, so long as the commitment leads to closer interaction that nurtures learning and competence-building merits. However, the moderating effects of absorptive capacity and knowledge tacitness are not supported. Empirical results also suggest possible tensions between buyers and suppliers in cross-border subcontracting. Our findings carry critical strategic and managerial implications. (For more information, contact Hui-mei Wang, Fu Jen Catholic University, Taiwan, hueimei_tw@yahoo.com)

When Outsourcing is not an Option: International Relocation of Investment Bank Research
Michael H. Grote, JW Goethe University
Florian A. Taeube, JW Goethe University

This paper analyzes two aspects of international sourcing strategies for investment banks’ research: We look at possible reorganizations of research departments and location decisions contingent thereof. Intensified competition and re-regulation lead to increasing pressure on the costs of financial services firms, bringing sourcing strategies of core functions to the attention of top executives in investment banks. We use a value chain approach allowing for an integrated analysis of horizontal and vertical links to co-operating firms, customers, or other sources of information and knowledge. Two different research activities, i.e. country and institutional equity analysis are examined. We draw on qualitative evidence from interviews with investment bank analysts as well as quantitative data on FDI by financial institutions. India, the predominant host country for offshoring activities in the financial sector, is used as a case study. The option of outsourcing certain stages of business processes and offshoring parts of the value chain within firms to low-wage locations depends crucially on how processes are ‘embedded’ in relation to other departments within and to corresponding actors outside the bank. Our analysis shows that there is only limited potential for some research activities to be outsourced and relocated to low-cost regions with specific capabilities. (For more information, contact Florian A. Taeube, JW Goethe University, Germany, taeube@wharton.upenn.edu)

Strategic Leadership and Outsourcing: Towards an Integrative Framework
Ben L. Kedia, The University of Memphis
Somnath Lahiri, The University of Memphis
Debmalya Mukherjee, The University of Memphis

Today’s dynamic business environment calls for changes in some of the prevalent business thinking. Leadership is one such area. Although strategic leadership has been described in the literature as important for organizational competitiveness and wealth creation, little work has been done that relates this perspective to
outsourcing. This is surprising as outsourcing is an important constituent of the current competitive landscape and many business organizations are using it as a key competitive tool. With the practice of outsourcing predicted to attain greater importance in the near future, it is natural to expect that organizations will attempt to utilize strategic leadership skills while engaging in outsourcing. There is thus need to understand how leadership capabilities contribute to the effectiveness of outsourcing. This paper provides overview of literature on strategic leadership and outsourcing, categorizes strategic leadership capabilities and relates these to various outsourcing stages. Propositions are drawn and an integrated framework is developed that depicts the relationships. The paper concludes with a discussion section that highlights current limitations and presents avenues of future research. (For more information, contact Ben L. Kedia, University of Memphis, USA, bkedia@memphis.edu)

**Session: 1.1.4 - Competitive**
**Track: Track 3 - Growing Local Roots**

**Spillovers**

**Presented On:** 7/10/2005 - 10:30-12:00

**Chair:** Jennifer W. Spencer, George Washington University  
**Discussant:** Gurneeta Vasudeva, George Washington University

*Entrepreneurial Spillovers from Foreign Investment: Knowledge Diffusion between Multinational Enterprises and Local Firms*

Jennifer W. Spencer, George Washington University  
Elizabeth A. Alexander, Wesley College

Under what conditions does a multinational enterprise's (MNE's) investment in a developing country produce positive spillovers for local competitors in the same industry? MNE investment can have both positive effects for local firms, who may gain knowledge about new technologies or management practices, or negative effects, when local firms are unable to survive the increased competition that the MNE poses. This paper views firms as unique configurations of tacit and explicit knowledge, and proposes that the strategies pursued by an MNE will help determine whether it will create positive externalities for host country competitors in the MNE's industry. It suggests that the nature and magnitude of these entrepreneurial spillovers will depend upon the nature of the MNE's operations, the proportion of the value chain completed in the host country, cultural and institutional similarities between the MNE's home and host country, the MNE's participation in local institutions, the MNE's use of expatriate versus local managers, and the linkages that the MNE forms with local firms. (For more information, contact Jennifer W. Spencer, George Washington University, USA, jspencer@gwu.edu)

*The Trade Development Path and Export Spillovers in China: A Missing Link?*

Trevor Buck, Loughborough University  
Xiaohui Liu, Loughborough University  
Yingqi Wei, Lancaster University  
Xaming Liu, Surrey University

A two-step modelling strategy is applied to a panel of 5,861 foreign-invested and 7,697 indigenous Chinese firms for the period 1998-2001 to investigate whether export spillovers may represent a mechanism underpinning Dunning’s Trade Development Path hypothesis. Such spillovers are found, and the results emphasize the importance of a wide spectrum of spillover channels involving labor mobility, spatial agglomeration, technological imitation and the diffusion of exporting experience. (For more information, contact Trevor Buck, Loughborough University, United Kingdom, t.w.buck@lboro.ac.uk)

*Accounting for Sources of FDI Technology Spillovers: Evidence from China*

Xiaowen Tian, Nottingham University
Using panel data of 11324 firms in China from 1996 to 1999, the paper finds that positive technology spillovers from FIEs to domestic firms occur through tangible assets rather than intangible assets, through domestically consumed products rather than exported products, through ‘traditional’ products rather than new products, and through FIEs employing unskilled workers rather than FIEs employing skilled workers. FIEs are found to generate negative spillovers through exports and through employment of skilled workers. (For more information, contact Xiaowen Tian, Nottingham University, United Kingdom, xiaowen.tian@nottingham.ac.uk)

Foreign Direct Investment in the Global Village: A New Definition of Neighborhoods?
Fragkiskos Filippaios, University of Kent

Nowadays, globalization is the cornerstone of economic activity. The key drivers of this process are the new information technologies, multinational enterprises (MNEs) and foreign direct investment (FDI). This paper provides a new definition of neighborhoods in the global village that goes beyond the traditional geographical limits of countries and regions and focuses on the drivers of the globalization process, the MNEs and FDI. Furthermore, correlates each type of neighborhood with specific motives for FDI. Market seeking, efficiency seeking and knowledge or strategic asset seeking variables were used in a unified framework. This study provides the unifying framework, for a new look, of location. (For more information, contact Fragkiskos Filippaios, University of Kent, United Kingdom, f.filippaios@kent.ac.uk)

Session: 1.1.5 - Competitive
Track: Track 4 - Economics, Finance and Taxation

Real Options (I)

Presented On: 7/10/2005 - 10:30-12:00

Chair: Prasad Padmanabhan, St. Mary's University
Discussant: Joan Mileski, Texas A & M University

Real Options in International Operations Management: A Systematic Review of the Literature
Tarik Driouchi, Aston Business School
Michel Leseure, Aston Business School

This paper is a review of the implications of real options theory for the discipline of international operations management. There are numerous normative international business theories which point out that multinational companies have unique sources of competitive advantages linked to their intrinsic potential to adapt flexibly to uncertainty. These normative theories have failed most the empirical tests that they have been subjected to so far. This papers starts with the premise that this failure is explained by the fact that international operations management research has not identified mechanisms and decision making frameworks through which networks of international operations systems can respond flexibly to uncertainty. A systematic literature review is used to synthesise a conceptual framework for planning under uncertainty which is based on real options theory. The application of this framework should result in a balanced trade-off between commitment and flexibility in strategic decision making. Companies which achieve this trade-off should reduce their exposure to downside risk whilst remaining able to capture emerging upside opportunities. (For more information, contact Michel Leseure, Aston Business School, United Kingdom, m.leseure@aston.ac.uk)

What Makes and What Does Not Make a Real Option? A Study of International Joint Ventures
Ilya R. P. Cuypers, Tilburg University
Xavier Martin, Tilburg University

Recently, questions have emerged about the boundaries of real options logic when the firm that made an option-like investment can subsequently affect the parameters of the decision. This paper advances this debate theoretically, with an empirical application to joint ventures. Uncertainty is widely held to be a principal...
motivation for using joint ventures to expand internationally, as well as to be a predictor of investments in real options. We distinguish between two forms of uncertainty, uncertainty which resolves endogenously and uncertainty which resolves exogenously, and theorize that only exogenous uncertainty will have an impact as predicted by real options theory. Using a sample of 6,472 Sino-foreign joint ventures established between 1979 and 1996, we show that investors’ choices of equity shares are indeed consistent with real options predictions when uncertainty resolves exogenously, but not when uncertainty resolves endogenously. We discuss implications for real options research and joint venture research. (For more information, contact Ilya R. P. Cuypers, Tilburg University, Netherlands, i.r.p.cuypers@uvt.nl)

**Session: 1.1.6 - Competitive**  
**Track: Track 4 - Economics, Finance and Taxation**

**High Tech Stocks**

**Presented On:** 7/10/2005 - 10:30-12:00

**Chair:** Linghui Tang, University of Southern Mississippi  
**Discussant:** Bulent Aybar, Southern New Hampshire University

**The Financial and Operational Hedging Strategies of U.S. High Tech Firms**  
Ike Mathur, Southern Illinois University  
Young Sang Kim, Northern Kentucky University  
Kimberly C. Gleason, Florida Atlantic University

This paper investigates the operational hedging strategies of U.S. high technology firms and how this hedging is related to financial hedging. We use a sample of 216 firm observations, which consist of 108 operationally-hedged high tech firms and a size and industry matched sample of 108 non-operationally-hedged firms. We find that operational and financial hedging are complementary, and that hedging adds value to high tech firms. (For more information, contact Kimberly C. Gleason, Florida Atlantic University, USA, kgleason@fau.edu)

**Software and Hardware in India and China: How the Firms Differ**  
Stanley Nollen, Georgetown University  
N.S. Siddharthan, Delhi University Institute of Economic Growth

Both the Indian and Chinese software industries are large and fast-growing, but the Indian industry is internationally competitive while the Chinese industry is domestic. In contrast, the Chinese hardware industry is large, fast-growing, and internationally competitive while the Indian hardware industry is none of these. In this study we ask: What are the differences between Indian and Chinese software firms? What are the differences between Chinese and Indian hardware firms? Using new survey data from 319 firms in India and China, we offer a multivariate explanation of which among many firm level variables, market level variables, and business environment variables differentiate the two countries' firms in each industry. Our results suggest that Indian software firms have an advantage over Chinese software firms on several factors that are important to software development for international markets, such as more skilled workforces, and that Chinese hardware firms have an advantage over Indian hardware firms on factors that are important for hardware manufacturing, such as physical infrastructure. Other variables such as the role of non-residents, contrary to popular belief, do not differentiate the firms. (For more information, contact Stanley Nollen, Georgetown University, USA, nollens@georgetown.edu)

**An Examination of Biotechnology Firms’ Stock Returns: Market Reaction Following the Bursting of the Internet Bubble**  
Akash Dania, The University of Texas-Pan American  
Dave Jackson, The University of Texas-Pan American
The Internet stock bubble burst in 2000 resulted in substantial stock value erosion. Since Biotechnology firms are in many ways similar to Internet firms, we investigate the extent of the spillover effect on the stock value of these firms. We compute daily abnormal returns and cumulative abnormal returns for a sample of 139 biotechnology firms and find negative and significant results for three of our four tiers as well as the overall sample. The tier with statistically insignificant returns includes those firms that are well-established and more closely resemble traditional firms rather than the high-risk Internet stocks. We conclude that although biotechnology firms have substantial intangible capital, this is ignored in times of uncertainty. (For more information, contact Dave Jackson, University of Texas-Pan American, USA, dojackson@panam.edu)

Session: 1.1.7 - Competitive
Track: Track 5 - Innovation and Marketing

Subsidiary Knowledge Creation

Presented On: 7/10/2005 - 10:30-12:00

Chair: John Cantwell, Rutgers University and University of Reading
Discussant: Camilla Noonan, Rutgers University and University College Dublin

Knowledge Stock Development in MNC Subsidiaries: The Influence of Knowledge Sources and Headquarters Control Mechanisms

Jennie Sumelius, Swedish School of Economics and Business Administration
Riikka Sarala, Swedish School of Economics and Business Administration

In this paper we develop a model to examine the influence of knowledge sources and headquarters control mechanisms on knowledge stock development in MNC subsidiaries. Previous research has stressed the importance of these two factors for subsidiary behaviour but in the context of subsidiary knowledge stock development they remain under explored. In regard to knowledge sources we focus on inward knowledge transfer and external embeddedness. Concerning headquarters control mechanisms we concentrate on subsidiary decision-making autonomy and knowledge development as a performance evaluation criterion. Based on extensive data of 157 MNC subsidiaries located in China and Finland, we use regression analysis to empirically test our model. We show that both internal and external knowledge sources, as well as operational decision-making autonomy are important for the development of subsidiary knowledge stock. Strategic decision-making autonomy and knowledge development as a performance evaluation criterion did not significantly explain subsidiary knowledge stock development. By developing and empirically testing our model of knowledge stock development, we contribute to the discussion on knowledge development in MNCs by stressing the importance of both internal and external knowledge sources as well as operational decision-making. In addition, we study knowledge stock development at the under researched subsidiary level. (For more information, contact Jennie Sumelius, Swedish School of Economics and Business Administration, Finland, jennie.sumelius@hanken.fi)

Distributed R&D, Cross-Regional Ties and Quality of Innovative Output

Jasjit Singh, INSEAD

It is widely agreed that non-redundant exposure to diverse sources of knowledge can help improve the innovative ability of individuals and firms. Motivated by this theory, this paper studies whether two specific means of increasing diversity of knowledge a firm is exposed to - technological and geographic diversification of its R&D activities - helps improve the quality of its innovative output. In addition, we explore cross-regional ties as the mechanism driving any gains from geographic diversification. Innovation quality is measured along three dimensions: (i) impact, or the number of future innovations that draw upon an innovation, (ii) generality, or the breadth of technologies on which an innovation has impact, and (iii) originality, or the breadth of technologies that an innovation draws ideas from. Using analysis of patent data from around 900 firms, we find strong evidence that technological diversification is associated with lower impact but greater generality and originality. In addition, innovations in the firm’s technological area of expertise tend to be of greater impact but lower
generality and originality. We interpret these findings as a trade-off between trying to achieve greater average value of innovation and increasing the probability of achieving truly radical breakthroughs. Along the geographic dimension, the results are less stable across specifications. While the effect of geographic diversification on impact is unambiguously negative, a positive effect on originality and generality exists only in some specifications. However, holding constant the extent of cross-regional interpersonal ties, the effect of geographic diversification along all three measures of innovation quality turns unambiguously negative in all specifications. This suggests that any possible gains from geographic diversification are driven by the corresponding increase in the extent of cross-regional ties between individual inventors. (For more information, contact Jasjit Singh, INSEAD, Singapore, jasjit.singh@insead.edu)

The Role of Subsidiary’s Features in Knowledge Sourcing: The Case of Enichem
Grazia D. Santangelo, University of Catania

The more complex, interrelated and embedded character of knowledge development has forced MNCs to stretch their technological boundaries to achieve a more diversified technological portfolio so as to survive market competition. This technological strategy has brought great changes in the intra- and inter-firm organisation of R&D activity easing the establishment of location- and firm-specific knowledge relationships, respectively. Within this framework, the paper aims at assessing the role of two subsidiaries’ features (such as technological experience and leadership) in the prevailing of the two kinds of knowledge relationships identified. Using US patent and citation data, the analysis is carried out in the context of Enichem, an Italian chemical multinational. Empirical support is found for the different impact of subsidiary’s features on the establishment of the two kinds of knowledge relationships. The econometric exercise also allows to identify different models of development of core and non-core technologies. (For more information, contact Grazia D. Santangelo, University of Catania, Italy, grsanta@unict.it)

Knowledge Creation in MNC Subsidiaries and Benefit Sharing with Host Countries
Pradeep Ray, University of New South Wales
Sunil Venaik, University of Queensland

The international business literature has progressed from addressing the question of how MNCs are more efficient institutions for the appropriation of innovations globally to the question of how MNCs are more effective institutions for the creation of new products, processes and technologies worldwide. However, the question of how the benefits of these new creations are shared between the MNC parent and the host country/subsidiary has received little attention in the IB literature. Our research shows that the MNC subsidiaries may not be getting adequate compensation for their creative contribution to the MNC network. Inadequate incentives for productive and creative efforts of the subsidiaries and their role in enhancing the global competitiveness of the MNC may adversely affect the motivation of subsidiary managers to play a significant part in discovering new sources of global competitiveness for the firm. It may also discourage governments from offering incentives to MNCs for attracting inward FDI. (For more information, contact Sunil Venaik, University of Queensland, Australia, svenaik@business.uq.edu.au)

Session: 1.1.8 - Competitive
Track: Track 5 - Innovation and Marketing

Innovation in China and Taiwan

Presented On: 7/10/2005 - 10:30-12:00

Chair: Huiping Li, Rutgers University
Discussant: Shih-fen Chen, Brandeis University

The Janus Face of Intra-Firm Ties: Group-Wide and Affiliate-Level Innovation by Multi-Business Firms in Taiwan
Ishfaq Mahmood, National University of Singapore
Will Mitchell, Duke University
Chi-nien Chung, National University of Singapore
Business groups are multi-business firms in which network ties between affiliates shape the innovative incentives and abilities of the group’s businesses. We consider three types of intra-firm linkages within business groups: operating, director, and investment ties. Such ties create both opportunities and constraints for innovation by units of a business group and, in aggregate, for the group as a whole – opportunities that arise from access to information, people, money, and other resources, but also constraints that arise from entrenched relationships among different actors and a short term focus on immediate activities. We test our predictions by investigating how the overall density and individual centrality of ties affects group and affiliate innovativeness within 267 business groups in Taiwan between 1981 and 2000. The most innovative groups tend to be those with loosely-connected operating and director relationships, along with tight investment ties that allow them to share financial resources among affiliates. In turn, the most innovative affiliates tend to be central businesses in the loosely-connected groups. The results are robust to both parametric and non-parametric estimation. We extend the implications to the more general setting of multi-business firms. (For more information, contact Ishtiaq P. Mahmood, National University of Singapore, Singapore, bizipm@nus.edu.sg)

**Technology Innovation Strategies, Strategic Flexibility And Performance In Chinese Technology Ventures**

Haiyang Li, Texas A&M University  
Yan Zhang, Rice University

This study examines the relationships among technology innovation strategies, strategic flexibility, and performance in new technology ventures (NTVs). With a sample of 202 NTVs in China, we find that internal technology development is positively related while technology alliances are negatively related to strategic flexibility. Furthermore, we find that strategic flexibility has a significantly positive relationship with performance. This relationship is stronger when industry growth is high than low; but it becomes weaker when market uncertainty is high than low. (For more information, contact Haiyang Li, Texas A&M University, USA, hli@mays.tamu.edu)

**Transfer Technology Through Appropriate Location Selection: An Empirical Investigation in China**

Fan Liang, University of Tasmania  
Stephen Nicholas, University of Sydney

This paper investigates the location determinants of foreign investors and how the location decision-making is related to their technology transfer strategies. Quantitative survey data come from Yunnan, a southwest province of China. The research finds that foreign investors’ location selection is influenced by different location factors at the two geographical levels. In particular, location factors at the provincial level, which provide a direct operational platform for the operation of foreign invested enterprises, directly influence foreign investors' technology transfer strategy. The research also finds that local government support of Yunnan can significantly compensate for the underdeveloped endowment conditions of the province in increasing the level of technology transfer of foreign investors. The results provide empirical evidence to support the argument that the exploitation of foreign investors’ ownership advantages needs to be supported by appropriate location selection and, therefore, technology transfer strategy of foreign investors is influenced by their perceived location factors. The research suggests foreign investors need to make appropriate location selection in order to efficiently exploit their ownership advantages. A well-structured policy regime is required of host countries in order to attract foreign investment that has a high technology level. (For more information, contact Fan Liang, University of Tasmania, Australia, fan.liang@utas.edu.au)
Services in Emerging Markets

Presented On: 7/10/2005 - 10:30-12:00

Chair: Riad A. Ajami, University of North Carolina at Greensboro
Discussant: Benjamin Gomes-Casseres, Brandeis University

Retail Service Quality Measures and Culture: An Estonian Case Study
J. Brent McKenzie, University of Western Ontario

The continuing need to expand and extend the external validity of marketing principles and constructs beyond the major economic regions of the West continues to be a challenge to marketing researchers. One such field of research that has championed this call is the area of cross-cultural studies. Cross-cultural studies help provide a response to the criticisms raised by academic researchers that in order to extend and validate developed Western models and survey instruments, empirical research must be broadened to encompass non-Western regions. The aim of this study is to address this issue by looking at one particular marketing phenomenon, retail service quality, in a non-western market, the Republic of Estonia, through established cross-cultural research. This is supported through consumer retail service quality data that was collected using a two-part qualitative research methodology—critical incident technique (CIT) and research focus groups—in the Republic of Estonia. (For more information, contact J. Brent McKenzie, University of Western Ontario, Canada, bmcken3@uwo.ca)

Barriers Facing Service Firms in Emerging Markets
Susan Freeman, Monash University
Mark Sandwell, Monash University

The professional services sector is an increasingly important component of the economy in developed and newly emerging markets (NEMs) with many such companies becoming active in international markets. Network relationships are often critical to their foreign market entry (FME) process. In this exploratory, multiple case study we identify the key barriers to FME in NEMs for professional service firms from developed markets and how they participate within NEMs of Asia. We provide a conceptual framework of key barriers and theoretical underpinnings to this process, highlighting the importance of networks. Distinct barriers include cultural work practices, existing technology, regulatory barriers, and communication style. To overcome these barriers, firm networks were used to secure market knowledge and to act as a basis for strategic decision-making, with foreign network actors a key influence in the FME process. Finally, the elements of orientating, positioning and timing were critical in the context of FME, and Network Perspective provides a useful theoretical explanation of this process. (For more information, contact Susan Freeman, Monash University, Australia, susan.freeman@buseco.monash.edu.au)

Does Ownership Pay? Comparing the Performance of Foreign and Local Service Firms in Emerging Markets and Developing Countries
Jennifer M. Oetzel, American University
Sudeshna Ghosh Banerjee, The World Bank

Since the late 1990’s, emerging market and developing countries (EMDC’s) have opened their borders to foreign financial service firms. Few studies have examined the comparative performance of foreign versus local firms operating in these markets. Using a cross-sectional sample of 261 foreign, local and joint venture insurance firms operating in 20 different emerging market and developing countries we offer an exploratory look at performance outcomes in the insurance sector. Results indicate that there is no significant performance difference between foreign, local and joint ventures firms although larger firms, regardless of country-of-origin, show both higher profitability and sales. Results suggest important implications for multinational insurers.
A Cross-Regional Study of Cross Market Standardization Strategies
Henry F. L. Chung, Massey University Albany Campus

This research project is designed to address two research questions - i.e., does a market segment with similar characteristics exist in a cross regional scenario? If it exists, can a similar set of marketing standardisation decision-making framework be used for that segment? This study used the experiences of exporting firms operating in two regional markets - the European Union (EU) (forty-five firms) and the Greater China markets (fifty-six firms), to achieve its research objectives. The firms included are from two matched industrial sectors (manufacturing and service). In total these firms were operating in fifteen foreign host markets; twelve in the EU and three in the Greater China markets. Its findings suggest that a market segment which shares a similar set of characteristics does exist in a cross regional scenario. Although their target markets being similar, most aspects of the respondent firms' standardisation strategy decision-making process in the two regions are dissimilar. This study has revealed that the standardisation strategies used by firms to achieve their business performance in the two regions are completely different. This study has raised a research question - i.e., under what conditions can a standardised marketing-decision framework be applied to a cross regional market segment? (For more information, contact Henry F. L. Chung, Massey University-Albany Campus, New Zealand, h.chung@massey.ac.nz)

The Regional Focus of Asian Multinational Enterprises
Alan M. Rugman, Indiana University
Simon Collinson, University of Warwick

For the 75 Asian firms with data on regional sales in the largest 500, only 3 are global whereas 66 have the majority of their sales in their home region. Why is this? Despite a large literature extolling the global success of Asian firms, especially the Japanese, why does the evidence suggest that most Asian firms operate regionally? This study explains how most large Japanese firms have firm-specific advantages which are based in their home region. A series of case studies are presented to explain why most firms have failed to leverage home-grown advantages in other regions. The majority are highly dependent upon and embedded within their home markets and local networks, relationships and business cultures. Their competitive advantages have evolved to suit these home environments. An additional bibliometric analysis shows how management research has focused predominantly on an unrepresentative sample of Asian firms, those that are bi-regional or global, producing a biased view of the strategic and structural strengths and weaknesses of these organizations. (For more information, contact Simon Collinson, University of Warwick, United Kingdom, s.collinson@warwick.ac.uk)

Economic Integration from a Business Strategy Perspective
Karl Johan Bonnedahl, Umea School of Business and Economics

The completion of the European Internal Market implies a dismantling of certain intra area barriers and the introduction of new regulation, common between the participating states. Clearly, this changes the conditions for businesses, but, in spite of integration efforts during the last decades, obstacles to trade and resource mobility prevail. Departing from such obstacles, this paper's aim is to contribute to the understanding of
economic integration from a business strategy perspective. Emphasized is the presence of obstacles to which politically induced integration, at least in the short and medium term, can do little or nothing. Achievements regarding the reduction of other obstacles can change the relative importance of obstacles, potentially affecting competitive advantages of firms. Such achievements were, however, not evident in data from Swedish manufacturing SMEs, 1996 and 2004, representing two stages in Sweden's integration to the European Internal Market. Furthermore, obstacles that are targeted by integration measures appear as the least important category for firms. (For more information, contact Karl Johan Bonnedahl, Umea Universitet, Sweden, karl.bonnedahl@fek.umu.se)

Session: 1.1.11 - Competitive
Track: Track 7 - Managing Across Borders

International Venture Capital

Presented On: 7/10/2005 - 10:30-12:00

Chair: B. Elango, Illinois State University
Discussant: Harry J. Sapienza, University of Minnesota

Foreign Funds and Cultural Specificity of the Venture Capital Industry
Ciara Sutton, Stockholm School of Economics

While tentative speculations on residual variation in venture capitalist behaviour have pointed towards the influence of cross-national culture differences, venture capital actions are predominantly considered culturally neutral, or the cultural factors impacting on behaviour have not been pursued. In this paper, a conceptual model is developed to explore how culture matters in this neutral world. Emphasis is placed on the analytical level of Industry culture, giving weight to the larger social context, or the national culture, while recognising situational effects on cultural frames and understandings. Given an increasingly internationally linked financial structure, cross-border mechanisms stemming from international institutional investors and dominant models of financing are proposed to influence the local industry. Propositions are developed that pertain to the implications of these mechanisms on local strategy and management preferences. (For more information, contact Ciara Sutton, Stockholm School of Economics, Sweden, ciara.sutton@hhs.se)

What Does it Take to be Good Parent? A Look Into the Black-box of Non-synergistic Value Creation
Oliver Gottschalg, INSEAD
Degenhard Meier, RWTH Aachen

If the fundamental tenet of diversification literature is correct, i.e. that related forms of diversification are superior, then how do we explain the fact that some unrelated multi-business firms are able to create substantial value for their shareholders? This paper explores the mechanisms through which the corporate center in an unrelated multi-business firm is able to interact with business units from a variety of industries in a rent-generating fashion. Our analysis starts from a resource-based perspective. We argue that slack headquarter resources are the driving force behind the move to match these resources with the needs of potential target business units. As such, they are determine the direction of unrelated diversification. We then examine the case of Leveraged Buyout (LBO) Associations as one type of unrelated multi-business firm and develop hypotheses regarding the mechanisms through which the investing private equity firm (as the corporate center) adds value to the acquired portfolio companies (as business units). We then consider the moderating effect of: (a) relevant competencies of the PE firm; and (b) the need of the acquired units on these hypotheses. We test our predictions on a sample of 101 European LBOs and find general support for our argument. (For more information, contact Oliver Gottschalg, INSEAD, France, oliver.gottschalg@insead.edu)
Cross-Border Corporate Venture Capital: Liability of Foreignness?
Yong Li, University of Illinois at Urbana-Champaign

Abstract I examine the effects of foreignness on cross-border corporate venture capital (CVC) investment performance. I argue that the liability of foreignness in cross-border CVC investments resides in increased information, operating and coordination costs. Furthermore, liability of foreignness aggravates the problems of uncertainty and information asymmetry in venture capital investments. Using a longitudinal sample of corporate venture investments, I found that although foreignness has a negative effect on a multinational’s market value in the host market, firm-specific financial resources and technological capabilities help multinationals’ performance. (For more information, contact Yong Li, University of Illinois at Urbana-Champaign, USA, yongli@uiuc.edu)

Session: 1.1.12 - Panel
Track: Track 8 - Managing People Across Cultures

From Cross-Cultural to Inter-cultural: New Paradigms and Directions for Research

Presented On: 7/10/2005 - 10:30-12:00

Chair: June N. P. Francis, Simon Fraser University

Cultural Intelligence and Effective Intercultural Interactions
David C. Thomas, Simon Fraser University

Intercultural Competence: Lessons for Organizations from Counselling Psychology
Catherine T. Kwantes, University of Windsor

How Much Do Culture Differences Really Matter In Multinational Virtual Teams?
Aparna Joshi, University of Illinois at Urbana-Champaign
Mila Lazarova, Simon Fraser University

From Cross-Cultural to Inter-cultural Research: The Importance of Inter-Group Theory
June N. P. Francis, Simon Fraser University

Over the past three decades cross cultural research has moved from its infancy largely influenced by the research of Hofstede to a proliferation of studies describing cultural differences across a plethora of domains. However, relatively little research has addressed the more salient issues of inter-cultural research. Inter-cultural research deals with the theories and frameworks that apply when people from different cultures interact while cross-cultural research deals with differences between cultures. Current cross-cultural research in the field of international business has focused overwhelmingly on, the description of value differences in a country by country or comparative context. Country-specific knowledge becomes difficult to master and apply in the context of today’s global manager who is increasing dealing with people from a variety of cultures. To address this issue, researchers have recently proposed new conceptualizations such as; ‘cultural Intelligence’ and ‘intercultural competence’. This special session is devoted to looking at new paradigms and theories to motivate more research in this stream of inter-cultural research. In order to address these issues, research much shift from the descriptive and comparative to new theoretical constructs and approaches. (For more information, contact June N. P. Francis, Simon Fraser University, Canada, francis@sfu.ca)
Session: 1.1.13 - Competitive  
Track: Track 8 - Managing People Across Cultures

**Top Management Teams**

**Presented On:** 7/10/2005 - 10:30-12:00

**Chair:** Duane Kujawa, University of Miami  
**Discussant:** James Patrick Johnson, Rollins College

**On the Stickiness of Local Roots: Trajectories of Top Management Team and Board Internationalization in Four European Countries**  
Winfried Ruigrok, University of St. Gallen  
Alexis Owtscharov, University of St. Gallen  
Peder Greve, University of St. Gallen

This paper builds upon upper echelons and resource dependence perspectives and examines the composition by nationality of top management teams and boards in response to internal and external pressures arising from the internationalization process of multinational companies based in four European countries (Germany, the Netherlands, Switzerland, and the UK). Findings show that there are strong and significant positive links between firm internationalization and the internationalization of top management teams/boards, and that the relationship exhibits a non-linear, exponential form. Our findings suggest that although multinational firms strive to align top management team and board composition with the degree of firm internationalization, firms’ responses to internationalization pressures appear to be more "sticky" at low and intermediate levels of internationalization, and firms step up the alignment of top management teams and boards at high levels of internationalization. Implications of the findings on firm internationalization dynamics are discussed. (For more information, contact Peder Greve, University of St. Gallen, Switzerland, peder-mathias.greve@unisg.ch)

**Performance Effects of Incentive Use Under Conditions of Risk at the MNC Foreign Subsidiary**  
Sharon Watson, University of Delaware

This study is an examination of the use of incentive compensation for managers of foreign subsidiaries under conditions of risk (host country risk, industry risk, organizational risk) and the implications for subsidiary performance. Results of tests using primary and secondary data from foreign subsidiaries of U.S. multinational corporations indicate that the use of incentives may have different implications for performance, depending on the type of risk. Thus, when designing compensation strategies for managers of international subsidiaries, it is important for executives to evaluate the degree to which their foreign subsidiaries experience these types of risk. (For more information, contact Sharon Watson, University of Delaware, USA, watsons@lerner.udel.edu)

**Management Localization and Performance: A Study of Multinationals in China**  
Geng Cui, Lingnan University  
T. S. Chan, Lingnan University  
Shengsheng Huang, Lingnan University

Recent research suggests that for multinational corporations operating in the emerging market of China, management localization -- replacing expatriate executives with local managers -- has many benefits and can contribute to corporate performance. Based on the literature, this study proposes a theoretical framework that integrates the antecedents and contributors to management localization and its effect on employee satisfaction and corporate performance. The results of a survey of foreign firms in mainland China indicate that practical and strategic considerations such as quality of local managers, management attitudes, control, and organizational learning drives management localization at these subsidiaries. Furthermore, management localization has positive effect on both employee satisfaction and the market and financial performance of these international ventures. Managerial implications for multinationals and suggestions for future research are discussed. (For more information, contact Geng Cui, Lingnan University, Hong Kong, gcui@ln.edu.hk)
Session: 1.1.14 - Panel

**AJBS Special Session 1: Current Research on Japan: Best Paper Finalists from the AJBS Conference**

**Presented On:** 7/10/2005 - 10:30-12:00

**Chair:** Elizabeth L. Rose, Victoria University of Wellington  
**Discussant:** Tom Roehl, Western Washington University

**Strategic Challenges of Japanese Manufacturing Companies and Intellectual Property Rights**  
Takabumi Hayashi, Rikkyo University

**Boundaryless Careers among Asians: Evidence from a Study of Japanese and Singaporean Expatriates**  
Chei Hwee Chua, University of South Carolina  
Mami Taniguchi, Waseda University  
Günter K. Stahl, INSEAD

**Employee Commitment in U.S. and Japanese Firms in Thailand**  
Chikako Usui, University of Missouri, St. Louis  
Richard A. Colignon, Duquesne University  
Harold R. Kerbo, Polytechnic State University  
Robert Slagter, Birmingham Southern College

Session: Poster1 - Poster

**Poster Session 1 with Light Lunch**

**Presented On:** 7/10/2005 - 12:15-13:30

**A Multi-Level Theory of the Abuse of Power for Private Benefit: The Case of Comparative Corporate Governance**  
Ruth V. Aguilera, University of Illinois at Urbana-Champaign  
Abhijeet Vadera, University of Illinois at Urbana-Champaign

The goal of this paper is to first systematically review the most relevant literature on corruption at the individual, organizational, national and supra-national level in order to identify the main existing arguments grounded in psychology, sociology and political economy. Then, we propose a multi-level theory of corruption that captures the complexity of individuals embedded in organizations that in turn are immersed in different national institutional and cultural settings. We provide this discussion in the context of organizational corruption (white-collar crime) in different models of national corporate governance. We conclude with some suggestions for future theoretical and empirical research as well as managerial implications of our suggested theoretical model. (For more information, contact Ruth V. Aguilera, University of Illinois at Urbana-Champaign, USA, ruth-agu@uiuc.edu)

**The Evolution of Internationalization Patterns. The Case of U.S. MNCs between 1980 and 2000**  
Ricardo Flores, University of Illinois at Urbana-Champaign  
Ruth V. Aguilera, University of Illinois at Urbana-Champaign  
Muge Tarman, University of Illinois at Urbana-Champaign

Multinational Corporations (MNCs), especially those with headquarters in the U.S., have been usually singled out as the “flagship” of the globalization process. However, empirical research on the internationalization trends of these firms displays mixed findings and conclusions regarding the validity of the globalization statement and the presumed ubiquity on the foreign operation of the major U.S.-based MNCs. In effect, based on some evidence
in the worldwide pattern of the sales of the largest 500 MNCs, some have argued that the whole concept of globalization has only marginal value. Others have contested the regionalization findings and suggest need to look beyond economic variables. This paper joins this debate, by analyzing the evolution of the internationalization pattern of the largest U.S.-based MNCs over a relatively long period, between 1980 and 2001. In addition, we went a step further and try to explain why U.S. firms operate in some countries or change destinations over time by looking at the characteristics of those countries. (For more information, contact Ricardo Flores, University of Illinois at Urbana-Champaign, USA, rgflores@uiuc.edu)

National Ties and International Cooperation
   Andreas Al-Laham, CASS Business School London

Research on internationalization processes of SME is challenging, but is also increasingly important as more and more SME internationalize early. This paper examines internationalization strategies of young, technology intensive firms in the biotech industry. Specifically, we examine which interorganizational factors significantly influence a biotech firm’s drive to enter international alliances and are therefore pre-requisites of internationalization. Interorganizational factors include it’s embeddedness within it’s local cluster, it’s experience with national alliances and it’s centrality within the national research network. Control factors under examination are a firm’s age, it’s size, and it’s breadth and sophistication of knowl-edge base. We test 3 hypotheses on a longitudinal event history dataset of the complete German biotech population for the years 1996-2003. Findings show that the munificence of the local supporting cluster and local available resources have no influence on the probability of international expansion. However, the speed and probability of internationalization is positively influenced by prior experience with national alliances and a central position within the national research network. Building national linkages and being central in the national network therefore helps firms to develop capabilities necessary for international linkages. (For more information, contact Andreas Al-Laham, CASS Business School, United Kingdom, a.al-laham@city.ac.uk)

Coping with Boycotts: An Analysis and Framework
   Saleh Alshebil, University of Texas at Arlington
   Abdul A. Rasheed, University of Texas at Arlington
   Hussam A. Al-Shammari, University of Texas at Arlington

In recent years, consumer boycotts are increasingly being used by various activist groups to inflict economic pain on targeted countries. This paper develops an analytic framework to help managers formulate strategies to cope with consumer boycotts. Based on the two dimensions of brand visibility and boycott intensity, we propose four possible strategies. We discuss spillover effects wherein certain firms become unintended victims of boycotts due to misperceptions about their nationality. Also discussed are economic opportunities that boycotts present to potential new entrants. (For more information, contact Hussam A. Al-Shammari, University of Texas at Arlington, USA, hussam@uta.edu)

Managers’ Importance on Export Activity: A Characterization of the Profile of Managers Responsible for Exports in Small- and Mid-size
   Jesús Arteaga-Ortiz, University of Las Palmas de Gran Canaria, Spain
   Harvey Arbeláez, Monterey Institute of International Studies

The characteristics of a firm’s manager make up one of the main groups of determinants of the export activity in addition to the environment taken as a whole, the industry’s environment and other internal factors of the firm. Very few studies carried out on these aspects are worth to note for the Spanish case. The objective of the current study is to describe the profile of the managers responsible of the export activity in Spain as well as the most salient correlations among the variables analyzed. The study is centered on the small and mid-size non-consolidated Spanish export firms and those with no export record but interested on the export activity. (For more information, contact Jesús Arteaga-Ortiz, Universidad de Las Palmas de Gran Canaria, Spain, jarteaga@dede.ulpgc.es)
Institutions, Culture and New Venture Growth in Emerging Economies
Niels Billou, European School of Management and Technology

This paper examines new venture growth in an emerging market context from the perspective of institutional theory. It is argued that institutional forces exert influences that shape the strategies new ventures embark upon to search for and acquire resources in order to grow. A model is constructed that posits that emerging economies whose institutional profiles include weak regulatory structures, and normative and cognitive structures that are characterised by collectivism and uncertainty avoidance, will use predominantly embedded social ties as strategy for searching and acquiring resources. (For more information, contact Niels Billou, European School of Management and Technology, Germany, nbillou@london.edu)

ISO 14001 International Certification: From Institutional Legitimacy to Management Practices
Olivier Boiral, Laval University

Begun in 1996, the ISO 14001 standard has slowly established itself as the reference model in environmental management. With more than 60,000 companies certified around the world only seven years after its inception, this management system is undergoing rapid growth, particularly in Western Europe and many Asian countries. The goal of this paper is to determine, through the results of a case study conducted among 9 Canadian organizations certified ISO 14 001 to what extent these organizations had actually integrated the standard's requirements in their daily activities and how individuals perceived the ensuing changes. This study did not examine the external institutional factors that led to this standard's adoption. Rather, it focused on analyzing the internal perceptions of its legitimacy, the coherence between the system's formal rationality and the implemented practices, and the ceremonial way in which organizations managed the eventual contradictions between the institutions' certification objectives and the employees' commitment to this system. The study thus took a qualitative approach that took several dimensions related to the standard's implementation into account, namely: the integration of institutional pressures in organizations, the connection between the standard's requirements and daily management, the effect on practices, strategies for adaptation and resistance. (For more information, contact Olivier Boiral, Université Laval, Canada, olivier.boiral@mng.ulaval.ca)

Strategic Relevance and Financial Performance of the Subsidiaries of Multinational Corporations in Brazil
Felipe Mendes Borini, Pontificia Universidade Católica de São Paulo
Eduardo Pozzi Lucchesi, Pontificia Universidade Católica de São Paulo
Moacir De Miranda Oliveira Jr., Pontificia Universidade Católica de São Paulo
Arnoldo José Hoyos Guevara, Pontificia Universidade Católica de São Paulo

This paper deals with finding out to what extent Strategically Relevant Subsidiaries (SRS) in Brazil behave better that non-SRS regarding financial performance. SRS meaning subsidiaries that create value for the multinational corporations, have global competitiveness, and its competences are recognized by the corporate headquarters. A statistical analysis based on an exploratory survey of the largest foreign subsidiaries in Brazil showed that actually SRS have a better financial performance that non-SRS when considering the more realistic operational efficiency measures: EBITDA/Total Assets, and EBITDA/Net Sales. This means that SRS perform better regarding generation of operational results relatively to the investments in assets, and have higher operational margins, maybe due to its higher overall competitive operational efficiency. (For more information, contact Felipe Mendes Borini, Pontificia Universidade Católica de São Paulo, Brazil, fborini@globo.com)

Exploring the Influences of Transnational Entrepreneur’s Capabilities and Network Linkage on Brand’s Internationalisation: The Case of Taiwanese Fashion Designers
Hsiang-Chun Chen, National Yunlin University of Science and Technology

This research attempts to explore the influences of transnational entrepreneur’s capabilities and network linkage on brands’ internationalisation by observing Taiwanese fashion designers’ experiences. The main focus of this research is to try to apply the contextual perspective to explain different entrepreneurial endowments and resources possessed by Taiwanese transnational entrepreneurs and thus the process of their brand internationalisation. This article reports three cases of Taiwanese fashion designers’ internationalisation experience by applying an explanation of value chain activities of the fashion apparel industry. Information
absorbing/internalising and delivering/diffusing capabilities of entrepreneurs and their network linkage affect the process of brands’ internationalisation. The fashion information flow within the fashion industry value chain and the international fashion information industry will be identified in this article. An integrative model of fashion industry internationalisation is presented. (For more information, contact Hsiang-Chun Chen, National Yunlin University of Science and Technology, Taiwan, chenhc@yuntech.edu.tw)

Differentiated Roles of Social Mechanisms in Safeguarding International Alliances
Cheng-Min Chuang, National Taiwan University
Wenyi Chu, National Taiwan University

A considerable literature has emphasized the organizational structures and governance mechanisms employed by participants to safeguard the hazards of opportunism and enhance the cooperative performance. Drawing on transaction cost analysis and social network analysis, this study investigates the capability of two social safeguards, trust mechanism and social conformity and sanction mechanism, to control opportunistic behavior and improve alliance performance. Related hypotheses are developed and tested on a sample of 284 international alliances and 100 domestic alliances in Taiwan. The results support our predictions and show that while trust mechanism is particularly instrumental in managing behavioral uncertainty in alliances, social conformity and sanction mechanism is helpful for managing environmental uncertainty. The findings also show that the capability of these two social mechanisms to control opportunistic behavior and improve performance is more powerful in the context of international alliances than in domestic ones. (For more information, contact Cheng-Min Chuang, National Taiwan University, Taiwan, cmchuang@mba.ntu.edu.tw)

Culture, Training and Negotiations: A Cross-Cultural Study in Multi-Cultural Montreal
Mitchell Cohen, Concordia University
Terri R. Lituchy, Concordia University

Peaceful and cooperative negotiation is difficult at the best of times. Both sides of the negotiation table may want to reach mutually beneficial outcomes. However, negotiations are usually confrontational environments that can begin with negotiators initially wanting to collaborate but may invariably lead to one side misreading the other’s intentions leading to more adversarial negotiation strategies. Negotiators may also not see the benefits that a more cooperative negotiation strategy would bring. Negotiation strategy is one factor that affects the outcome of a negotiation (Rubin, Pruitt & Kim, 1994). Business is internationalizing and the Canadian population is getting more culturally diverse. Conflict due to cultural differences may rise due to this diversification. Hofstede (1980) provided evidence of people having attributes based on their cultural background. These different attributes may result in different negotiation tactics that may make collaboration more difficult. This study investigates how the individualism-collectivism cultural attribute may affect negotiation strategies and outcomes. It also explores the effectiveness of training negotiators to be more cooperative when negotiating thus reaching more integrative outcomes than non-trained counterparts and whether training may allow a negotiator who is culturally predisposed to a more competitive negotiation strategy to be more cooperative. (For more information, contact Mitchell Cohen, Concordia University, Canada, mitc_coh@jmsb.concordia.ca)

Characterization of Globalization, Regionalization and Localization at the Industry Level
Kate Phillips Connolly, Trinity College
Erin Sullivan, Trinity College Dublin
Louis Brennan, Trinity College Dublin
John Murray, Trinity College Dublin

It has been argued that globalization means the ‘end of geography’ (O’Brien 1992) and the ‘delocalization of economic and social relationships’ (Gray 1998; Martin and Sunley 2001). It has also been argued that globalization increases the importance of location and that regional economies are now the engine of wealth creation (Ohmae 1990; Porter 1998). This paper seeks to explore what correlations may exist between globalization and localization: are they two sides of the same coin? Beginning with a look at what is meant by industry globalization and localization, three different measures are applied to two industries- pharmaceuticals and medical devices. These measures- of globalization, regionalization and localization appear to validate each
other, and offer some intriguing ways to explore correlations between these two phenomenon. (For more information, contact Kate Phillips Connolly, Trinity College, Ireland, phillipk@tcd.ie)

**Headquarters and Subsidiary Relationships: Local Initiatives in a Global Context**

João Pedro Almeida Couto, University of Azores  
Maria Teresa Borges-Tiago, University of Azores  
José António Vieira Cabral, University of Azores

This paper assesses the nature and extent of the conditions affecting the roles and relationships within a sample of MNCs subsidiaries, operating in five European countries. It begins with an analysis of the taxonomies of subsidiaries and one model was selected to test three hypotheses: a first one, regarding the context variables that influence the relationships; a second, about the influence of organizational and strategic variables; and a third, reflecting the effect of subsidiary performance on the relationship. The results support the idea that nation based variables, together with age and technology capacity of the subsidiaries, have a bearing on the type of relationship established. (For more information, contact João Pedro Almeida Couto, University of Azores, Portugal, jpedro@notes.uac.pt)

**Toward an Inclusive Theory of Role Breadth in Organizations**

Magda Bezerra Leite Donia, Concordia University

Building on Morrison’s (1994) findings that individuals occupying a same functional position define their in-role behaviors differently, this paper seeks to determine the antecedents of role breadth. Contrary to what is proposed in the organizational citizenship behavior (OCB) literature, this paper argues that a combination of factors lead to employees' variation in defining their in-role responsibilities, even when holding a same functional position with identical job contracts. Culture emerges as a key mediator of proposed antecedents. (For more information, contact Magda Bezerra Leite Donia, Concordia University, Canada, m_donia@jmsb.concordia.ca)

**Managerial Discretion, Host Country Experience and Firm Internationalization**

Dev K. Dutta, University of Western Ontario  
Paul W. Beamish, University of Western Ontario

Using a cross-sectional sample (N=442) of Japanese investments in the USA during 2001 through IJVs and WOS, we examine the impact of managerial discretion on the MNE's internationalization decisions, as reflected in its choice of mode of entry. Based on insights from the behavioral theory of the firm and the process view of internationalization, we show that managerial discretion arising from the MNE's task environment has an impact on its entry mode decisions, with comparatively higher levels of discretion leading managers to choose the IJV (over WOS) as the preferred mode of entry into the host country. At the same time, this relationship between managerial discretion and entry mode choice is intensified, depending on whether the MNE has had prior host country experience. Our study thus provides evidence of the process view of internationalization, wherein both the nature and context of the MNE’s operations influence its experiential learning and, through this, has an impact on its decision to adopt a specific mode of entry for its new subsidiaries. (For more information, contact Dev K. Dutta, University of Western Ontario, Canada, d dutta@ivey.uwo.ca)

**A Meso Approach to Understanding Ethical Behavior in Multinationals**

Raed Elaydi, University of North Carolina at Chapel Hill

Multinationals have a difficult time developing a single ethical code. In this paper a meso approach is used for the development of a multinational's universal ethical code. The paper can be used as a foundation and framework to develop such a code. A review of the current literature on ethics from four levels (individual, inner-organizational, organizational and interorganizational) is made and then synthesized. At each level I will discuss the issue of bribery. Using (1) cognitive moral development model for the individual level, (2) social learning theory at the inner-organizational level, (3) resource dependency theory, transaction cost theory, contingency theory and institutional theory at the organizational level, (4) and social networks at the interorganizational level the paper takes into consideration the gestalt of unethical behavior. From this approach
those multinationals developing an ethical code can understand and frame each core desired ethical standard effectively. (For more information, contact Raed Elaydi, University of North Carolina at Chapel Hill, USA, raed_elaydi@unc.edu)

**The Development of Entrepreneurial Communities: From Global Environment to Local Conditions**

Yvon Gasse, Universite Laval, Quebec, Canada

In this paper, we stress the fact that entrepreneurship is, above all, a matter of individuals but note that it is also possible to develop in individuals a spirit of enterprise, a taste for business and the skills required to succeed. However, there are certain conditions that must be created in the global environment but also, and above all, in the immediate community in which the entrepreneurs exist. We shall see, among other things, that the development of an entrepreneurial culture in a given community depends as much on personal factors, that is, on factors related to the entrepreneurs themselves, their families and their development in a specific environment, as on the location itself of the entrepreneur and the business. The more a community acquires the features of a rich and recognized entrepreneurial culture, the more entrepreneurs emerge and develop early in life. Using a descriptive model, we attempt to present the main influences on business creation in a community in order to gain a better understanding of the dynamics and especially to identify means of intervention that are likely to stimulate a rich and productive entrepreneurial culture. (For more information, contact Yvon Gasse, Université Laval, Canada, yvon.gasse@mng.ulaval.ca)

**Institutional Environment and Global Expansion: Choice between FDI and Licensing**

Ajai Singh Gaur, National University of Singapore

Peter Hwang, National University of Singapore

We propose that the choice between foreign direct investment (FDI) and licensing depends on the relative level of internalization advantages and advantages offered by the local firms. We take the view that these two are not static, but vary with the institutional environment of the host country. Transactions costs relate more to the regulative pillar while local firms’ advantages relate more to the normative and cognitive pillars of the institutional environment. As the speed of change of the three pillars is different, the speed of change of transaction costs and local firms’ advantages also differ. We propose that internalization advantages would be greater than local firms’ advantages when the institutional environment is very poor or very strong and firms will prefer FDI. At moderate level of institutional development, local firms may offer more benefits than those obtained from internalization and firms licensing. (For more information, contact Ajai Singh Gaur, National University of Singapore, Singapore, ajai@nus.edu.sg)

**Strategic Management in German Multinational Companies: Linking Strategy Process and Performance**

Dirk Ulrich Gilbert, The University of New South Wales

Michael Behnam, Suffolk University

This article analyses the underinvestigated relationship between the strategy process and financial performance in multinational companies (MNCs). Whereas the emphasis of research in the field of strategic management has traditionally been laid on the investigation of the strategy content, the knowledge of the strategy process and how promising strategies can be shaped and implemented within firms still remains limited and unrelated. Considering these aspects this paper provides the following: First, we draw a distinction between different stages of the strategy process and empirically investigate tools and concepts applied by 122 German MNCs. Second, based on our findings, we highlight the major deficits in the current strategy processes of the surveyed firms. Third, we present some prescriptive ideas on how strategy processes should be designed in MNCs in order to have a positive impact on performance. Although our study focuses solely on German MNCs we also consider the results to be helpful for firms from other national backgrounds. (For more information, contact Dirk Ulrich Gilbert, University of New South Wales, Australia, d.gilbert@unsw.edu.au)
MNEs Policies Towards Technology Transfer to Subsidiaries
Axele Giroud, Bradford University
Hafiz Mirza, Bradford University

Using primary data collected amongst Japanese firms’ parent companies and subsidiaries in major Asian host economies, we seek to assess some essential rules related to intra-firm technology transfer. We consider, first, the transferability of various types of technology; second, whether transfer takes place in stages; and third, the specific transfer of technology development activities. A list of technology transfer questions were asked to both parent companies and subsidiaries’ managers. We utilise descriptive analysis, analysis of variance and factor analysis to test our hypotheses in the case of Japanese MNEs. (For more information, contact Axele Giroud, Bradford University, United Kingdom, a.l.a.giroud@bradford.ac.uk)

Organizational Justice: Its Applicability and Predictive Power on Employee Commitment in Mexico
Carolina Gomez, Florida International University
Bradley L. Kirkman, Texas A&M University

In a survey-based study using a Mexican sample, we studied the effect of the different organizational justice components on affective and normative commitment. As predicted we found that interactional justice significantly affect the level of affective commitment felt by employees in Mexico while procedural justice did not affect the level of affective commitment. Also as expected, distributive justice affected the level of normative commitment and unexpectedly it also affected the level of affective commitment. (For more information, contact Carolina Gomez, Florida International University, USA, gomezc@fiu.edu)

Enhancing Subsidiary Marketing Creativity: A Knowledge Based Perspective
Kelly Hewett, University of South Carolina
Satish Jayachandran, University of South Carolina
V. Kumar, University of Connecticut

This paper seeks to understand the factors that facilitate knowledge transfer across the marketing operations at sub-units of a global firm. From a resource-based perspective, we view marketing knowledge as a resource that can lead to enhanced performance to the extent that it is valuable, difficult to imitate, and nonsubstitutable. In particular, knowledge is viewed as a resource that can help the MNC manage uncertainty by enhancing the ability of individual foreign subsidiaries to develop creative marketing programs in their individual markets. Thus, we draw on the literature on the resource-based view of the firm and that on marketing strategy creativity in proposing factors that will facilitate knowledge transfer among foreign subsidiaries of multinational firms and a positive link between subsidiary knowledge transfer and marketing strategy creativity. (For more information, contact Kelly Hewett, University of South Carolina, USA, kelly_hewett@moore.sc.edu)

Reconfiguring Political Risk Assessment for Managers: Measurement in a 21st Century Context
Llewellyn Howell, University of Hawaii at Manoa

Reconfiguring Political Risk Assessment: In the context of globalization and its ancillary consequences, both the nature and the focus of political risk have changed. OPIC has added a new political risk insurance category: Terrorism. But most methods of assessing political risk have given value to consistency and the potential for time series analysis over the need to redirect their assessment tools and the indices of risk that are reported to clients. Other problems are beginning to catch up with the field of political risk assessment. It is not readily distinguished from “country risk assessment.” Observed events that identify levels of political risk are no longer indicative of the actual problems that are faced in the field by foreign investors, especially those in manufacturing, agriculture, and the extractive industries. Clients are buying services based on name recognition of the risk rating provider instead of on the basis of knowledge of the forecasting model and its intended application. Client managers need to better understand the inner workings of political risk forecasting systems, the rationales for particular ratings, and the linkage between ratings and management applications. Each of these tasks need to be undertaken in a dramatically changed international environment. (For more information, contact Llewellyn Howell, University of Hawaii at Manoa, USA, LHowell@hawaii.edu)
Studies Of International Knowledge Transfer in Different Contexts
Chi-Yu Huang, I-Shou University

As going international is almost inevitable for business expansion, particularly for those companies that utilize developing countries as a path. Entry mode as an important and distinct area in management research in international business has received substantial recognition. Various terms and definitions have been adopted by plenty of research in communicating the conception of knowledge transfer (KT). In our study, we wish to explore how companies chosen their entry mode, and how such choices affect KT efficiency consequently? 27 papers were chosen as sample from top tier journals that are generally accepted as major vehicle for international business studies. Focusing on KT, we performed comprehensive contrasts and comparisons to reveal the distinctiveness of these works in terms of the definition per se, the measurement, the operational definition, the scales used, and the key findings. This research recommend that some biases, including CMV and unit of analysis under the sections of research design, sampling, and statistics that are present respectively in these papers shall be carefully avoided to ensure the generalizability. (For more information, contact Chi-Yu Huang, I-Shou University, Taiwan, amy67039@ms27.hinet.net)

Organizational Learning Process: A Case Study of High-Tech Taiwanese Companies
Richard Yu-Yuan Hung, Toko University
Bella Ya-Hui Lien Lien, National Chung-Cheng University

Organizational learning is about how individuals collect, absorb, and transform information into organizational memory and knowledge. This case study explores how Taiwanese organizations choose organizational learning as an organization development intervention strategy. Issues included: how individuals, teams, and organizations learn; and the extent to which organizational learning activities contributed to organizational performance. Therefore, the purposes of the study included to: (a) explore and understand organizational learning processes and the activities involved in selected high-tech companies. (b) explore and understand the application of organizational learning as OD intervention in these companies. (c) understand the organizational learning processes at the individual, team, and organizational levels. Six high-tech Taiwanese companies were participated in this exploratory case study. The findings are based on the three emergent categories: (1) the goal of OL, (2) OL strategy and techniques, and (3) the results of OL. And the following questions are answered respectively: (a) what are the organizational learning processes? (b) how do individual, team, and organizational learning happen? (c) how does organizational learning influence organizational performance? (For more information, contact Bella Ya-Hui Lien, National Chung-Cheng University, Taiwan, bmayhl@ccu.edu.tw)

The BPO-ITES Industry -- Challenges for Sustaining India's Global Leadership
Arun Kumar Jain, Indian Institute of Management-Lucknow
Sudeep Mathur, Indian Institute of Management-Lucknow
Anshu Karwa, Indian Institute of Management-Lucknow
Alekh Tiwari, Indian Institute of Management-Lucknow

As students of international business, we have been intrigued by the rapid rise of the global Business Process Outsourcing and IT Enabled Services (BPO-ITES-ITES) industry. This case highlights theoretical and conceptualization issues such as: How an industry globalizes suddenly from nowhere; How countries can leverage knowledge-based yet inherent advantages; The challenge of sustaining country-level leadership positions. Some of the strategic issues that we researched into from the perspective of an international business scholar include: How intentional and unintentional events can impact the growth of an industry within a country; How a country can sustain its leadership position in a volatile industry; The notion of how national comparative advantages can be converted into competitive advantages; The dynamic nature of critical success factors in a rapidly globalizing and knowledge intensive and technologically dynamic industry affected by political backlashes; The role of institutions and government policy in facilitating globalization and internationalization of firms; How incremental changes towards global leadership become stagnant after some time, and leadership can only be achieved through radical change and innovation. (For more information, contact Arun Kumar Jain, Indian Institute of Management-Lucknow, India, arunjain@iiml.ac.in)
Complexity Theory and Firm Internationalization  
Tim Kastelle, University of Queensland

There are a range of approaches available to study the internationalization process of firms. Several aim to explain the process as it is undertaken by large multinational firms (e.g. Dunning's Eclectic approach), while others are concerned with smaller enterprises (e.g. the Uppsala model). Other studies of internationalization tend to be primarily empirical, with little theoretical development included (e.g. the study of born global firms). This paper looks at some of the theoretical issues involved in trying to develop an integrated model of firm internationalization. It utilizes evolutionary economics and complexity theory to do this. The underlying theoretical foundations of current internationalization theories are assessed, and theoretical foundations for a new model are laid. The implications of this model are discussed in detail. (For more information, contact Tim Kastelle, University of Queensland, Australia, t.kastelle@business.uq.edu.au)

Knowledge Transfer Upon Repatriation  
Mila Lazarova, Simon Fraser University  
Ibraiz Tarique, Pace University

Expatriates have long served as facilitators of intra-firm knowledge transfer and application. Traditionally, researchers have emphasized their role as knowledge senders rather than knowledge recipients. Reflecting the study of reverse diffusion, recent work has drawn attention to the latter role of expatriates, that of acquiring knowledge and bringing it back to the center of the organization or disseminating it across other subsidiaries. There is a caveat, however. Success of harvesting knowledge upon repatriation is not automatic. We propose that knowledge transfer upon repatriation can be maximized if a fit is achieved between organizational receptivity to repatriate knowledge and repatriates' readiness to transfer knowledge. We contend that such fit is possible only if there is a match between individual career considerations and organizational career opportunities and career support initiatives. We also consider the correspondence between type of knowledge gained during assignment and the transfer mechanisms and tools the organization employs to capture that knowledge. (For more information, contact Mila Lazarova, Simon Fraser University, Canada, mbl@sfu.ca)

The Impact of Cross Cultural Communication Competence on Multicultural Team Performance  
Ching-Hsiang Liu, National Formosa University, Taiwan  
Hung-Wen Lee, National Chia-Yi University

The successful performance of multicultural teams is a vital contributor to multinational corporations' (MNCs) success. Past research has proved that the failures in global ventures most frequently result from a lack of understanding of the nuances of foreign communication and culture rather than professional incompetence. To work effectively with diverse people, multicultural team members need to know not only about the culture of the person with whom they are interacting, but also appreciate their personalities, behavior patterns in conflict situations, demographics, and life experiences. Therefore, effective cross-cultural communication competence is the key to high performance multicultural team. This study contributes to the research on cross-cultural communication by investigating the influence of cross cultural communication competence on multicultural team performance. This study also advances the understanding of how the interpersonal skills, team effectiveness, cultural uncertainty, and cultural empathy affect multicultural team performance by analyzing the perceptions of Taiwanese managers with experiences on multicultural team. (For more information, contact Ching-Hsiang Liu, National Formosa University, Taiwan, graceliu89@yahoo.com)

Strategy for Conflict Resolution in Sino-Foreign Joint Ventures in China  
Lung-tan Lu, Fo Guang University

This paper aims to examine the impact of conflict resolution strategies on Sino-Japanese and Sino-Taiwanese joint venture's performance. Empirical results came from 76 Japanese and 89 Taiwanese senior managers, whose firm joint venture with local firms in China. The findings show that compromising and legalistic strategies are positively related to IJV satisfaction in Sino-Japanese group but not in Sino-Taiwanese group. However, it is found that cultural similarity positively associated with IJV satisfaction in the Japan's respondents but not in Taiwan's. (For more information, contact Lung-tan Lu, Fo Guang University, Taiwan, ltlu@mail.fgu.edu.tw)
Ownership Choices of German Firms in China: Institutional and Learning Effects
Andrew Millington, University of Bath
Eleanor Jane Morgan, University of Bath

This paper investigates the choice of German firms investing in China between wholly owned subsidiaries and equity joint ventures. It focuses on the evolutionary effects on choice of underlying characteristics of the institutional environment and of corporate experience, developing from the Uppsala internationalisation approach. Legislative changes and increases in the sectoral and regional incidence of foreign investment in a complex cultural environment largely explain ownership choice. The increasing role of wholly owned subsidiaries reflects new ownership decisions rather than sequential investment by experienced investors. (For more information, contact Eleanor Jane Morgan, University of Bath, United Kingdom, e.j.morgan@bath.ac.uk)

Effects of National Culture on Buyer-Supplier Relationships
Matthew Morris, University of Manitoba

Businesses and their supply chains are becoming more global each day. Many factors have combined to make sourcing outside the home country more financially lucrative for the firm. However, this trend has occasionally been frustrated by the failure of undertakings and relationships with firms based in other countries. Such setbacks can be particularly upsetting when the relevant financial benefits of a given buyer-supplier relationship should seem obvious to both parties. In many cases the realization of benefits from such relationships is dependent on the acknowledgement of differences between the cultures of the home countries of the firms involved, and such differences may also influence the very inception of the relationship itself. The following paper presents a replication of a model of relationships (Morgan and Hunt, 1994) based on a population of buyers sourcing from a variety of countries. The results suggest the importance of trust and commitment goes beyond domestic suppliers to include all sources. (For more information, contact Matthew Morris, University of Manitoba, Canada, morris@cc.umanitoba.ca)

Active Management of Currency Volatility with Emerging Market Portfolios
Wesley Ollson, CIBC Mellon
Ayse Yuce, Ryerson University

The paper shows that by investing in emerging markets an investor is able to improve his risk-return tradeoff and realize increased returns beyond those which are available from the domestic exchange. (For more information, contact Ayse Yuce, Ryerson University, Canada, ayuce@ryerson.ca)

Two Decades of Multinationality-Performance Research: The Persistent Problem of Under-Specification
Thomas Osegowitsch, University of Melbourne
Tatiana Zalan, University of Melbourne

In this paper we adopt a narrative approach to review the literature on the relationship between a firm’s multinationality and financial performance. We include studies adopting accounting- and/or stock market-based measures of performance. In an attempt to explain the inconsistent results in this literature, we view a number of commonly identified problem areas through the lens of model specification. Our discussion centres on how existing multinationality-performance research can be advanced through the use of mediating and moderating variables. (For more information, contact Thomas Osegowitsch, University of Melbourne, Australia, ot@unimelb.edu.au)

Control, Autonomy and Collaboration in the Fast Food Industry: A Comparative Study between Domestic and International Franchising
Yongsun Paik, Loyola Marymount University
David Choi, Loyola Marymount University

This paper examines the similarities and differences between domestic and international franchises in the amount of control exerted by franchisors and the degree of autonomy exercised by franchisees. Based on in-
depth interviews with managers from McDonald’s, Subway, Papa John’s, and Domino’s, an exploratory research is conducted to compare and contrast the franchisor-franchisee relationship in the fast food industry between the U.S. and Iceland, Ireland, United Kingdom, Belgium, and the Netherlands. The interviews suggest that international franchisees tend to have more autonomy than their domestic counterparts, especially in decisions involving local market adaptation, marketing and location selection. Further analysis reveals that international franchisees, unlike domestic franchisees, are likely to demand more autonomy when they experience strong performance or have master franchisee agreements. On the other hand, experienced international franchisees are less likely to demand autonomy, while experienced domestic franchisees seek more autonomy. We also find that international franchisees are likely to have more autonomy in its growth stage and in less competitive marketplaces. Most interestingly, we learn that international franchisors and franchisees under hardship seek collaboration rather than compete for control or autonomy. (For more information, contact Yongsun Paik, Loyola Marymount University, USA, yspaik@lmu.edu)

The Effects of Institutional Factors on Joint Venture Management in China
Dong Chen, Loyola Marymount University
Yongsun Paik, Loyola Marymount University
Park Seung Ho, Samsung Economic Research Institute / CEIBS

This study investigates the effects of institutional factors on MNEs’ control over their joint ventures in China. Three modes of parent control – output control, process control, and social control – are examined separately. Using a sample of 193 China-foreign joint ventures in China, we have found that MNE parent firms’ output and process control over joint ventures are very susceptible to the ownership system, government regulations, cultural differences, and regional economic development, whereas their social control is not significantly affected by those institutional factors. Faced with the challenges to cope with strong influences of institutional forces in China, MNEs believe that high levels of performance risk are best neutralized by output control that accurately measures and assesses operational productivity. The findings of this study may have important implications for MNEs operating joint ventures in transitional economies that share institutional similarities with China. (For more information, contact Dong Chen, Loyola Marymount University, USA, dchen@lmu.edu)

Culture Similarity and Experiential Knowledge Transfers Cross-Culturally
Feng-Chuan Pan, Tajen Institute of Technology; ISU
Jun-Ying Huang, I-Shou University
Wan-Yu Lin, Tajen Institute of Technology

Apart from the stream that most literatures focus on—the motivation for international experience transfer—this research explores more of the cultural elements, specifically the perceptions on trust and relationship. As the core to relationship building and maintenance, this paper advocates that trust can also affect the effectiveness of experience transfer. In cross-cultural transfer, differences of the perception of trust and relationship that are shaped by the institutional environment of national cultures would be important to experience transfer. This paper suggests that experience transfer between parties of alliance or within organization from culturally similar countries can be more effective than the others. A typology using two dimensions, cultural similarity and resource compatibility, is suggested to be used as guidelines for setting the experience exchange missions for individual units of the organization, or for seeking proper cooperative partners for international ventures. (For more information, contact Feng-Chuan Pan, Tajen Institute of Technology; ISU, Taiwan, taiwan.pan@msa.hinet.net)

Consumer Ethnocentricity, Perceived Value, and Customer Loyalty: An Initial Study in Taiwan Hypermarket Retailing
Feng-Chuan Pan, Tajen Institute of Technology; ISU
David, T. C. Tarn, I-Shou University
Shu-hui Lin, The Shanhai Commercial and Savings Bank

This paper examines the influences of consumer ethnocentricity on customer perceived value of which as the core to service quality, and the loyalty toward hypermarket retailing services that in different level of ownership in Taiwan. Levels of ownership included in this research are those stores organized under international joint
venture (IJV), foreign direct investment (FDI), and domestic venture. As the first research that exploring the direct and moderating effects of consumer ethnocentrism on customers loyalty that incurred by perceived quality and perceived value toward retailing services of different entry modes to Taiwan market, this paper found the existence of such ethnocentrism effects. Although direct effects of consumer ethnocentrism on loyalty is not significant, empirical results shows that low ethnocentrism consumers prefer to shop with foreign services, and thus local business shall compete by offering consumer-oriented advantages rather than by claiming consumer patriotism. Finding confirms the effects of consumer ethnocentrism and the importance of consumer-orientation activities in the service setting. (For more information, contact Feng-Chuan Pan, Tajen Institute of Technology; ISU, Taiwan, taiwan.pan@msa.hinet.net)

Shareholder Valuism and Societal Value Creation Through Firms' Social Development Strategies: The Case of MNC Investment in Large Mining Operations
A. Rani Parker, Business-Community Synergies
Hildy Teegen, The George Washington University

The paper builds a conceptual model of the various factors that influence a multinational firm's social development strategy, drawn on a review of the extant literature and grounded theory building stemming from extensive fieldwork surrounding Multinational Corporation-Local Community interactions in the mining sector. In particular, this research will offer insights into the appropriate and effective design, implementation, and assessment of community development engagement by firms operating overseas. The paper argues that the traditional gauge of firm performance—shareholder value creation—should be viewed dynamically across time, and must account for gains and benefits to firm owners that extend beyond financial wealth. These arguments are couched not only in normative, moralistic terms, but also in pragmatic terms for MNC managers concerned with serving as effective agents for their shareholder principals. (For more information, contact Hildy Teegen, George Washington University, USA, teegen@gwu.edu)

Adaptation to Regulatory Punctuations In a Focal Host Market
Luis A. Pérez-Batres, Texas A&M University
Lorraine Eden, Texas A&M University

Radical transformations of the business landscape have taken place as a result of globalization and technological advances. For instance, theory suggests that multinational corporations benefit from liberalization policies, while local corporations suffer the opposite effect. However, there is little literature on the performance of multinational firms (against other multinational firms) in a third host market, once a radical environmental change takes place (in that host market). This paper offers theoretical and empirical insights about the strategies and characteristics of multinational firms operating in a third host market, after a radical environmental change takes place in that market. The results show that multinational firms that formed alliances with local partners outperformed those multinational firms that did not. Also, the study sheds light on the importance of sociopolitical-relational ties between home and host countries; particularly interesting is the fact that geographical and commercial distance seem to be as important as cultural distance. (For more information, contact Luis A. Pérez-Batres, Texas A&M University, USA, lperez-batres@cgsb.tamu.edu)

Complexity and Contingencies: An Integrated Perspective on Organizational Control
Henry Sauermann, Duke University

Organizational control has been studied from a variety of perspectives and several specialized streams of research have emerged. For many types of control, scholars have established the role of contingency factors such as task characteristics or the cultural context of the organization. More recently, research has recognized that real control systems are complex and simultaneously involve different types of control. Therefore, contingency factors not only affect isolated control processes but may have direct and indirect influences on the entire control system. Building on this prior research, we address two questions. First, why are organizational control processes interdependent? Second, how do certain contingency factors translate into different optimal control systems? Drawing on research in organizational behavior and organization theory, we develop a model of the complex micro-level processes that underlie informational and motivational control. Based on that model, we discuss how task characteristics and the cultural context of the organization moderate control processes and
how they may result in particular optimal control systems. An integrated perspective on control and on the
determinants of complex control systems can not only yield new insights for control research, but may also
provide valuable prescriptions for organizations that operate in diverse technological and cultural environments.
(For more information, contact Henry Sauermann, Duke University, USA, henry.sauermann@duke.edu)

Entry Mode Strategies and Performance of Indian Software MNEs in Australia: An Exploratory Study
Narender Sharma, University of Sydney

This paper explores the determinants of entry mode choice of multinational Indian Software enterprises into
Australia. The rise of the knowledge-based Multinational Enterprises from emerging economies is a relatively
new phenomena and little research has been done on their entry mode choice behavior. This study sets out to
investigate the entry mode selection activities of these firms using the grounded theory approach. The findings
of this exploratory study indicate that firms’ networks of relationships with their international customers had a
critical role in the decision to enter the Australian market. Ownership and locational advantages also played a
major role in the entry mode choice. In addition, the study revealed that the Indian software enterprises in
Australia chose a high control mode (wholly owned) over a low controlled mode (joint venture). The findings
from this study will have important implications for international business and future research in building and
testing hypotheses on the entry mode strategies of MNEs from an emerging economy. (For more information,
contact Narender Sharma, University of Sydney, Australia, narender@idx.com.au)

Globalization of Sports - The Case of Professional Football and its International Management Challenges
Sten Soederman, Stockholm University
Harald Dolles, German Institute for Japanese Studies

The formation and the diversity of most types of organizations going international are well researched.
However, some aspects of postmodern life, such as sports and entertainment, are presently growing in
importance and management complexity. Team sports, and especially football, are capturing more and more of
the minds of people in the developed world. Many great football clubs are successful on the pitch but show
sizeable economic deficits. A global strategy with a strong focus on Asia seems to be the new recipe of the top
clubs. Our stated conclusion is a need for a practical theory of professional sports going global. Existing
concepts appear unsuitable, and a new theoretical approach is therefore the basis for our construct to develop
the general principles of the football business and its international dimensions. Finally, four elements are
described and explained, necessary for sustainable internationalization of the football business. (For more
information, contact Sten Soederman, Stockholm University, Sweden, sod@fek.su.se)

Towards an Understanding of Terrorism Risk in the MNE
Gabriele G. S. Suder, CERAM Sophia Antipolis
Michael Czinkota, Georgetown University

Based on a literature review of terrorism and global business literature, this paper addresses those conditions
that may lead to new considerations about risk and its management at policy and the MNE level. How do
governments and MNEs adapt to the 09/11 – type risk in strategic management that shapes choices made for
internationalisation and for international business operations? It is observed that MNEs increasingly enlarge the
notion of political risk. We suggest the development of a geopolitical risk assessment that incorporates
terrorism which in its threat, event and aftermath does not remain local or national, but influences investment,
location, logistics, supply-chain and other performance- linked decisions through an enlarged risk-return
evaluation. (For more information, contact Gabriele G. S. Suder, CERAM Sophia Antipolis, France,
gabriele.suder@ceram.fr)

Knowledge-based Assets: In Support of IFRS 3
John R. Swartz, Nova Southeastern University
Robert A. Berg, Nova Southeastern University

IFRS 3, the new accounting standard adopted by the European Union, is requiring the components of goodwill
and intangible assets be measured separately at the time of acquisition. Consequently, acquisitions will become
much more transparent, giving shareholders and stakeholders much more visibility into the process. This paper will review the parameters of the pre-acquisition process used for assessing potential candidates for international acquisitions followed by a discussion of the form and fit of the target enterprise (TE). Issues covered include 1) a traditional approach to financial value of the projected stream of income, 2) the need for assessing knowledge assets within the TE, 3) the need for better understanding of the transfer of intangible assets from the purchaser to the TE, including receptiveness of the TE to receiving these intangibles, 4) the impact of the acquisition to the infrastructure of the multinational company (MNC) with particular emphasis on the corporate structure. A better understanding and identification of the intangible assets will provide better insight into the identification of the intangible components of goodwill. (For more information, contact Robert A. Berg, Nova Southeastern University, USA, rab33319@aol.com)

The Institutional Distance Paradox: Explaining the ‘Early Mover’ Internationalization Strategies of Emerging Market Firms

Douglas Thomas, University of New Mexico
Lorraine Eden, Texas A&M University
Michael Hitt, Texas A&M University

This paper examines the paradoxical effects of institutional distance on the internationalization strategies of Emerging Market Firms (EMFs). In contrast to the predictions of traditional internationalization models, some EMFs enter institutionally distant developed markets early in their internationalization processes, often before entering other emerging markets. This phenomenon is explained by a paradox: greater institutional distance between emerging and developed markets creates higher liability of foreignness for EMFs investing in developed countries, making it more difficult for them to exploit existing resources in foreign markets. However, greater institutional distance also creates more opportunities for learning and resource exploration. In this paper, we explore the ‘early movers’, the few EMFs that make the leap and take the ‘road less traveled’ by investing early in developed markets. (For more information, contact Douglas Thomas, University of New Mexico, USA, thomas@mgt.unm.edu)

Session: 1.2.1 - Competitive 
Track: Track 1 - Context of Global Business

Regulating International Business

Presented On: 7/10/2005 - 13:30-15:00

Chair: Sarianna Lundan, University of Maastricht
Discussant: Ram Mudambi, Temple University

Sustainable Development and Multiple Certifications in International Supply Chains

R. Scott Marshall, Portland State University
Darrell Brown, Portland State University

With the worldwide exponential growth in product and process certifications it is essential to evaluate their effective roles in sustainable development. In this paper, we examine the emergence of multiple certifications within a specific international supply chain. A framework is constructed based on concepts of trade-related environmental and social externalities and information asymmetry. Further, we develop the concepts of ‘vertically-related’ certifications - certifications at different points along a supply chain - and ‘horizontally-related’ certifications - certifications at the same point in a supply chain. Certification programs by the Forest Stewardship Council and the U.S. Green Building Council are discussed in terms of ‘vertically-related’ certifications; certification programs by the Fair Labelling Organization and the U.S. Department of Agriculture are examined in terms of ‘horizontally-related’ certifications. The conclusion discusses how the framework can be used to evaluate the effectiveness of multiple certifications in furthering efforts to achieve sustainable development objectives. (For more information, contact R. Scott Marshall, Portland State University, USA, scottm@sba.pdx.edu)
Three-Sector Stakeholder Approach to Agrobiotechnology
Stephen R. Luxmore, Rochester Institute of Technology

The transformation of agriculture to high technology is continuing, albeit with differing degrees of success across global markets. Some markets impose few limitations on biotechnological agriculture products, while most markets burden the industry with restrictions on labeling and consumption, to complete prohibition. Our study analyzes the different regulatory systems governments use to assess the risks of genetically modified organisms (GMOs) and integrates the social factor consequences of GMOs in the regulatory processes. We develop a three-sector stakeholder model to analyze the interaction of the primary stakeholder groups, industry participants, government, and non-governmental organizations and the relative success of GMOs in the marketplace. The model identifies the relative significance of the stakeholders to the regulatory bargaining process as well as effects on the buyers of genetically modified products. Strategic implications are discussed and future research proposed. (For more information, contact Stephen R. Luxmore, Rochester Institute of Technology, USA, sluxmore@cob.rit.edu)

Globalization and the Development of Competing Standards for Corporate Conduct
Petra Christmann, Rutgers University
Glen Taylor, University of Tampa

Globalization has given rise to heightened concerns about the ability of national governments to regulate firms’ environmental and social conduct. In response to these concerns various stakeholder and industry groups are designing and advocating global standards for firms’ environmental and social conduct that can be certified by independent auditors. Firms can voluntarily self-regulate their conduct by adopting these standards and obtaining certification. This paper discusses the concerns and empirical evidence on the effects of globalization on corporate environmental and social conduct and on the ability of governments to regulate corporate conduct. We argue that certifiable environmental and social standards are a potentially powerful market based mechanism to promote corporate self-regulation in the global economy. Standards are being developed by different groups with conflicting goals, such as environmental and social advocacy groups and groups representing corporate interests, resulting in multiple standards addressing the same issue that compete for legitimacy and acceptance in the marketplace. We argue that the existence of competing standards may lead to a social engagement process that can result in consensus about acceptable norms for environmental and social conduct in the global economy. Finally, we discuss the prospects and limitations of certifiable standards as tools for self-regulation. (For more information, contact Petra Christmann, Rutgers University, USA, christmannp@rbs.rutgers.edu)

How Stable is the Dominant Position of Large Companies?
Sarianna M. Lundan, University of Maastricht
Nadine Roijakkers, Eindhoven University of Technology

We argue that there are two separate but interlinked change dynamics in the pharmaceutical industry that challenge the current structure dominated by large firms. The first change dynamic is the biotechnology revolution, which has left the industry relying increasingly on non-equity collaboration with biotechnology firms and public institutions for new drug development. The second change dynamic is societal, and consists of the joint impact of several different campaigns that challenge the bases of patent protection and price discrimination in brand name pharmaceuticals. While the industry has traditionally relied on its pivotal role in drug innovation to defend its pricing policies, we argue that the factual basis for this defense has been greatly weakened. As a result of this vulnerability, we conclude that the structure of pharmaceutical innovation and drug development coordinated by large firms is under great pressure to change, and propose an alternative project-based structure as a basis for further discussion. (For more information, contact Sarianna M. Lundan, University of Maastricht, Netherlands, s.lundan@os.unimaas.nl)
Japan's Stakeholder Economy
Ian Maitland, University of Minnesota
Mitsuhiro Umezu, Keio University

We reassess Japan's form of stakeholder capitalism in light of the country's decade-long recession. We find that the stakeholder features of Japan's companies have contributed to prolonging the recession by restricting labor mobility and slowing technological innovation. We also examine how the lifetime employment system has operated under adverse conditions. We conclude that Japan's stakeholder capitalism has stunted the growth of other institutions (notably a mid-career labor market) that would provide better protection for employees. (For more information, contact Ian Maitland, University of Minnesota, USA, imaitland@csom.umn.edu)

Is EU Increasing Competition within Europe from Abroad?
Mohamed Feras Salama, The University of Texas at El Paso

One of the arguments in favor of removing barriers to trade among the European Union (EU) member states was based on the view that an integrated market would stimulate the growth of larger and more competitive companies that can better compete with American and Japanese multinational corporations. In this paper we argue that the creation of a single market has produced an environment which does not necessarily “fit” the smaller, diverse European companies; rather it tips the scales in favor of the large American and Japanese multinational companies. Therefore, we contend that, unlike what the framers of the European Economic Community (EEC) had anticipated, the creation of a single, unified market in Europe decreased imports of manufacturing goods from other EU member states and it increased imports of manufacturing goods from the rest of the world, particularly from the U.S. and Japan. To test our hypotheses, we used a sample of imports data for the EU from 1996 to 2000. Our results show that imports of manufacturing good from other EU members have declined while they have increased from the U.S. and Japan. (For more information, contact Mohamed Feras Salama, University of Texas at El Paso, USA, mfsalama@utep.edu)

Equity Ownership by Financial Institutions and Firm Productivity
Zhonghua Wu, National University of Singapore
Ishiq P. Mahmood, National University of Singapore

Based on the tenets of agency theory, this paper investigates how equity ownership by financial institutions can be used to influence firm productivity by initiating speculative activities and monitoring managerial behavior. In particular, it examines how the relation between financial ownership and firm productivity varies with the level of financial ownership in a firm and the regulatory environment the firm is exposed to. We test our hypotheses using data on 141 Japanese manufacturing firms spanning the period 1982-2001, among key results, we find that the level of financial ownership significantly influence firm productivity, which is consistent with our proposition that financial institutions as equity holders improve firm productivity by mitigating agency conflicts between shareholders and managers and reducing agency costs of debt. Furthermore, we find that this relationship follows an inversed U-shape form, and is moderated by the level of other ownership categories and the regulatory environment. These and other findings taken together, we argue, have profound managerial and political implications. (For more information, contact Zhonghua Wu, National University of Singapore, Singapore, g0403303@nus.edu.sg)
Macroeconomic Reformation or Entrepreneurial Transformation? Privatization Experiences in Latin America and Eastern Europe  
Rangamohan V. Eunni, Youngstown State University  
U. Srinivasa Rangan, Babson College

Literature on privatization contains two complementary, though not congruent, themes relating to the goals and paths followed by countries around the world: macroeconomic reformation and microeconomic transformation. While the privatization programs in Latin America appear to exemplify the former, those in Eastern Europe seem to illustrate the latter. In this study we explore the following questions: How do these goals - macroeconomic and microeconomic - differ? Why do countries tend to start with one or the other approach? What are the implications of different approaches for the privatization experiences of Latin America and Eastern Europe? What lessons can we draw from the experiences of countries following different privatization approaches? (For more information, contact Rangamohan V. Eunni, Youngstown State University, USA, rveunni@ysu.edu)

Session: 1.2.3 - Competitive  
Track: Track 2 - Forging Global Links

Generating Competitive Advantage through Alliances

Presented On: 7/10/2005 - 13:30-15:00

Chair: Anthony Goerzen, University of Victoria  
Discussant: Jeffrey J. Reuer, University of North Carolina

The Logic of Alliance Fads  
Benjamin Gomes-Casseres, Brandeis University

The paper investigates the drivers and limits to the spread of alliances in an industry. It explores three sets of explanations for booms and busts in alliance formation: (1) firm responses to exogenous changes; (2) institutional bandwagons; and (3) competitive bandwagons. In addition, concepts of organizational limits to growth are explored to help explain declines in alliance formation. Nine testable propositions are derived from the literature. The paper does not test the propositions conclusively, but using field-based data from two global industries (RISC computing and PDAs), it finds the strongest evidence for competitive bandwagons. It concludes that there is an economic "logic" behind what seems like a management "fad." The paper is not per se concerned with the international aspects of strategy, but it investigates a phenomenon that is common in international expansion and it does that with data on global alliances and firms. (For more information, contact Benjamin Gomes-Casseres, Brandeis University, USA, bgc@brandeis.edu)

The Contingent Value of Alliance Partners’ Business-Group Affiliation  
Jane W. Lu, Singapore Management University  
Xufei Ma, National University of Singapore

This study extends the research on the value of business group affiliation to strategic alliances. Drawing on institutional, organizational learning and resource-based view perspectives, we theorize whether and when alliance partners’ business group affiliation confers competitive advantages. We test our hypotheses in a sample of 871 Sino-Japanese joint ventures in China and find that local partners’ business group affiliation enhances the longevity of joint ventures when the joint ventures are in FDI unfriendly industries or when Japanese partners have technology to transfer to the local partners. In contrast, local partners’ business group affiliation reduces the longevity of joint ventures when the joint ventures are in global industries. Our findings point to the contingent value of business group affiliation in emerging economies. (For more information, contact Jane W. Lu, Singapore Management University, Singapore, janelu@smu.edu.sg)
Do Alliances Provide Effective Entry into a New Line of Business?
Louis Mulotte, HEC School of Management Paris
Pierre Dussauge, HEC School of Management Paris

Researchers have long argued that firms can use alliances to enter new businesses or new markets. Indeed, alliances can provide access to necessary but difficult-to-trade resources and thus help the entering firm gather all the required resources. Other authors, however, have emphasized the downsides of alliances: they provide only incomplete access to the targeted resources and they create a dependence on partners. This leads many firms to choose to enter new businesses directly, without previously forming any sort of partnerships. In this context, we will address two sets of questions: (i) what factors drive newcomers to choose between entering alone vs. forming alliances in order to enter a new business area? (ii) how do these entry strategies influence subsequent success in the entered area. Drawing upon the resource-based view, we develop arguments suggesting that entry through alliances, while allowing weaker firms to overcome entry barriers, does not result in superior long-term performance. We test our predictions on a sample of firms that have eventually established a stand-alone presence in the aerospace industry through sequential vs. direct entry and, with two-stage treatment models, we assess their post-entry performance accounting for the endogeneity of their entry strategy choice. (For more information, contact Louis Mulotte, HEC Paris, France, mulottel@hec.fr)

Session: 1.2.4 - Panel
Track: Track 2 - Forging Global Links

Management Challenges in the New Europe

Presented On: 7/10/2005 - 13:30-15:00

Chair: Sheila M. Puffer, Northeastern University and Daniel J. McCarthy, Northeastern University

Multinational Enterprises in the New Europe
Alan M. Rugman, Indiana University
Simon Collinson, University of Warwick

Corporate Venturing as Vehicles for Strategic Success in the New Europe
Julian Birkinshaw, London Business School
Susan Hill, London Business School

Changing Leadership Requirements for Managing in the New Europe
Manfred F.R. Kets de Vries, INSEAD
Konstantin Korotov, European School of Management and Technology, Berlin

Challenges and Opportunities for Russian Companies in the New Europe
Sheila M. Puffer, Northeastern University
Daniel J Mccarthy, Northeastern University
Oleg Vikhansky, Moscow State University
Alexander Naumov, Moscow State University

The main issues addressed in the panel papers are: (1) the validity of the basic premise of globalization versus semi-globalization or regionalization; (2) the opportunities and problems in corporate venturing in the new Europe; (3) the requirements for new leadership styles in the evolving European environment; and (4) whether Russian managers and their companies are ready to have a role in the new Europe. All papers have been developed by authors who are well-known experts in the international business field, all having backgrounds in Europe and North America as well as other countries and regions involved in the evolving global economy. (For more information, contact Sheila M Puffer, Northeastern University, USA, spuffer@comcast.net)

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**International Expansion of Emerging Market Businesses**

**Presented On:** 7/10/2005 - 13:30-15:00

**Chair:** Rosalie Tung, Simon Fraser University

**Panelists:**
- Peter J. Buckley, University of Leeds
- Farok Contractor, Rutgers University
- Michael Hitt, Texas A&M University
- Yadong Luo, University of Miami
- Rosalie Tung, Simon Fraser University

This panel seeks to gain a better understanding of the international expansionary activities by businesses from emerging markets, including their motives and patterns of outward foreign direct investment; their unique strategies for expanding abroad; and challenges that they would most likely encounter in their quest abroad. (For more information, contact Rosalie Tung, Simon Fraser University, Canada, tung@sfu.ca)

**Globalisation and Income Inequality**

**Presented On:** 7/10/2005 - 13:30-15:00

**Chair:** Katherine Terrell, University of Michigan

**Discussant:** Peter Keveos, Syracuse University

Doren Chadee, University of Auckland
Johnson Murr, University of Auckland

The contribution of globalisation in reducing income disparities in the world remains a hotly debated topic. This paper sets out to investigate the link between globalisation and income disparities between rich and poor countries. The paper has two objectives. First we investigate whether income disparities between rich and poor countries have increased or decreased over the last two decades. Second we assess the extent to which globalisation has contributed to the observed trends in income disparities during this period. We use annual data for 88 countries grouped into four income categories over the 1980 to 2001 period. The overall findings suggest that the world has experienced an increase in income inequality during the past two decades, especially between richer and poorer countries. However, there is weak evidence of the adverse effects of FDI and trade on the widening income gap between rich and poor countries. We also provide suggestions as to why misconceptions of globalisation are widespread. (For more information, contact Doren Chadee, University of Auckland, New Zealand, d.chadee@auckland.ac.nz)

**Occupational Injuries and Economic Development**

W. Charles Sawyer, University of Southern Mississippi
Richard L. Sprinkle, University of Texas at El Paso

This paper attempts to establish an empirical relationship between occupational injuries and economic development by utilizing a data base developed by the International Labour Organization (ILO) on occupational injuries for both developed and developing countries. Our empirical results indicate that the relationship
between occupational injuries and economic development seems to follow an inverted U pattern. Occupational injuries seem to rise until GDP per capita reaches $13,000 and then decline. Our results also have implications for the debate on labor standards and international trade. It appears that labor standards seem to degenerate in the early stages of economic development. Given that GDP per capita is rising in this range, it seems plausible that workers are initially willing to trade wages for safety. However, there does not appear to be an indefinite race to the bottom. At some point, workers seem to begin to prefer safer workplaces and fewer occupational injuries. In this case, as a country continues its economic development it eventually will have occupational injuries equivalent to those that prevail in developed countries. (For more information, contact Richard L. Sprinkle, University of Texas at El Paso, USA, rsprinkl@utep.edu)

*Individualism and Life Insurance Consumption around the World*

Andy C.W. Chui, The Hong Kong Polytechnic University
Chuck C. Y. Kwok, University of South Carolina

This study examines how individualism-collectivism, a dimension of national culture, may affect a country's life insurance consumption. We argue that people with an independent self-construal tend to place greater importance than people with an interdependent self-construal on using market insurance to provide security for their dependents. Since people in individualistic countries foster on independent self-construal and people in collectivistic countries foster on interdependent self-construal, people in individualistic countries are expected to purchase more life insurance in the market than the people in collectivistic countries. Using data from 1960-2001 across 58 countries, we find that the empirical findings support our hypothesis. The results are robust even after controlling for well-known determinants of life insurance consumption across countries. The findings are also robust to alternative estimation methods. (For more information, contact Chuck C.Y. Kwok, University of South Carolina, USA, ckwok@moore.sc.edu)

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**Session: 1.2.7 - Competitive**
**Track: Track 4 - Economics, Finance and Taxation**

**Ownership, FDI and M&A**

**Presented On:** 7/10/2005 - 13:30-15:00

**Chair:** Colm Kearney, Trinity College Dublin
**Discussant:** Wendy Jeffus, Southern New Hampshire University

*On Governance and Globalization: Ownership Structure and Internationalization of Indian Firms*
Sumit Majumdar, University of Texas at Dallas

Using a property rights framework, in this article I examine the relationship between the structure of ownership and the export intensities, import intensities and the balance of trade parameters, for a set of over 1,000 firms in India for six categories of ownership: (i) foreign ownership; (ii) government ownership; (iii) corporate ownership; (iv) directors’ ownership; (v) ownership by the top 50 individual shareholders; and (vi) public-at-large ownership. Three categories of shareholders are influential. Foreign owners holding more than 51 percent of the shares and Top 50 owners holding more than 51 percent of the shares have the most robust effects on the globalizations variables, principally via their impact on the export intensities of firms. Government ownership, particularly in the less than 51 percent category, influences imports in the main and this can create a negative balance of trade situation, though imports permit the acquisition of consumer and capital goods items. The other categories of ownership: corporate ownership, directors’ ownership and ownership by the public-at-large do not systematically, and across the various empirical specifications used, influence firms’ globalization trajectories. (For more information, contact Sumit Majumdar, University of Texas at Dallas, USA, majumdar@utdallas.edu)
Cross Border Mergers in the OECD: A Panel Data Study
Paul Simpson, University of Manchester

Despite the rapid rise in cross-border mergers and acquisitions in the past twenty years, there has been little attention paid to what determines their patterns and, in particular, what influences their behaviour over time. Employing a panel database this paper models the behaviour of foreign mergers in the main OECD countries for the period 1990-2002. It would appear that variables from both the FDI literature and that on domestic merger activity have significant influences on changes in activity. Stock market activity, factor costs and growth are all found to play an important role. The exchange rate influence, particularly that suggested by Froot and Stein (1991) and Blonigen (1997) appears not to be confirmed in our sample. Instead, we find support for the proposition that finance-specific factors are important drivers of international mergers. (For more information, contact Paul Simpson, University of Manchester, United Kingdom, p.simpson@manchester.ac.uk)

Mutual Productivity Spillovers between Foreign and Local Firms in China
Yingqi Wei, Lancaster University
Xiaming Liu, Surrey University
Chengang Wang, Surrey University

The existing literature treats advanced technology sourcing as the only cause for reverse productivity spillovers from local firms and therefore implies that mutual spillovers between foreign and local firms can only happen in the developed world. The current paper is the first to argue that the diffusion of indigenous technology and local knowledge helps the productivity enhancement of multinational enterprises and hence there can be mutual spillovers even in a developing country. The large-sample evidence from Chinese manufacturing supports this new argument as significant mutual productivity spillovers are identified between indigenous Chinese firms and overseas Chinese or OECD-invested firms. Different measures of foreign and Chinese presence and different estimation methods are applied to test the robustness of the empirical models and quite consistent results are obtained. (For more information, contact Yingqi Wei, University of Lancaster, United Kingdom, y.wei@lancaster.ac.uk)

Session: 1.2.8 - Competitive
Track: Track 5 - Innovation and Marketing

Inter-subsidiary Knowledge Transfer, and R&D Personnel Movements

Presented On: 7/10/2005 - 13:30-15:00

Chair: Marina Papanastassiou, AUEB
Discussant: Jasjit Singh, INSEAD

Learning to Learn - Efficient Inter-Subsidiary Transfer of Technological Knowledge
Magnus Persson, Uppsala University
Ulf Andersson, Uppsala University

This paper proposes and tests the argument that a fundamental limitation to organizing efficient transfer of technological knowledge among subsidiaries of multinational firms (MNCs) is the extent to which units are technologically dissimilar. We argue that subsidiaries may overcome these difficulties by drawing inferences from earlier experiences in knowledge transfer, and that the marginal effect of transfer experience will increase as the source and recipient unit become increasingly technologically dissimilar. Hypotheses are developed and tested using data from 102 specific inter-subsidiary innovation transfer processes. Results indicate that technological dissimilarity negatively influences transfer efficiency, and further, that the impact of transfer experience on the efficiency of the process depends on if the experience is general or dyadic i.e. specific to a single counterpart. (For more information, contact Magnus Persson, Uppsala University, Sweden, magnus.persson@fek.uu.se)
On The Road Again: Researchers’ Mobility Inside the R&D Network
Paola Criscuolo, Tanaka Business School

This paper examines the roles of international assignments and other forms of researcher mobility inside the integrated R&D networks of six of the largest European pharmaceutical companies. From in-depth interviews with R&D managers and scientists it is found that, while the use of international assignments is both limited and often not aimed specifically at the transfer of knowledge, other forms of short-term mobility are widely employed. But what is transferred through such short-term visits is narrow in focus and often related to specific projects whereas international assignments enable the transfer of broader and more complex knowledge. Thus the replacement of international assignments with repeated short-term visits may limit the exploitation of potential synergies across disciplines and the creation of enduring and strong personal ties among researchers working in distant locations. (For more information, contact Paola Criscuolo, Tanaka Business School, United Kingdom, p.criscuolo@imperial.ac.uk)

Subsidiary’s Inflow and Outflow of Knowledge within MNCs
Changhui Zhou, Peking University
Tony S. Frost, University of Western Ontario

This paper examines cross-border knowledge flows within MNCs. We draw from three perspectives to analyze the effects of a set of factors on a subsidiary’s inflow and outflow of knowledge. We test our model in the context of innovation activity by a sample of 47 major multinational corporations in the pharmaceutical sector over 1985-1995. The empirical analysis in the paper is conducted at a dyadic level, investigating a variety of knowledge interactions in the MNC network, i.e., by both the directions of knowledge flows and by inter-organizational differentiations. Overall, the findings of this study support our conceptual framework that (1) knowledge flows are significantly influenced by generic organizational heterogeneities: greenfield vs. acquired subsidiaries, and headquarters and peer subunits; (2) foreign subsidiaries are over time drawing less upon the network, particularly the parent company, for knowledge inflows, while, on the other hand, they are increasingly evolving into knowledge developers and contributors to the MNC network; and (3) knowledge flows are positively related to interunit linkages maintained through R&D co-practice and technological overlap between subunits. (For more information, contact Changhui Zhou, Peking University, China, czhou@gsm.pku.edu.cn)

Employee Mobility and Absorptive Capacity: Evidence from Central and Eastern Europe
Nandini Lahiri, Indian School of Business
Aldas Kriauciunas, Purdue University

Given prior work on labor mobility as a mechanism of inter-firm diffusion of knowledge, we explore the causes of heterogeneity in firms’ use of external knowledge in implementing change. Drawing upon the notion of absorptive capacity, we argue that firms that are able to retain employees over time, are better able to exploit their own resources and hence likely to resort to local-search in the external environment. On the other hand, firms that are able to attract new employees are more likely to emphasize exploration with a focus on distant search in the external environment. Finally, we argue that with increasing importance of exploration in the firm’s search behavior, the impact of local-search on firms’ ability to utilize the external environment decreases. We find support for our hypotheses in the context of state owned and private firms in Poland, Bulgaria, Ukraine, Belarus and Lithuania. (For more information, contact Nandini Lahiri, Indian School of Business, India, nandini_lahiri@isb.edu)
Market Orientation, Product Innovation, and New Product Performance in Foreign Markets
Janet Y. Murray, Saint Louis University
Mike C. H. Chao, Saint Louis University

We utilize the resource-based view of the firm (RBV), complemented by organizational learning and knowledge management, in developing a conceptual framework of market orientation-product innovation-new product performance linkages in foreign markets. We argue that there are four resources and capabilities affecting a firm’s new product performance in foreign markets: market orientation, host-country knowledge (both explicit and tacit), absorptive capacity (both potential and realized), and product innovation. First, market orientation influences a firm’s level of host-country knowledge. Second, potential absorptive capacity has both a moderating effect on the relationship between market orientation and host-country knowledge and a direct effect on host-country knowledge. Third, realized absorptive capacity has a moderating effect on the host-country knowledge-innovation relationship. Finally, product innovation has a direct impact on new product performance, but its influence on new product performance is moderated by the level of turbulence in the host-country market (i.e., market and technology turbulence). (For more information, contact Mike C. H. Chao, Saint Louis University, USA, chaoc@slu.edu)

Designing for Commercialization of Innovation in Global Organizations: A Process Perspective
James Nebus, Northeastern University
Bert Spector, Northeastern University
Henry Lane, Northeastern University

Successful innovation requires two distinct but inter-related processes: invention and commercialization. In Multinational Enterprises (MNEs), the challenge of commercialization is compounded by the requirement to transfer the invention from its source, often the home base of the company, to its intended marketplace, typically across national borders. Practitioners frequently note that the innovation challenge faced in their organizations has less to do with the generation of invention than with the commercialization. What are the barriers and enablers of commercialization of invention within MNEs? The research in this paper addresses that question by using a process-oriented, grounded theory approach. The research examines the case history of the commercialization process of two offerings - one a new product and the other a new service – within a multinational company in the bio-research industry. In both cases, the source of the invention was within the company’s domestic market, the US. The research focuses on the commercialization process in both Europe and Japan. Through a 2 x 2 research design, this research compares the commercialization of these two invention in these two non-domestic markets as a way of developing propositions on the barriers and enablers of commercialization within MNEs. (For more information, contact James F. Nebus, Northeastern University, USA, j.nebus@neu.edu)

Multinational Market Expansion and Entry Timing Strategies: An Empirical Test of American Movie Industry
Shih-Ju Wang, National Taiwan Normal University
Heng-Chiang Huang, National Taiwan University

Movies which top the box office records rely heavily on worldwide sale. Since market demand and revenue vary with each motion picture, box office successes depends not only on creativity and prowess of the production team and performance of the cast, but also on the way movies are released in international markets. Previous studies have proposed either a waterfall or a sprinkler strategy in multinational market entries, but large scale
empirical tests are still scarce. Using a comprehensive and longitudinal U.S. box-office dataset as an example, this study attempts to examine what are the major determinants of a typical global rollout decision and how they affect the appropriate choice of a simultaneous or a sequential market entry strategy. This paper aims at broadening the empirical scope of multinational market expansion theories by extending them to the movie industry. (For more information, contact Shih-Ju Wang, National Taiwan Normal University, Taiwan, sjwang@cc.ntnu.edu.tw)

Session: 1.2.10 - Competitive
Track: Track 6 - Internationalization of Services

Empirical Studies of Global Services

Presented On: 7/10/2005 - 13:30-15:00

Chair: Lilach Nachum, Baruch College - CUNY
Discussant: Barry Scholnick, University of Alberta

A Comprehensive Perspective of U.S. Services Trade: Incorporating Cross-Border Trade and MOFA Sales
Michael W. Pustay, Texas A&M University

The balance of payments statistics that many scholars and analysts rely on may produce a misleading picture of the strategies and techniques firms use to compete in the international market for services. By combining BEA data detailing sales of foreign affiliates of U.S. MNCs with the cross-border trade and royalty payments data currently generated by the balance of payments accounts, IB scholars can obtain a more comprehensive understanding of the competitive strategies adopted by service firms. This paper combines these data streams to explore differences in the mode of entry decisions made by U.S. firms in a sample of host country markets. It finds significant differences in the use of entry modes across countries. In developed countries with FDI-friendly policies, such as Europe, Canada, and Australia, U.S. service firms favor FDI their preferred mode of entry. In less developed countries, such as those of Latin America and China and India, where government controls on foreign investment have only recently begun to be relaxed, we observed a focus on exporting and licensing. (For more information, contact Michael W. Pustay, Texas A&M University, USA, pustay@tamu.edu)

Use of ‘Global Strategies’ in International Service Industries
Paul Whitla, Lingnan University
Peter G. P. Walters, Hong Kong Polytechnic University
Howard A. Davies, Hong Kong Polytechnic University

This paper presents results from a qualitative study of the globalisation process in three service industries, hotels, advertising and construction. Data comes from an interview-based survey of industry experts in each field along with a series of firm case studies and interviews of senior executives of British-based multinational firms. Utilising Yip’s ‘framework of global strategy’ the paper presents a comparison of globalisation strategies at use by multinationals in the three industries. Results from each industry case study are used to demonstrate how the globalisation process differs between ‘types’ of service industry. The cross-case comparison establishes varying degrees and types of global ‘drivers’ or pressures on firms in each of the three industries. This is followed by an examination of the extent to which multinational firms are adopting ‘global strategies’ and the form these strategies take in each industry. The paper then combines the results from the three studies in a generalised discussion of global strategy in service industries suggesting that there are commonalities between the cases which suggest a distinctive pattern of globalisation pressures and use of global strategies in the service sector. (For more information, contact Paul Whitla, Lingnan University, Hong Kong, whitla@ln.edu.hk)
How Global are Internet Firms? A Comparison of US and UK Internet Firms
Stephen Chen, Australian National University

Although much has been written about the impact of the Internet on globalization, there have been few empirical studies and the evidence is mixed. The first research question that this study seeks to address is to what extent Internet firms have in fact globalized. The second question is to identify the key factors that have enabled some firms to globalize more than others. First, the extent of globalization among a sample of leading Internet-based firms was measured according to the global distribution of revenues and the number of websites. The results show that fifty-five out of the sixty-four (89%) US firms are home triad region oriented, seven companies (8%) are biregional and only two companies (3%) are truly global. The firms that were most globalized were then examined in more detail in order to determine how and why they had globalized more than the other firms. All nine firms that are not home-oriented were in the B2B markets. Key factors that favored their globalization were early mover advantages, market dominance, technology standards and complementary assets. The UK sample showed a much higher incidence of internationalization but less globalization. The most attractive foreign market for UK firms was the US. (For more information, contact Stephen Chen, Australian National University, Australia, stephen.chen@anu.edu.au)

Session: 1.2.11 - Competitive
Track: Track 7 - Managing Across Borders

International Acquisitions

Presented On: 7/10/2005 - 13:30-15:00

Chair: Taco Reus, Florida Atlantic University
Discussant: Alain Noël, HEC Montréal

International Mergers and Acquisitions: The Performance Implications of Organizational Culture
Patrick X. Zhu, University of Auckland
Elizabeth L. Rose, Victoria University of Wellington
Kiyohiko Ito, University of Hawaii at Manoa

The incidence of international mergers and acquisitions (M&As) has increased rapidly over the past 15 years. Although the strategy is widely implemented, cross-border M&As are subject to high failure rates, often the result of ineffective implementation. In this study, we focus on the issue of organizational culture, considering how the organizational cultures of the combining firms relate to economic value creation in the post-M&A organization. With the resource-based view of the firm as a theoretical foundation, we focus on the enhanced utilization of resources and competencies, using a sample of 97 post-merger firms in Australia and New Zealand. Our results suggest that managerial efforts toward achieving organizational cultural compatibility may contribute to value creation in cross-border M&As. (For more information, contact Kiyohiko Ito, University of Hawaii at Manoa, USA, k.ito@hawaii.edu)

Management Control in Multinational Corporations
Tom L. C. M. Groot, Vrije Universiteit Amsterdam
Frederick W. Lindahl, George Washington University

The growth of multinational companies introduces factors that complicate management control. There is a broad literature in global strategy, global marketing, and organizational design that addresses the unique aspects of international business. We build on that literature to show how management control systems are adapted to cope with the complexity of language, distance, regulation, decision authority, educational background, and other factors that differentiate multinational from domestic businesses. In the end we propose a model for management control from international business. (For more information, contact Frederick W. Lindahl, George Washington University, USA, lindahl@gwu.edu)
Vicarious Learning and Firm Performance in Cross-border Acquisitions
Qi Zhou, Ohio State University
Oded Shenkar, Ohio State University
Jeff Reuer, University of North Carolina

Drawing on vicarious learning and organization learning theories, we posit that cross-border acquisition capabilities are accrued not only by learning from a firm’s own experience (experiential learning), but also by learning from the experience of other firms (vicarious learning). An empirical investigation of 203 cross-board acquisitions between 1995 and 1997 confirms the positive effect of industry experience on a focal firm’s vicarious learning. For effective vicarious learning to occur, however, we find that the pool of industry experience must cross a threshold permitting appropriate generalization from that experience, and the focal firm needs to have sufficient absorptive capacity. Vicarious learning is found to contribute more to firms entering culturally distant markets with their attendant uncertainty and liability of foreignness. (For more information, contact Qi Zhou, Ohio State University, USA, zhou.148@osu.edu)

Session: 1.2.12 - Competitive
Track: Track 7 - Managing Across Borders
Capabilities and Skills in Internationalization

Presented On: 7/10/2005 - 13:30-15:00

Chair: Ivo Zander, Uppsala University
Discussant: Fragkiskos Filippaios, Kent Business School, The University of Kent

Leveraging Parent Capabilities and MNC Competitive Advantages in Merging Markets: A Contingency and Dynamic Perspective
Roger Rongxin Chen, University of San Francisco

This exploratory paper examines the contributions of foreign partners to their subsidiaries in China. Through in-depth interviews within seven market-seeking joint ventures, we found that, although leveraging parent product capabilities provide the subsidiaries with superior products, it creates cost and price disadvantages to the subsidiary. We also found that subsidiary export and HQ favorable policies mitigate the cost burden caused by leveraging the parent capabilities. We also found that the impacts of parent product capabilities on subsidiary performance is mediated by the key competitors the subsidiaries face, that is whether or not they mainly compete with other MNCs or with local firms in emerging markets. Furthermore, we find that competition in emerging markets pressures the subsidiaries to seek new competitive strengths. The subsidiaries may continually rely upon HQ's new product technologies to sustain their superior product advantages or to develop local capabilities to become cost competitive in emerging markets. Based on these empirical evidences, a contingent and evolutional perspective of leveraging parent capabilities is developed. (For more information, contact Roger Rongxin Chen, University of San Francisco, USA, chenr@usfca.edu)

MNE Capabilities to Cope with the International Business Environment
Deepak Sethi, Oakland University

The International Business Environment (IBE) is the most significant element that differentiates multinational enterprises (MNEs) from purely domestic firms, which the former routinely negotiate during cross-border operations. The complexity, volatility, and interdependence of the IBE have increased exponentially in the last two decades due to phenomenal increases in global trade and FDI, global supply chains and complex multi-country networks. MNEs now adopt a global perspective rather than the narrow, dyadic home-country focus engendered in the traditional Liability of Foreignness (LOF) notion, and incur substantial costs in developing IBE-reading and dynamic adaptation capabilities. This study therefore proposes the concept of the Liability of Globalization (LOG), quite distinct from the traditional LOF, thus facilitating theory to catch up with practice. Drawing on the resource-based perspective it argues that MNE capabilities at keeping their
strategy/structure/routines in sync with the ever-changing IBE impact competitive advantage. Using the grounded theory approach the study carries out an inductive analysis of interviews of several MNE executives, and juxtaposing them with the stock of extant research, develops propositions that open new avenues for further research. (For more information, contact Deepak Sethi, Oakland University, USA, dsethi@oakland.edu)

Firm- and Subsidiary-Specific Advantages, Strategic Choices, and Liability of Foreignness
Heechun Kim, Arizona State University
Laszlo Tihanyi, Texas A&M University
Robert E. Hoskisson, Arizona State University

Although the liability of foreignness is a general problem for multinational enterprises (MNEs), there may be strategic choices MNEs can make to effectively cope with the liability of foreignness. Drawing on the dynamic capabilities perspective, we present a theoretical framework that combines firm- and subsidiary-specific advantages as two primary means for MNEs to implement strategic choices, gain competitive advantage, and thus largely overcome the liability of foreignness. We argue that MNEs cannot overcome the liability of foreignness exclusively with firm-specific advantages developed in the home country; they must also develop subsidiary-specific advantages simultaneously, utilizing location advantages resident in the host country. Our framework also suggests that the ability of MNEs to transfer firm- and subsidiary-specific advantages play a critical role in gaining competitive advantage. More specifically, we argue that strategic choices such as type of entry strategy, type of international strategy, and location choice can be used to exploit firm-specific advantages, and develop subsidiary-specific advantages, and to the extent possible overcome the liability of foreignness. (For more information, contact Heechun Kim, Arizona State University, USA, heechun.kim@asu.edu)

Session: 1.2.13 - Competitive
Track: Track 8 - Managing People Across Cultures

Psychic Distance

Presented On: 7/10/2005 - 13:30-15:00

Chair: Gerhard Gniewosz, University of Sydney
Discussant: Sharon Watson, University of Delaware

National Culture and Entry Mode Choice in Newly Industrialized Host Countries: Foreign MNE Strategies in South Korea
Sidney John Gray, University of Sydney
Youngok Kim, University of New South Wales

Mixed empirical results have been found in prior research examining the relationship between national culture and entry mode choice (i.e. shared vs. full control modes of entry) in that national cultural distance has been found to be related to both high (i.e., wholly owned subsidiaries) and low control (i.e. joint ventures) entry modes. We address these empirical inconsistencies by using primary data collected from a large sample of foreign affiliates in the unique and under-researched context of a newly industrialized host country, South Korea. We use cultural distance indexes (aggregate and individual) and equally important home country characteristics i.e. parent company nationality, while controlling for firm, industry, and country specific factors. The overall regression results show that foreign MNEs from culturally distant markets tend to choose a wholly owned subsidiary over a joint venture, and that parent nationality is an important determinant of entry mode choice. However, the impact of cultural distance becomes non-significant when both the cultural distance and parent company nationality variables are included simultaneously in the regression model. These interesting results suggest the need for a more representative index of national culture to capture the complexities and intricacies of culture in a changing world. (For more information, contact Sidney John Gray, University of Sydney, Australia, s.gray@econ.usyd.edu.au)
Hofstede, Schwartz, or Managerial Perceptions? A Comparative Analysis of the Effects of Various Cultural Distance Measures on an MNE's Establishment Mode Choice.

Rian Drogendijk, Tilburg University
Arjen Slangen, Erasmus University Rotterdam

Previous research on foreign entry mode choices by multinational enterprises (MNEs) has relied almost exclusively on the Kogut and Singh (1988) index, which is based on Hofstede's (1980) dimensions of national culture. In recent years, scholars have become increasingly critical of Hofstede's work and have questioned the validity of the Kogut and Singh (1988) index as an accurate measure of cultural distance. This paper therefore examines and compares the effects of five cultural distance measures on an MNE's establishment mode choice, i.e. that between expanding abroad through greenfield or acquisition. The measures whose effects we test are based on the works of Hofstede (1980) and Schwartz (1994, 1999), and on managerial perceptions. Analyzing a sample of foreign expansions by Dutch MNEs and controlling for other factors, we find that the Hofstede-based and Schwartz-based measures of cultural distance explain the establishment mode choices of these MNEs equally well, and that the explanatory power of the perceptual measure, in spite of its statistical significance, is somewhat lower. Conclusions and suggestions for future research are offered. (For more information, contact Arjen Slangen, Erasmus University Rotterdam, Netherlands, aslangen@fbk.eur.nl)

Psychic Distance: A Conceptualization and Empirical Assessment

Carlos M. P. Sousa, University College Dublin
Luis Filipe Lages, Universidade Nova de Lisboa

In this article the authors develop a new measurement scale to assess psychic distance (the PS scale). Findings reveal that psychic distance is a higher order construct composed by two dimensions: country distance and people distance. Findings also reveal that both dimensions of the PS scale are positively and significantly associated with adaptation of product, promotion, pricing and distribution strategies to the foreign market. Suggestions for applying the measure in future research are presented. (For more information, contact Carlos M. P. Sousa, University College Dublin, Ireland, carlos.sousa@ucd.ie)

A Contingency Perspective on Psychic Distance in International Trading Relationships

Peter Magnusson, Saint Louis University
Brett A. Boyle, Saint Louis University

Internationalization theory states that firms which attempt to forge exchange relationships with foreign counterparts will be most successful with those who appear to be similar to their own culture and/or business practices. Other research has pointed toward a psychic distance paradox, whereby successful trading relationships thrive when the parties are “far apart” along these lines (i.e., great psychic distance). These inconsistent findings suggest a contingency approach may better determine when differences between international trading partners are a hindrance to success, and when they are an asset. A conceptual model is proposed as to how psychic distance affects an international trading relationship at different stages of its development. In general, it is felt that significant psychic distance will be detrimental to the relationship in its early stages, where it may serve as an asset in later stages of the relationship. (For more information, contact Peter Magnusson, Saint Louis University, USA, magnusph@slu.edu)
**Session: 1.2.14 - Competitive**
**Track: Track 8 - Managing People Across Cultures**

*International HRM Practices*

**Presented On:** 7/10/2005 - 13:30-15:00

**Chair:** Mila Lazarova, Simon Fraser University  
**Discussant:** Mark Peterson, Florida Atlantic University

*Determinants of the Staffing Policy for Foreign Subsidiaries and its Impact on Foreign Subsidiary’s Performance*
Naoki Ando, Seoul National University  
Dongkee Rhee, Seoul National University

This paper deals with two questions concerning a staffing policy for foreign subsidiaries in multinational corporations (MNC). The first question is under what conditions MNCs send parent country nationals (PCN) to their foreign subsidiaries. The second one is what the relationship between the staffing policy and subsidiary's performance is. Hypotheses are developed using perspectives from resource-based view, agency theory, and transaction cost theory. As to the first question, three staffing policies are examined: selection of subsidiary CEO, the ratio of PCN managers to total employees in each foreign subsidiary, and the number of PCN managers in each foreign subsidiary. As to the second question, we test the relationship among strategic focus, cultural distance, a staffing policy, and subsidiary's performance. Empirical study was conducted using the sample that consists of 376 foreign subsidiaries from 45 Japanese manufacturers. Strategic focus, i.e. global integration and local responsiveness, affected three staffing policies, whereas cultural distance affected only selection of subsidiary CEO. Evidence of the relationship between the staffing policy and subsidiary's performance was found only in selection of subsidiary CEO. (For more information, contact Naoki Ando, Seoul National University, South Korea, naoki8@snu.ac.kr)

*Cultural Similarity, Management Localization, and the Performance of the FIEs in China: A Knowledge-based View*
Shengsheng Huang, Lingnan University  
Geng Cui, Lingnan University

Most of the previous research about the management localization -substituting the expatriate managers with qualified locals -is focused on the headquarter-subsidiary relationship or the internal efficiency issues. The impact of management localization on the relationship between the subsidiaries and local environment has received little attention. From the knowledge-based view, the present paper proposes that management localization of the TMT may weaken headquarter-subsidiary ties and, however, in a culturally distant environment, the management localization can overcome the disadvantages due to the knowledge mismatch of the TMT. It is also hypothesized that the length of the operation moderates the effect of management localization on subsidiary performance. (For more information, contact Shengsheng Huang, Lingnan University, Hong Kong, shuang@ln.edu.hk)

*An Examination of Human Resource Management Practices in Iran: Particularities and Underlying Contextual Factors*
Hamid Yeganeh, Laval University  
Zhan Su, Laval University

This study aims to explore HRM practices in the case of a developing country such as Iran. The first part deals with HRM practices and their contextual factors followed by a conceptual framework upon which data collection hinges. In the second part results are discussed and HRM practices in Iranian context are described. At last, limits and future directions are mentioned. (For more information, contact Hamid Yeganeh, Université Laval, Canada, hamid.yeganeh@fsa.ulaval.ca)
Global Leaders as Experts
Joyce S. Osland, San Jose State University
Allan Bird, University of Missouri - St. Louis

Given the spread of globalization, an increasing number of executives face the complex challenges of leadership on a global scale. This has given rise to the nascent field of global leadership. As a review of the empirical research shows, most scholars have taken a competency-based approach to date. There are no process studies or research on global leadership effectiveness. The selection criteria in many studies do not distinguish between effective and ineffective global leaders. In this paper we describe a new approach -- conceptualizing global leaders as experts. Grounded in cognitive theory, this orientation focuses directly on the way expert global leaders think and behave rather than asking people for their opinions about global leaders. After reviewing the relevant expert cognition literature, we present and discuss a framework showing the potential linkages between the novice-expert framework and global leadership. Klein’s (1989) recognition-primed decision making model is used to illustrate the process expert global leaders may use to make decisions. We discuss the types of global knowledge that forms the foundation of global expertise. Finally, we conclude with recommendations for future research and training. (For more information, contact Joyce S. Osland, San Jose State University, USA, osland_j@cob.sjsu.edu)

Session: 1.3.1 - Panel
Track: Track 1 - Context of Global Business

MNEs, Spillovers and International Development: New Research Directions

Presented On: 7/10/2005 - 15:30-17:00

Chair: Jonathan P. Doh, Villanova University and Fabienne Fortanier, University of Amsterdam
Discussant: Sarianna M. Lundan, University of Maastricht

FDI and Developing Countries: Problems and Challenges
Rajneesh Narula, University of Reading

Foreign Direct Investment and Development: Exploring the Role of FDI Characteristics
Fabienne Fortanier, University of Amsterdam

Foreign Direct Investment in Developing Countries and Human Development
Klaus E. Meyer, Copenhagen Business School and National Cheng-chi University, Taiwan

Multinational Enterprise in Developing Countries: Spillovers, Liabilities, and Legitimacy
Jonathan P. Doh, Villanova University
Jennifer Oetzel, American University
Sarah Bauerle, Villanova University

The purpose of the Panel is to identify, propose, and explore new approaches related to the role of MNEs in development, with particular attention to approaches that contribute to opening new research streams that could trigger changes in policy and practice. This panel will address the interactions among FDI, MNEs and development from a range of economic and other perspectives. Presenters in this Panel will report on their conceptual, theoretical, and empirical research related to the interaction of MNEs and development, with particular attention to critiquing outmoded perspectives on MNEs and development, and initiating new avenues and topics of research in this important area. (For more information, contact Jonathan P. Doh, Villanova University, USA, jonathan.doh@villanova.edu)
Session: 1.3.2 - Competitive  
Track: Track 1 - Context of Global Business  

Ethical and Social Issues in International Business

Presented On: 7/10/2005 - 15:30-17:00

Chair: Pervez Nasim Ghauri, Manchester Business School, University of Manchester  
Discussant: Ruth Aguilera, University of Illinois

Business Ethics in Multinational Corporations: A New Approach to Balance Compliance and Integrity  
Dirk Ulrich Gilbert, The University of New South Wales  
Michael Behnam, Suffolk University

The existing picture concerning the practical application of compliance and integrity as two distinct strategies for ‘managing ethics’ in multinational corporations (MNCs) is rather blurry and perhaps a contributing factor to the low moral status of business. Considering these aspects this conceptual paper provides the following: First, we introduce a framework for aligning the activities in the field of business ethics in regard to compliance and integrity. Second, we illustrate the need for a convergence of both strategies. Third, we introduce an integrated model of business ethics in MNCs which is based on discourse ethics developed by Jürgen Habermas. We demonstrate that this Habermasian approach to managing business ethics is able to deal with cultural differences in MNCs and can bridge the existing gap between compliance and integrity, because it supports both strategies. (For more information, contact Dirk Ulrich Gilbert, University of New South Wales, Australia, d.gilbert@unsw.edu.au)

The Paradox of Corruption in China's Township-Village Enterprises: Toward a Duality Framework of Corruption in Transition Economies  
Peter Ping Li, California State University, Stanislaus

Reconciling and synthesizing the diverse views about the township-village enterprise (TVE) and local corporatism in the context of institutional changes in China as a transition economy, this paper seeks to provide a holistic, dynamic and dialectical explanation with regard to the duality or paradox of corruption for an integrated framework. The paradox of corruption lies in the duality roles of wealth creation (in the initial phase of transition) and wealth transfer (in the later phase of transition), as an inevitable result of the interplay between formal and informal institutions in a transition economy. We argue that a limited systemic corruption can be positive for a transition economy in the initial phase when the interplay between formal and informal institutions is largely well-balanced; however, a rampant systemic corruption will be negative in the later phase when the interplay becomes seriously ill-balanced. (For more information, contact Peter Ping Li, California State University, Stanislaus, USA, ptpli@toto.csustan.edu)

Market Liberalization, Corruption and FDI: A Rent Seeking Approach  
Ram Mudambi, Temple University  
Pietro Navarra, University of Messina and the LSE

In this paper we are interested in examining the inter-linkages between the various forms of opportunism in emerging markets economies and their impact on the activities of multinational corporations as represented by FDI flows. We argue that much of the opportunism in such economies can be seen as various forms of rent-seeking behavior and as rational responses to a given institutional environment. Our arguments have several important implications. First many ‘legal’ (e.g., lobbying) and ‘illegal’ (e.g. corruption) opportunistic behaviors are theoretically identical. Second, most of existing literature that reports a strong negative effect of corruption on FDI is based on a misspecification, since corruption is an effect underlying institutional factors and not a primary cause. Therefore, it is the level of economic regulation (or lack of economic freedom) together with the extent of corruption that explains the direction and extent of FDI flows. We use a sample of emerging market economies where the institutional set-up is still fluid to study our hypotheses. We find that once corruption is treated as endogenous (an effect rather than a cause), its effect on FDI flows is miniscule compared to the
effect the regulatory burden. (For more information, contact Ram Mudambi, Temple University, USA, ram.mudambi@temple.edu)

The Positioning of Global 500 Firms’ Virtuous Character: America, Europe and Asia
Rosa Chun, Manchester Business School

This study compares the different ethical characters of global firms by country and by industry of origin. A content analysis of the ethical statement of global 500 firms, drawn from the Petroleum, Banking, Food retail and Pharmaceuticals sectors, is presented in the form of a positioning map, using correspondence analysis. American firms tend to put most emphasis in Courage, while European firms tend to emphasize Integrity and Empathy more strongly. The profiles of Asian firms were closer to those of European firms than to the American ones. (For more information, contact Rosa Chun, University of Manchester, United Kingdom, rosa.chun@mbs.ac.uk)

Session: 1.3.3 - Competitive
Track: Track 2 - Forging Global Links

Alliances Acquisitions and Learning

Presented On: 7/10/2005 - 15:30-17:00

Chair: Joanne Oxley, University of Toronto
Discussant: Tony W. Tong, State University of New York, Buffalo

The Relationship between Alliance Formation and Termination: A Competitive Learning Perspective
Jun Xia, Texas Tech University

From a competitive learning perspective, I propose that the different types of alliance influence alliance durations. The study examined alliance longevity influenced by (1) equity vs. non-equity alliance, (2) cross-border vs. domestic alliance, (3) multiple-party vs. two-party alliance, (4) non-conventional vs. traditional alliance, (5) R&D vs. non-R&D alliance, and (6) Japanese partner vs. non-Japanese partner alliance. Based on a simple of alliances formed and terminated in 59 countries between 1985 and 2003, the results provide evidence of the significant impact of heterogeneous alliances on alliance duration. I found that equity alliances, cross-border alliances, R&D alliances, and alliances with a Japanese partner are more likely to last longer than their respective pairs. On the other hand, multiple-party alliances and non-conventional alliances are more likely to shorter duration than their respective pairs. (For more information, contact Jun Xia, Texas Tech University, USA, jxia@ba.ttu.edu)

The Scope of Knowledge Transfer: Evidence from US-Japan Alliances
Joanne E. Oxley, University of Toronto
Tetsuo Wada, Gakushuin University

This paper examines the scope of knowledge transfer achieved through different types of technology alliance, and asks whether different channels are substitutes or complements for international technology transfer. Prior research, both at the country and firm level, focusing on the choice among different alliance types indicates that licenses and joint ventures are imperfectly substitutable technology transfer channels. However, we argue that there are theoretical reasons to suspect some degree of complementarity among these alliance types. To investigate this issue, we examine knowledge flows resulting from patent in-licensing by Japanese firms. We find that cross-license agreements enhance the scope of knowledge flows to the Japanese licensee relative to unilateral licenses. Knowledge flow is further enhanced when the licensor and licensee are linked by a joint venture prior to initiation of the license. These findings suggest a complementarity between license agreements and joint ventures as international technology transfer mechanisms, and prompt us to call for more attention in future strategy research on the mix of alliance types in partner firms’ dyadic alliance portfolios; for international business and policy research, our research suggests the need for more detailed examination of the variety of
technology transfer channels and their effect on local firm capabilities. (For more information, contact Joanne E. Oxley, University of Toronto, Canada, oxley@rotman.utoronto.ca)

Building and Leveraging Knowledge Capabilities through Cross-Border Acquisitions
Manuel P. Ferreira, University of Utah
Stephen B. Tallman, University of Utah

We develop a conceptual knowledge-based model of cross border acquisitions. In this model we integrate the MNE's capabilities with its strategy for a focal acquisition to determine the structural outcome of the acquisition. We classify the MNE's capabilities into component and architectural capabilities (at the level of the business and of the location), and the knowledge strategies exploration and exploitation. We suggest that both the capabilities and the strategy of the MNE, through direct and moderating effects, determine the structural form of the acquisition. Specifically, we focus on the degree of equity acquired in a cross border acquisition and suggest that MNEs pursuing an exploration knowledge strategy are likely to acquire only a partial equity stake. In contrast, MNEs seeking to leverage their capabilities and hence pursuing a knowledge exploiting strategy are more likely to acquire the totality of the target’s equity. Interactive effects are also examined. Implications are advanced, as well as suggestions for additional research. (For more information, contact Manuel Portugal Ferreira, University of Utah, USA, pmgtmpf@business.utah.edu)

Session: 1.3.4 - Competitive
Track: Track 2 - Forging Global Links

Off-Shoring
Presented On: 7/10/2005 - 15:30-17:00

Chair: Charles D. Edelman, IHTC and Monmouth University
Discussant: Tina Dacin, Queen's School of Business

Offshore Outsourcing: An Integrative Framework for Competitive Advantage
Ben L. Kedia, University of Memphis
Somnath Lahiri, University of Memphis

The business landscape is currently witnessing widespread migration of routine functions from developed nations as U.S.A and Europe to several developing countries where cost of labor is low. This is happening as more and more firms embrace offshore outsourcing to survive in today’s highly competitive world. According to Forrester Research Inc., at least 3.3 million white-collar jobs and $136 billion in wages will leave the U.S by 2015 for lower cost destinations. Despite its current and anticipated future growth, the practice of offshore outsourcing has not received adequate attention in scholarly or practitioner-oriented literature. Of particular concern is the absence of a systematic explication of the nature of the offshoring process that would clarify the logic behind deciding what business activities to offshore and how the process contributes towards enhancement of the competitive advantage at the firm level. In this paper, we focus on the growing practice of offshore outsourcing, discuss its strategic implications, provide a matrix to methodologically select sub-activities of a firm’s value chain that can be offshored, and develop an integrative framework for enhancing firms’ competitive advantage. (For more information, contact Ben L. Kedia, University of Memphis, USA, bkedia@memphis.edu)

Antecedents of Inter-Country Variance of Outsourcing Practices: Culture and Institutional Context
Hussam A. Al-Shammari, University of Texas at Arlington

Based on a review of previous theoretical and empirical research on outsourcing, we develop a framework to explain antecedents of inter-country variance of outsourcing practices. Through this framework, we introduce two central factors that account for this variance: culture and institutional context. Six propositions are developed and research implications are presented. Throughout this paper, theoretical and methodological
suggestions are advanced to enhance our understanding of this organizational phenomenon. (For more information, contact Hussam A. Al-Shammari, University of Texas at Arlington, USA, hussam@uta.edu)

Inter-Firm Knowledge Sharing as a Source of Competitive Advantage in Global Supply Chains
Mee-Shew Cheung, The University of Tennessee
Matthew B. Myers, The University of Tennessee

Learning theories play a prominent role in new theories of competitive advantage. Despite the recent progress in understanding interorganizational learning (inter-firm knowledge sharing), gaps and shortcomings remain. Inter-firm knowledge sharing involves risks and dilemma. Little is known about the characteristics of global supply chain design that would encourage inter-firm knowledge sharing, and how these collaborative activities could lead to improving the long-term performance of the individual companies and the supply chain as a whole. Furthermore, previous studies on inter-firm collaboration mainly looked at operational efficiency as the key performance measurement. Customer value should be taken as a more critical criterion variable as firms are driven by more demanding customers, global competition, and slow-growth economies. Building from the resource-based view, transaction cost economics, relational exchange view, and political economy paradigm, this study seeks to provide insight to how firms commit their resources to engage in knowledge sharing activities with their overseas supply chain partners and implications on horizontal (i.e., cross-border) segmentation pertaining to firms' sourcing strategy. (For more information, contact Mee-Shew Cheung, University of Tennessee, USA, mcheung@utk.edu)

Session: 1.3.5 - Panel
Track: Track 4 - Economics, Finance and Taxation

Unlocking the Power of Securitization in Emerging Market Countries: The Case of Asia

Presented On: 7/10/2005 - 15:30-17:00

Chair: Laurent L. Jacque, Tufts University

Trials and Tribulations of Securitization in Thailand
Asavin Chintakananda, Former Senior Advisor and Senior Director, Asian Development Bank and Former Governor of the Stock Exchange of Thailand

Recent Development of Securitization in South-Korea: The Case of Kamco and the Cross-Border Securitization of Korean Non-Performing Loans
Jacob Hook, Mercer Oliver Wyman

Patrick Shena, Tufts University

Securitization and the Wealth of Nations
Myron Glucksman, President, Myron Glucksman Consulting and former Managing Director at Citigroup Corporate & Investment Bank

First pioneered in the US residential mortgage market more than 25 years ago the technology of modern securitization has truly revolutionized consumer finance in the United States and the United Kingdom. It is making a slow debut in most other countries in part because of the sophisticated legal infrastructure that it requires. By repackaging illiquid consumer loans such as residential mortgages, automobile and credit cards receivables – which are traditionally held by commercial banks, thrifts, finance companies or other financial institutions – into illiquid tradable securities, securitization is a more elaborate form of disintermediation that typically results into a lower cost of consumer finance.
And yet emerging capital market countries are only slowly availing themselves of the securitization technology and the tremendous cost of capital savings that it entails: this panel discussion will focus on the recent Asian experience – more specifically how South-Korea, China and Thailand are progressively unlocking the power of securitization.

Participating panel discussants will offer a brief synopsis of the recent experience of Korea, China and Thailand with securitization. Specifically each discussant will provide in 5-7 minutes recent updates on development prospects for securitization in their respective country before sketching a recent transaction that illustrate its powerful welfare benefits; the fourth discussant will provide an overview of the social benefits that securitization provide for emerging market countries in terms of a reduced cost of consumer finance. (For more information, contact Laurent L. Jacque, Tufts University, USA, laurent.jacque@tufts.edu)

Session: 1.3.6 - Competitive  
Track: Track 4 - Economics, Finance and Taxation

International Investments

Presented On: 7/10/2005 - 15:30-17:00

Chair: Len J. Trevino, Washington State University  
Discussant: Prasad Padmanabhan, St. Mary's University

International Investments by U.S. Financial and Manufacturing Firms  
Jongmoo Jay Choi, Temple University  
Eric C. Tsai, State University of New York, Oswego

International investments in the financial sector have lagged significantly behind the manufacturing industry. This paper examines patterns of international investments by U.S. firms in both financial and manufacturing industries. Estimation of FDIs in both industries indicates plausible explanations for this phenomenon. From a financial perspective, FDIs by financial firms are less sensitive to currency rate changes or financial and business risks than manufacturing firms, reflective of their superior risk management skills. Agency cost is also less important for financial firms. However, cost of capital and free cash flow are important for both manufacturing and financial firms. From an operational perspective, the lack of ownership advantages is a primary reason for the relative lagging of FDIs in the financial sector. These differences also show up in the cumulative market reactions for U.S. firms after the announcement of international M&As, which are positive but insignificant for financial firms, in contrast to positive and significant gains in manufacturing. (For more information, contact Eric C. Tsai, State University of New York, Oswego, USA, tsai@oswego.edu)

International Portfolio Flows and Information Asymmetry  
Dorothee J. Feils, University of Alberta  
Mark Huson, University of Alberta

Several models of international portfolio flows are based on the assumption of information asymmetry where foreign investors know less about a stock market than domestic investors (Brennan & Cao, 1997, Griffin et al. 2004). We propose that this information asymmetry is not uniform across different countries. We use three different proxies for the information asymmetry to examine its impact on international portfolio flows. Our results are consistent with the theory that information asymmetry is an important determinant of international equity flows and we are the first to show the importance of controlling for cross-country differences in the degree of information asymmetry. (For more information, contact Dorothee J. Feils, University of Alberta, Canada, dorothee.feils@ualberta.ca)
Foreign Investment, Corporate Ownership, and Development: Are Firms in Emerging Markets Catching Up to the World Standard?

Jan Svejnar, University of Michigan
Klara Sabirianova, University of Michigan
Katherine Terrell, University of Michigan

Development implies that the efficiency of local firms converges to that of firms in advanced economies. We examine this using 1992-2000 panel data on virtually all industrial firms in the Czech Republic and Russia. We also test hypotheses that only firms near the efficiency frontier catch up. We find that privatization to domestic owners did not improve efficiency and firms are not converging to the frontier. Firms closer to the frontier are not more likely to converge. Foreign-owned firms displace local firms at the top of the efficiency distribution due to faster learning, acquisitions of more efficient firms and higher efficiency of foreign startups. (For more information, contact Jan Svejnar, University of Michigan, USA, svejnar@umich.edu)

Session: 1.3.7 - Competitive
Track: Track 5 - Innovation and Marketing

Japanese Internationalization of R&D and Subsidiary Technology Sourcing in the U.S.

Presented On: 7/10/2005 - 15:30-17:00

Chair: Camilla Noonan, Rutgers University and University College Dublin
Discussant: Joan D. Penner-hahn, Wayne State University

Increasing Exploration: Evidence from International Expansion
Juan Alcacer, New York University
Heather Berry, University of Pennsylvania
Wilbur Chung, University of Maryland

While firms balance exploitation and exploration to maximize profits, specifics of how firms pursue this balance are scarce. We focus on how firms increase their exploration after obtaining greater capabilities and experience via sequential international expansion. Using Japanese manufacturing firms' investment into the US, we find that more experience and experience in locations thick with indigenous R&D activity leads firms to pursue greater exploration by adding their own R&D activity. Interestingly, the influence of location is differential; while firms that are more technically advanced are unaffected, less technically advanced firms tend to add their own R&D activity after gaining experience in locations with high indigenous R&D activity. The results suggest that technically lagging firms may leverage host country technical activity to strategically catch up with their more technically advanced competitors. (For more information, contact Juan Alcacer, New York University, USA, jalcacer@stern.nyu.edu)

The Relationships between Absorptive Capacity and Performance and Autonomy of Subsidiaries: The Cases of Japanese and European Multinationals in the United States
Seiko Arai, University of Oxford

The internationalization of research and development (R&D) has become an increasingly important issue for multinational companies (MNCs) in the past few decades with the emergence of new technologies and globalizing markets. However, the analyses of organization and process to enable ‘integrated network’ has been underdeveloped mainly because of the methodological problems in the international R&D research. Employing the patent data of 36 firms first filed in national patent offices and international organizations, this paper analyzes the absorptive capability (AC) of technological knowledge from the United States by Japanese and European MNCs. In particular, we examine 1) To what extent does the absorptive capability of a firm in the US have an impact on its performance in the US market? 2) What are the relationships between combination and sharing knowledge and autonomy of subsidiaries? 3) How are the degrees of information sharing and autonomy of subsidiaries related to the absorptive capability of a firm and its performance in the US market? The results
reveal that a complex balance of autonomy and control is the key to increasing AC in the US and contributing to the US market by utilizing the local technologies. (For more information, contact Seiko Arai, University of Oxford, United Kingdom, seikoa2003@yahoo.com)

Japan’s R&D Internationalization - A Path-Dependent Explanation
John Cantwell, Rutgers University and University of Reading
Yanli Zhang, Rutgers University

This article investigates the pattern of R&D internationalization of Japanese-owned firms by analyzing their patent data. Three themes emerge from the study. First, Japanese-owned firms are very strategic in international technology sourcing, focusing on the technological fields that are central to the current technological paradigm. Second, Japanese-owned firms have diversified their technological base through international technology sourcing. Third and which is also the most important, Japan has a very low level of R&D internationalization, unlike what should be expected from a technologically strong country. This surprising phenomenon is explained by an institutional characteristic specific to Japan -- the strong domestic inter-industry linkages, which have constrained Japanese-owned firms from internationalizing their R&D. A path-dependent explanation is given here, showing that the reason that these inter-industry linkages have become so deeply embedded into Japanese institutions and so hard to change is because they had been such a great source of strength during Japan’s earlier catch up experience. (For more information, contact John Cantwell, Rutgers University, USA and University of Reading, UK, cantwell@rbsmail.rutgers.edu)

Session: 1.3.8 - Competitive
Track: Track 6 - Internationalization of Services

Strategic Issues in Service Industries

Presented On: 7/10/2005 - 15:30-17:00
Chair: Mahmood A. Zaidi, University of Minnesota
Discussant: Elizabeth L. Rose, Victoria University of Wellington

When Can the Resource Based View Explain Small Firm Exporting? Comparing Services and Manufacturing
Rolf Mirus, University of Alberta
Barry Scholnick, University of Alberta

A variety of authors have recently suggested using the Resource-Based View (RBV) as a theoretical framework for explaining exporting of small and new firms. We argue here however, that the RBV will only be an appropriate theory if exporting is a key goal of the firm, or alternatively, if the firm is in an industry where exporting is usually expected. Contrary to RBV exporting theory, there are many new and small firms with high levels of resources, but who are not engaged in high levels of exporting simply because exporting is not a key goal of that firm, or in that industry. Using a large random sample (n=219) of small Canadian firms, our results are consistent with the RBV for firms with exporting in their business plans and also for firms in internationalized knowledge intensive service industries. However the RBV is not supported for firms without exporting in their business plans, of or for firms in locally focused manufacturing industries. These results are consistent with our hypothesis that the RBV exporting theory is in fact a useful framework for explaining small and new firm exporting, if exporting can be expected to matter to that firm. (For more information, contact Barry Scholnick, University of Alberta, Canada, barry.scholnick@ualberta.ca)

Finding Common Ground: Task Interdependence, Task Similarity and Distance Influences on Shared Integration Perceptions and Office Effectiveness
William Newburry, Rutgers Business School - Newark and New Brunswick
Naomi Gardberg, Baruch College
Generating common perceptions regarding strategic issues remains an important, yet underexamined component of MNC management. We find that interoffice task interdependence, task similarity and distance influence the degree to which office-level global integration perceptions are similar. We then show that shared perceptions between offices influences perceived office effectiveness. (For more information, contact William Newburry, Rutgers University, USA, newburry@andromeda.rutgers.edu)

Multi-Level Agency Issues in International Franchising
Carol A. Finnegan, Michigan State University

Information problems are present at each level of the supply chain. Hidden information problems occur when a partner fails to reveal or misrepresents its true characteristics before an arrangement is formalized. Hidden action problems result from a partner taking inefficient actions or providing distorted information about its true actions. Agency theory offers solutions and strategies for these information issues. Specifically, firms can utilize signaling, screening, information gathering efforts and incentives to counteract potentially opportunistic behaviors by partners. The author presents a theoretical framework that addresses simultaneous information asymmetries and develops propositions about these relationships in the context of international franchising arrangements. (For more information, contact Carol A. Finnegan, Michigan State University, USA, finneg10@msu.edu)

Session: 1.3.9 - Panel
Track: Track 7 - Managing Across Borders

JIBS 3 Lenses Panel: MNE Political Strategies, Experience with Corruption and Corporate Social Responsibility

Presented On: 7/10/2005 - 15:30-17:00

Chair: Jean Boddewyn, Baruch College, CUNY
Discussant: Lorraine Eden, Texas A&M University

Panelists:
Amy Hillman, Arizona State University
Peter Rodriguez, University of Virginia
Donald Siegel, Rensselaer Polytechnic Institute

Scholars who study multinational enterprises (MNEs) have drawn substantial attention to the complex relationship between international business and society. The rapid pace of globalization and ever-increasing volumes of international trade and investment, coupled with recent corporate scandals, have substantially heightened the importance of issues relating to politics, corporate social responsibility (CSR) and corruption. Compared to other international business topics, research on these three “lenses” on the MNE remains somewhat embryonic, with critical shortages regarding the frameworks, measurement methods and theory to be used.

Extant research on these three issues has developed in a parallel but autonomous fashion. This creates rich opportunities for integration and extension of disciplinary perspectives since the research questions that arise from consideration of these issues cut across numerous business disciplines (e.g., strategy, finance, accounting, marketing) and often benefit from insights drawn from other social-science disciplines (e.g., economics, political science, sociology, psychology and geography). Moreover, these topics are germane to countries at all levels of economic development and may be pursued via theoretical and empirical efforts both quantitative and qualitative.

The purposes of this Panel are to: (1) provide a critical review of the literature on these three topics; (2) offer guidelines and topics to the contributors of a future JIBS issue, and (3) generate feedback from scholars interested in the above three topics.
This panel is related to a special 2006 issue of the Journal of International Business Studies (JIBS) which will include the best papers dealing with THREE LENSES ON THE MULTINATIONAL ENTERPRISE: POLITICS, CORRUPTION AND CORPORATE SOCIAL RESPONSIBILITY under the co-editorship of Lorraine Eden (Texas A&M), Amy Hillman (Arizona State), Peter Rodriguez (Virginia) and Donald Siegel (Rensselaer Politechnic Institute). (For more information, contact Jean Boddewyn, Baruch College - CUNY, USA, jean_boddewyn@baruch.cuny.edu)

**Session: 1.3.10 - Competitive**  
**Track: Track 7 - Managing Across Borders**

### Entry and Expansion Strategies

**Presented On:** 7/10/2005 - 15:30-17:00

**Chair:** Carolyn B. Mueller, Stetson University  
**Discussant:** Carlos Garcia Pont, IESE Business School

*The Effects of Organizational Life Cycle and Unabsorbed Organizational Slack on FDI Decision*

Siah Hwee Ang, University of Auckland  
Jason Huang, University of Auckland

This study investigates the effects of organizational life cycle and unabsorbed organizational slack on a firm's decision to undertake foreign direct investment (FDI). Combining organizational life cycle and unabsorbed organizational slack to explain FDI provides a perspective that emphasizes the needs of firms for survival and growth as well as organizational constraints in managing international expansion activities. Organizational life cycle depicts the developmental path, while unabsorbed organizational slack reflects the resource conditions of the firm at the time of investment. Collectively, they reflect the co-evolution of the firm and its environment over time. Based on the sample of listed local manufacturing firms New Zealand and Australia, we find that firms in the later stages of their organizational life cycle are more likely to undertake FDI. We also find that the greater the unabsorbed organizational slack, the more likely a firm will conduct FDI. However, we do not find any interaction effects of these two constructs on FDI behavior. These results shed some light on the behavioral nature of FDI for growth and provide information for strategic management of international expansion activities. Various implications are discussed. (For more information, contact Siah Hwee Ang, University of Auckland, New Zealand, s.ang@auckland.ac.nz)

*The Survival and Market Share Performance of Foreign Invested Firms: Influences of Entry Timing, Mode, and Investment Size*

Gerald Yong Gao, University of Hong Kong  
Yigang Pan, York University  
Xiongwen Lu, Fudan University

In this study, we examine the effects of entry timing, mode, and investment size on the survival and market share performance of foreign invested firms. Using a longitudinal dataset of 25,513 foreign firms operating in multiple product sectors in China, we find that early entrants to a specific product sector can achieve higher market shares than late entrants. However, early entrants also have lower survival rates than late entrants. Entry mode and investment size affect foreign firms' survival rates and market share performance as well. The empirical results also provide some supporting evidence of the interaction effects between entry timing, mode, and investment size on the survival and market share performance of foreign firms. (For more information, contact Gerald Yong Gao, University of Hong Kong, Hong Kong, gaoyong@business.hku.hk)
Entry Timing and Performance of International New Ventures from Emerging Markets: Evidence from China, India, Mexico and South Africa

Eric Wood, University of Cape Town
Susanna Khavul, London Business School
Srinivas Prakhya, IIM Bangalore
Raul Velarde, IPADE
Congcong Zheng, London Business School

In this paper, we address a gap in the literature on entry timing and subsequent international performance of new ventures from emerging markets. We examined 343 owner-managed firms from China, India, Mexico, and South Africa—of these 47.5% qualified as international new ventures. Our findings suggest that international new ventures significantly outperform later internationalizers. That is, international sales intensity among international new ventures is more than twice that of later internationalizers. Contrary to evidence on international new ventures in industrialized countries, we found that unique knowledge assets do not provide the basis for international competitiveness among the firms in the sample. However, external knowledge flows from foreign customers proved crucial in early international market entry and in international sales intensity. Our findings suggest that later internationalizers appear to retain a strong domestic orientation well beyond the time of their first international sale. The results are consistent with the suggestion that later internationalizers experience significant inertia in adapting their routines to the requirements of international markets. (For more information, contact Susanna Khavul, London Business School, United Kingdom, skhavul@london.edu)

Session: 1.3.11 - Competitive
Track: Track 7 - Managing Across Borders

Learning and Expanding

Presented On: 7/10/2005 - 15:30-17:00

Chair: Dev K. Dutta, The University of Western Ontario
Discussant: Charles Dhanaraj, Indiana University

Strategic Ambidexterity in International Expansion: Exploration and Exploitation of Market, Product, and Organizational Boundaries

Preet S. Aulakh, York University
Mitrabarun Sarkar, University of Central Florida

International expansion entails local and distant search across geographical, product, and organizational boundaries. However, firms face a basic conundrum as to balancing the extent of exploration and exploitation to achieve superior performance. In this paper, we propose the concept of strategic ambidexterity and explore its role in managing these tensions across the three domains. Empirical results, based on the export activities of a sample of firms from Brazil, Chile and Mexico, show that a combination of exploration and exploitation strategies along product and market domains leads to superior performance. Furthermore, transgressing organizational boundaries through foreign alliances enhances the performance of firms exploring product or market boundaries but has no effects for firms exploiting these boundaries. (For more information, contact Preet S. Aulakh, York University, Canada, paulakh@schulich.yorku.ca)

Entrepreneurial Resources, Capability Building, and the Performance of International New Ventures During International Expansion

Shih-chieh Fang, National Kaohsiung First University of Science and Technology
Mei-Ching Huang, I-Shou University
Fu-Sheng Tsai, I-Shou University

This research articulates knowledge-based view to shed light on capability building for international new ventures (INVs). Trying to make conversation with the existing theory”, we view knowledge as an enabling
resource that are sufficient to explain INVs’ early and rapid internationalization. in other words, these entrepreneurial firms successfully displayed a specific pattern of knowledge and capabilities that engenders early internationalization and sustainable performance in foreign markets. Specifically, we aim at explaining the role of entrepreneurial resources in building the firm’s distinctive knowledge base and in achieving international growth. Our explication highlights the critical role of knowledge, as well as arguing that international entrepreneurial orientation and external social capital influence the acquisition and exploitation of capability, and that capability is a key resource driving the international growth of INVs. Employing a sample of 107 entrepreneurial high-technology ventures based in Taiwan, we examined the effects of their international entrepreneurial orientation and external social capital on capability building. The results suggest highly relevant practical implications for entrepreneurs: by fostering international entrepreneurial orientation within the firm and in external relationships, significant benefits can be achieved for the firm’s capability building and international growth. (For more information, contact Fu-Sheng Tsai, I-Shou University, Taiwan, fusheng_tsai@hotmail.com)

_How do Companies Learn to Acquire Internationally_  
Anna Nadolska, Erasmus University Rotterdam

In this paper we analyze what kind of experiences and routines are needed by internationalizing companies in order to increase the successfulness of their international acquisitions over time. By testing the learning effects in two ways (i.e. by the frequency with which foreign acquisitions are made and by their successfulness) we provide a rigorous explanation of the relationship between learning from experience and foreign acquisition performance. We also show that internationalizing firms might benefit from their experiences with domestic and foreign acquisitions as well as with foreign joint ventures when learning to make international acquisitions. (For more information, contact Anna Nadolska, Erasmus University Rotterdam, Netherlands, a.nadolska@uvt.nl)

*Enhancing Performance through Learning Orientation and Strategic Flexibility*  
Anthony S. Roath, The University of Oklahoma  
Rudolf R. Sinkovics, The University of Manchester, UK  
Timothy D. Landry, The University of Oklahoma

Research examining the relationship among learning orientation, strategic flexibility, and performance is assessed in an international setting focused on exporting manufacturers involved in contractual relationships with foreign distributors. Adopting a learning orientation – developing skills in creating, acquiring, and transferring knowledge – has generally been believed to significantly impact performance. In the current research, however, the relationship between learning orientation and performance was not direct, but found to flow indirectly through strategic flexibility. The results suggest that learning orientation develops a set of firm capabilities, such as flexibility, that eventually lead to enhanced performance. (For more information, contact Anthony S. Roath, University of Oklahoma, USA, asroath@ou.edu)

Session: 1.3.12 - Competitive  
Track: Track 8 - Managing People Across Cultures

_Cultures and Values_

_Presented On:_ 7/10/2005 - 15:30-17:00

_Chair:_ Oded Shenkar, Ohio State University  
_Discussant:_ Nakiye Avdan Boyacigiller, Sabanci University

_Cultural Values in a Changed World: A Test of Hofstede's Predictions_  
Gerhard Gniewosz, University of Sydney

This study re-visits Hofstede's cultural values by focusing on the extent to which these have changed in a changed world. Five propositions are stated, outlining Hofstede's predictions, one for each of the five culture
dimensions, in terms of score increases/decreases and convergence/divergence. The extent to which these predictions have been realized is examined, using data collected from Australian multicultural university alumni. Overall, the data shows that the nationalities represented have become more egalitarian (lower power distance scores) and more compassionate (lower masculinity scores). At the same time, they have become more individualistic (higher individualism scores) and more uncertainty avoidance conscious (higher uncertainty avoidance scores). In terms of long-term orientation, nationalities with long-term orientation scores in the Hofstede study (i.e. China and Hong Kong) have become more short-term oriented and short-term oriented nationalities (e.g. Australia) have become more long-term oriented. The findings of this paper have implications for the use of the Hofstede cultural values framework in future research. (For more information, contact Gerhard Gniewosz, University of Sydney, Australia, gniewosz@internode.on.net)

Psychic Distance: A Review of Empirical Research from 1988-2004
Peter Magnusson, Saint Louis University
Daniel W. Baack, Saint Louis University
Srdan Zdravkovic, Saint Louis University
Karin Staub, Saint Louis University

This article reviews the findings of 59 empirical studies on psychic distance and its effect on entry mode, entry sequence, and performance in the time period from 1988 to 2004. Based on a weak meta-analysis, a strong general negative effect of psychic distance is found. However, we also find trends toward a diminishing effect of psychic distance over time and for firm performance. It becomes clear that the psychic distance construct is still an integral component of international business, which should motivate future research on the topic. Suggestions for future research are provided. (For more information, contact Peter Magnusson, Saint Louis University, USA, magnusph@slu.edu)

An Analysis of Recurrent Conceptual Confusions in Cultural Management Research
Hamid Yeganeh, Laval University
Zhan Su, Laval University
Elie Virgile Chrysostome, Moncton University

This paper aims to discuss some major conceptual drawbacks encountered in cross-cultural management research. In this regard, seven principal issues are analyzed: the importance of culture and the way it is incorporated in research design, definition of culture, cultural orientations/dimensions, cultures change over time, culture at national and organizational levels, the way cultural differences are conceptualized, and the relationships between two interacting cultures. Based on extant literature, it is argued that many widely-employed conceptualizations in cross-cultural management research are misleading. Moreover, some suggestions for future research are provided. (For more information, contact Hamid Yeganeh, Université Laval, Canada, hamid.yeganeh@fsa.ulaval.ca)

User Attitudes and IT Performance in the US and Canada: Assessing Country, Culture, and Gender Effects
Susan K. Lippert, Drexel University
John A. Volkmar, Gettysburg College
Howard Forman, Drexel University

Research to date on information technology (IT) adoption has focused on predicting intended or actual usage in single-country samples. This study specifically addresses the international dimension of IT adoption with a cross-national sample of 366 US and Canadian IT users, integrating literature on IT management with that on cross-cultural differences. Culture-based predictions of similarities and differences in attitudes and IT performance within and between groups of users are tested. Results indicate a gender effect for the US but not Canada, and discuss the implications of attitudinal differences for managers charged with cross-border implementation and management of IT. (For more information, contact John A. Volkmar, Gettysburg College, USA, jvolkmar@gettysburg.edu)
Job Attitudes and Absenteeism: Global Roots and Local Links
Betty Jane Punnett, University of the West Indies
Dion Greenidge, University of the West Indies
Jase Ramsey, University of South Carolina

The relationships examined here are based on theories which have been well established in the developed world, especially the USA. These theories are examined in a specific developing country context. The research examined job satisfaction, commitment, and personal and cultural characteristics in relation to absenteeism, in five manufacturing firms in Barbados. Results are similar to those in the global research - job satisfaction and organizational commitment was negatively associated with absenteeism. Of the personal characteristics, only need for achievement was negatively associated with absenteeism. The most important single predictor of absenteeism was satisfaction with co-workers. The implications of the results are discussed in terms of expanding the global reach of established theories, and relative to decreasing absenteeism and improving productivity in Barbados. (For more information, contact Betty Jane Punnett, University of the West Indies, Barbados, eureka@caribsurf.com)

Variations in Negotiation Behavior: A Five-Country Comparison of Finland, India, Mexico, Turkey and the United States
Lynn E. Metcalf, California Polytechnic State University
Allan Bird, University of Missouri-St. Louis
Mahesh Shankarmahesh, University of Missouri-St. Louis
Zeynep Aycan, Koç University
Didimo Dewar Valdelamar, Tecnológico de Monterrey
Jorma Larimo, University of Vaasa

The effects of cross-cultural differences on international negotiation are widely acknowledged and there is substantial evidence that negotiating behaviors differ by culture. However, the only framework (Salacuse, 1998) to be empirically tested suffered from numerous shortcomings. Our study had three objectives: 1) establish the utility of the Salacuse framework in identifying country differences across five countries: Finland, India, Mexico, Turkey, and the USA; 2) identify the specific dimensions on which countries differ; 3) explore whether the ten negotiating dimensions can be organized into coherent subsets. Findings confirmed the utility of the 10 dimensions in identifying significant differences in negotiation orientations. Findings also point to the possibility of invoking an organizing set of categories to enable more conceptually coherent cross-national comparisons. (For more information, contact Lynn E. Metcalf, California Polytechnic State University, USA, lmetcalf@calpoly.edu)

Environmental Uncertainty and Risk-Taking Behavior: A Cross-National Comparison
Mona Verma Makhija, The Ohio State University
Seung-hyun Lee, University of Texas at Dallas
Dilek Zamantili Nayar, Marmara University

Risk taking is a critical component of managerial decision making. Although differences in risk taking behavior across national contexts have been identified in the literature, this work has only begun to explain the sources of such differences, providing mostly cultural explanations. The purpose of this research is to consider other influences on risk taking behavior across countries, including those that have similar as well as differential
affects. In this regard, we examine personal, organizational and environmental factors that can affect the desire to take risks. Our findings, based on managers in countries located in three continents that differ in level of development and environmental uncertainty, indicate that decisions to take risks in five risky situations are influenced by personal, organizational as well as environmental factors. These results suggest that the focus on culture in explaining cross-national differences in risk-taking may mask personal, organizational and environmental influences in this regard. (For more information, contact Mona Verma Makhija, Ohio State University, USA, makhija_2@cob.osu.edu)

Session: 1.3.14 - Panel

**BALAS Special Session : International Business in Latin America**

**Presented On:** 7/10/2005 - 15:30-17:00

**Chair:** Robert Grosse, Thunderbird

*Corporate Responses to Terrorism in Latin America*
Joseph Ganitsky, Loyola University New Orleans

*Institutional Determinants of the Argentinian Crisis: a Systemic Approach*
Guillermo Cardoza, Instituto de Empresa

*Mergers and Acquisitions: Empirical Evidence in Chile*
Carlos Maquieira, Univ de Chile
ABSTRACTS FOR MONDAY, JULY 11, 2005

Session: 2.1.1 - Panel
Track: Track 1 - Context of Global Business

International Entrepreneurship: Opportunities for Conceptual and Empirical Advancement

Presented On: 7/11/2005 - 08:30-10:00

Chair: Richard W. Wright, University of Richmond and Athens University of Economics and Business

Internationalization: Conceptualizing an Entrepreneurial Process of Behavior in Time
Marian V. Jones, University of Glasgow
Nicole Coviello, University of Auckland

Future Research Directions on the Phenomenon of Born-Global Firms
Gary A. Knight, Florida State University

A Capabilities Perspective on the Effects of Early Internationalization on Firm Survival and Growth
Harry J. Sapienza, University of Minnesota

Internationalization and the Development of Dynamic Capabilities in Start-Ups
Erkko Autio, HEC University of Lausanne

The objective of the AIB panel session proposed here is to move further toward a research agenda with draws together international business and entrepreneurship. The panel consists of distinguished scholars at the leading edge of international entrepreneurship research. After a brief background summary of the evolution of international entrepreneurship research by Richard Wright, the panel chair, Marian Jones and Nicole Coviello will present the main concepts of their paper, “Internationalization: Conceptualizing an Entrepreneurial Process of Behavior in Time,” forthcoming in JIBS. They will introduce new research models, explaining how they extend prior international business research and how they may contribute to a future research agenda. From that common departure point, the other panelists will extend and broaden the international entrepreneurship research agenda by contributing insights from their own current work in the field. We hope to elicit additional input from members of the audience. Concluding remarks from the chair will summarize and synthesize the discussion. (For more information, contact Richard W. Wright, University of Richmond and Athens University of Economics and Business, USA, rwright@richmond.edu)
Perfect Match in an Imperfect Market Environment: An Investigation of Political Representative Strategy of International Telecommunications Operators in China

Mary Leung, Leeds Metropolitan University

Conventional international business theory argues that the non-market environment has exerted a tremendous influence on the internationalisation of firms. However, the empirical study of non-market behaviour of firms on their market entry is inadequate. Most research centres on the activities in the US political environment, with a few studies conducted in the European setting in recent years. Study of corporate political activities in emerging countries (in which there is a higher uncertainty in non-market environment) has drawn little attention on the part of international business scholars. This study therefore attempts to use an exploratory research method to investigate corporate political strategy of 19 international telecommunications operators (ITOs) in China where the formal channel for political communications is absent. The finding reveals a relationship-approach strategy was adopted by most of the foreign telecommunications operators. However, the choice of political agents or intermediates varies among the international operators. The results suggest that telecommunications operators with greater non-market experience are able to utilise different political agents or intermediates internally and externally to conduct political activities in the host. Indeed, among these agents or intermediates it is the chief representative, who in charge of the operators’ political communications in China. (For more information, contact Mary Leung, Leeds Metropolitan University, United Kingdom, ecowml@yahoo.com)

Managing Political and Institutional Risk in Emerging Economies: Implications for Ownership Structure and Political Influence Strategy

Kalpana Seethepalli, George Washington University
Jonathan Doh, Villanova University

Institutional and political risks, while distinct, have generally been treated as analogous for purposes of assessing their impact on the ownership structures of foreign investments and the ability of investors to access influential political actors. In this research note, we draw a conceptual distinction between institutional and political risk, and predict how each will differentially influence the preferred ownership structure and political influence strategies of multinational corporations (MNCs) entering emerging and transition economies. We draw implications for transaction cost theory, which we argue must be adapted or re-specified to capture the distinction between political and institutional risks. (For more information, contact Kalpana Seethepalli, George Washington University, USA, kalpanac@gwu.edu)

Policy Transfer and Convergence: Implications for Corporate Political Strategy

Terrence Guay, Pennsylvania State University
Jonathan Doh, Villanova University

In this paper, we integrate literatures from sociology and political science on institutional structure and change to explicate the process of cross-national policy transfer and its implications for corporate political strategy. We identify three distinct mechanisms of policy transfer - harmonization, imposition, and diffusion - and argue that under each of these processes, policymakers are subject to different political motivations and therefore responsive to the appeals of different actors. We suggest corporate political strategies designed to advance transfer are more successful when they acknowledge these motivations and actors and are organized to respond to them. We use the example of pressures for greater convergence in antitrust policies among the
United States, Europe, and Japan to illustrate our model. (For more information, contact Terrence Guay, Penn State University, USA, trguay@psu.edu)

Session: 2.1.3 - Competitive  
Track: Track 2 - Forging Global Links

**Partner for Alliances**

**Presented On:** 7/11/2005 - 08:30-10:00

**Chair:** Andreas Michael Klossek, Freiberg University of Mining and Technology  
**Discussant:** Raed Elaydi, UNC-Chapel Hill

**Is Experience Valuable in International Strategic Alliances?**  
Shao-Chi Chang, National Cheng Kung University  
Jung-Ho Lai, Southern Taiwan University of Technology, National Cheng Kung University

This study investigates the wealth effect of various types of experience in international strategic alliances. The findings suggest that general experience is positively associated with the wealth gains of ISAs. Firms experience strong wealth gains when they have similar experience in collaborating with partners from the same sociocultural group, or with partners from countries of similar development status. We find firms also benefit from prior experience in similar types of alliances. Finally, we document strong evidence that experience become more important as the environmental uncertainty and activities complexity increases. (For more information, contact Shao-Chi Chang, National Cheng Kung University, Taiwan, schang@mail.ncku.edu.tw)

**What About the ‘Other Firm?’ A View on Alliance Formation in Emerging Markets from the Perspective of the Host Firm**  
R. Michael Holmes Jr, Texas A&M University  
Tim R. Holcomb, Texas A&M University

This work examines bargaining power in strategic alliances between firms from emerging markets (host firms) and firms from developed markets (foreign firms). Specifically, we integrate research in international business, strategic management, and organization theory to present a model of the host firm's bargaining power in a strategic alliance with a foreign firm. We suggest that the bargaining power of the host firm is positively related to the resources made available by its social relationships with other local firms and with host country government institutions. This association is strengthened when the resources provided by the host firm’s social relationships are complementary to those provided by the foreign firm, when the two firms share congruent goals, and/or when the host firm’s absorptive capacity is greater than that of the foreign firm. Finally, we offer a new perspective on the performance implications of bargaining power in strategic alliances and suggest conditions under which the exercise of bargaining power may reduce firm performance. (For more information, contact R. Michael Holmes Jr., Texas A&M University, USA, mholmes@mays.tamu.edu)

**A Resource Based View of the Firm’s Negotiation Skills Impact on its Performance through the Life Cycle of a Global Horizontal Equity Alliance**  
Eman Elshenawy, Washington State University

According to RBV, an equity-horizontal alliance has five-stage lifecycle, in which the resource profile of a eah partner determines its outcome. Thus, in the lifecycle of a bilateral global horizontal equity alliance (HA), between a local small-young partner (SYP) and an international larger-older partner (LOP), the SYP poor resource profile would force it to have less outcome compared to its LOP. This paper introduces a conceptual model assumes that negotiation skills of the SYP, which are an intangible resource, could moderate the negative correlation between SYP poor resource profile and outcomes. If employed correctly, negotiation skills could increase the SYP outcome from each stage of the alliance and enhance its final performance. (For more information, contact Eman Lotfy Elshenawy, Washington State University, USA, eman@wsu.edu)
The Abandonment of Joint Venture as a Dominant Entry Strategy in China: A Negative Diffusion Approach
Jun Xia, Texas Tech University

This article examines the strategy abandonment of joint venture as a dominant entry mode of foreign firms entering China. Drawing from studies on strategy abandonment and foreign entry strategy, as well as neoinstitutional theory, I argue that the abandonment process may be caused by three factors: (1) negative diffusion within three reference groups of organizations, (2) the rise of competing modes of entry, and (3) policy uncertainty. The three reference groups of organizations are: (1) firms from the same home country, (2) firms from the same acquirer industry, and (3) firms entering the same target industry. I also argue that there is a negative moderating effect of policy uncertainty on this abandonment process. Testable propositions are derived by using a negative diffusion approach. (For more information, contact Jun Xia, Texas Tech University, USA, jxia@ba.ttu.edu)

Neo-institutional Approaches to Understanding International Non-equity Alliances: Contractual Safeguards, Credible Commitments and Dispute Resolution in Contractual Joint Ventures in China
Yue Wang, University of New South Wales
Stephen Nicholas, University of Sydney

International alliances, equity and non-equity, are arrangements for transferring resources cross borders, including multi-site production. Within alliances, resource transfer is problematic and subject to dispute, due to contract incompleteness, bounded rationality and opportunism. Managers design formal and relational contractual safeguards and make credible commitments to ensure cross-border transfer of resources for sales and production. This paper develops a framework that links contractual safeguards and credible commitments for resource transfer and to dispute resolution approaches in a specific type of non-equity alliances in China, contractual joint ventures (CJVs). Drawing on data from structured interviews, the paper analyses the changes in credible commitments, specified both in the formal and relational elements of the CJV alliance. The paper also examines how contractual safeguards and credible commitments attenuated CJV disputes and influenced the choice of legalistic and cooperative dispute resolution approaches. Finally, the paper explains how the types of disputes resulted in partners increasing their satisfaction with the CJV’s performance, but dissatisfaction with the alliance relationship. (For more information, contact Yue Wang, University of New South Wales, Australia, yue.w@unsw.edu.au)

Investing in China: A Network Perspective on the Diffusion of Foreign Market Entry Decisions Across Countries
Jiatao Li, Hong Kong University of Science and Technology
Jing Yu Yang, Hong Kong University of Science and Technology
Deborah R. Yue, Hong Kong University of Science and Technology

Embracing a network perspective, we demonstrate that two different forces exert impacts on the diffusion of foreign market entry decisions of multinational corporations (MNCs) in a host country. On one side, MNCs from home countries that have cohesive trade ties with each other tend to adopt similar foreign entry strategies through close and enduring interactions. On the other side, MNCs from home countries that have equivalent pattern of trade relations with a host country tend to develop comparable entry decisions, even though they may not have direct interactions. We further illustrate the two forces – cohesion and structural equivalence in
trade – are to some extent supplementary in driving the diffusion of MNCs' foreign market entry decisions. Finally, we found that the two network-based diffusion forces are strengthened in highly uncertain situations. Findings based on data of FDI entries in 28 manufacturing industries in China from 62 home countries over the 1979-95 period generally corroborate our hypotheses on this cross-national FDI diffusion dynamics. Implications for network and international management research and for managers faced with foreign entry decisions are discussed. (For more information, contact Jiatao Li, Hong Kong University of Science and Technology, Hong Kong, mnjtl@ust.hk)

Session: 2.1.5 - Competitive
Track: Track 3 - Growing Local Roots

Human and Social Capital: Bridging Local and Global

Presented On: 7/11/2005 - 08:30-10:00

Chair: Stephen B. Tallman, University of Utah
Discussant: Jonathan Brookfield, Texas A & M University

Diversity, Human and Social Capital as Location Determinants: Evidence From the Indian IT Industry
Florian A. Taeube, JW Goethe University

The growth of Indian IT has received lots of attention. Although most studies cover South Indian locations, clustering has become a research issue only recently. This paper focuses on Bangalore – a major Indian IT cluster; the approach pertains to economic geography and international business. I emphasize human capital complemented with social capital and diversity. The main hypothesis is that a combination of both these extreme forms of social networks have helped in the evolution of Bangalore as a successful location; it has been developed from a multi-disciplinary literature survey and interview fieldwork in Bangalore. A high affinity to education led to the generation of more human capital which generated two positive feedback loops. Firstly, the establishment of national research and higher education institutes, resulting in a large inflow of people from very diverse backgrounds. This diversity provided the required setting for creativity and innovation. Secondly, transnational networks linking Bangalore with Silicon Valley are dominated by people from South India, allowing for additional knowledge spillovers from lead markets; hence corroborate the regional clustering of more innovative branches within IT. Managerial implications concerning location decisions call for thorough scrutiny of human capital and networks available in potential investment destinations. (For more information, contact Florian A. Taeube, JW Goethe University, Germany, taeube@wharton.upenn.edu)

The Differential Effects of Social Capital Types on Internationalization
Shameen Prashantham, University of Strathclyde

We explore theoretically the effects of social capital types on internationalization by extending the emerging integrative knowledge-based framework in the literature which has increasingly incorporated the role of networks. The central argument is that four types of social capital classified on the basis of social homogeneity (bridging/bonding) and geographic proximity (local/foreign) influence internationalization - and its knowledge determinants - but differentially. While foreign bridging social capital is vital to internationalization in many ways, we also argue for the utility of foreign bonding social capital (such as ethnic ties overseas) and local bridging social capital (such as linkages with locally based multinational subsidiaries) which appears to be under-recognized by scholars, and perhaps even practitioners. (For more information, contact Shameen Prashantham, University of Strathclyde, United Kingdom, shameen@gsb.strath.ac.uk)
The Role of Multinational Firms in Human Capital Development: A Case in Point
Michael Hilb, University of St. Gallen
Florencia Roitstein, INSEAD

It is often argued that multinational enterprises contribute to human capital development in emerging countries by training local staff and supporting political reform processes. Empirical evidence on these effects, however, is rather ambiguous. One reason may be that enterprises pursuing the profit maximization maxim tend to minimize local spillover effects, especially if potential competitors might benefit. In a departure from previous research on spillover effects, this study focuses on the potential impact of corporate social responsibility motivated training initiatives on human capital development. From a corporate social responsibility point of view, the scope of these initiatives goes beyond pure compliance with labor standards or philanthropy. Rather, these initiatives usually pursue a more comprehensive approach by aiming at developing country-relevant skills and targeting a wider population. The study analyzes a case in point by outlining different patterns of involvement and providing a preliminary impact assessment. (For more information, contact Florencia Roitstein, INSEAD, France, florencia.roitstein@insead.edu)

Moderating Effects of Culture in Transfer of Knowledge: A Case of Danish Multinationals and their Subsidiaries in P. R. China and India
Verner Worm, Copenhagen Business School
Xiaojun Xu, Fudan University
Jai Sinha, ASSERT Institute of Management Studies

By drawing on a selective review of literature, we propose that the culture of Danish multinationals and transnational organizations interface with the Chinese and Indian societal and managerial cultures in order to create hybrid cultures in Danish subsidiaries in P. R. China and India. The hybrid culture moderates the relationships between the forms of knowledge and internationalization of multinationals on one hand and the transfer of knowledge on the other. It is postulated that stable cultural frames of the Danes and Chinese managers, both having stable cultural frame, will require long drawn efforts to overcome the cultural distance and transfer the various forms and levels of knowledge in the initial years of the subsidiaries. On the other hand, Indians’ style of switching their cultural frames will create less entry problems but more recurring problems once Danish multinationals will get going. Once the postulates are empirically validated, potential implications for strategic interventions are briefly discussed (For more information, contact Verner Worm, Copenhagen Business School, Denmark, vw.int@cbs.dk)

Session: 2.1.6 - Competitive
Track: Track 4 - Economics, Finance and Taxation

Real Options (II)

Presented On: 7/11/2005 - 08:30-10:00
Chair: Harvey Arbeláez, Monterey Institute of International Studies
Discussant: Reid W. Click, George Washington University

Real Option Theory and International Business: A Critical Review
Jing Li, Simon Fraser University

The application of a real options approach to international business (IB) has surged in recent years. Although it is still a relatively new and loosely defined field, several developments have advanced the prospect for this approach in IB. But there are several constraints on practical applications of this powerful methodology. As more researchers move to this area, there is a need to develop a concise overview of the real options approach in IB, assess its theoretical and empirical contributions, and provide some broad directions for future research. This paper provides a systematic analysis of theoretical and empirical contributions over the last two decades relating to three critical issues in IB: (1) valuing multinationality, (2) assessing market entry modes, and (3)
evaluating market entry timing. Finally, the paper suggests that IB researchers can leverage the potential of real options for a refined treatment of uncertainty, a persistent feature in the international arena. (For more information, contact Jing Li, Simon Fraser University, Canada, jingli@sfu.ca)

**Explaining the Sources of Valuable Growth: A Multi-Country Analysis**

Tony W. Tong, State University of New York at Buffalo
Todd M. Alessandri, Syracuse University
Jeffrey J. Reuer, University of North Carolina
Asda Chintakananda, University of North Carolina

Recent international business strategy research emphasizes the importance of understanding the co-location of different places and different types of firms. We contribute to the research by providing empirical evidence that the interplay of locations and firms matter substantially in explaining the cross-country variation in firms’ valuable growth. We draw upon research in real options to estimate firms’ growth option value that is a proxy for firms’ valuable growth. Results based on a variance components analysis reveal that country-industry effects are the second largest source of the variation following firm effects, while industry effects and country effects are relatively small when considered in their own right. That valuable growth options can be attributed in a large magnitude to the interaction between different countries and different types of firms has significant implications for research in international business strategy and real options. (For more information, contact Tony W. Tong, State University of New York, Buffalo, USA, wttong@buffalo.edu)

**Real Options and FDI Theory**

Jing Li, Simon Fraser University
Alan M. Rugman, Indiana University

We utilize real option modeling to examine two important topics in international business: 1) the conditions under which an multinational enterprise (MNE) prefers a location in its home region than in a non-home region, and 2) the conditions under which each market entry mode (export/licensing, joint venture (JV) or wholly owned subsidiary (WOS)) is optimal. The main results derived from the real option models include: 1) The lower real options in non-home-region locations, the more likely that an MNE chooses to establish a location in its home region; 2) the lower capability that an MNE has in exercising real options in non-home-region locations, the more likely that an MNE chooses to establish a location in its home region; 3) the more likely that market price volatility is an exogenous uncertainty, the more likely that export/licensing is preferred over a JV/WOS; 4) the more likely that market price volatility is an endogenous uncertainty, the more likely that a JV/WOS is preferred over export/licensing. (For more information, contact Jing Li, Simon Fraser University, Canada, jingli@sfu.ca)
Most recent studies of corporate governance focus on the impact of governance factors on firm performance. However, these performance outcomes are a function of the strategic choices made by firms, which suggests it might be useful to consider the relationship between corporate governance factors and particular strategic decisions. One example is the decision to undertake foreign direct investment (FDI). This paper extends the existing literature by investigating the effects of governance factors on the decision to undertake FDI. In particular, we assess the impact upon the FDI decision of (a) the extent of family control, (b) the presence of domestic and foreign institutional shareholders, and (c) the composition of the Board of Directors, using a sample of 228 publicly-listed firms in Taiwan. (For more information, contact Roger Strange, King's College London, United Kingdom, roger.strange@kcl.ac.uk)

Using data from US multinational company affiliates in 62 countries, this paper examines the determinants of foreign subsidiary capital structure choice. We find that MNC affiliates in countries with low credit availability, poor creditor protections, high political risks, and high inflation are found to bear high interest costs. In addition, multinational affiliate debt ratios are high in high tax countries and affiliates in countries with high (low) credit availability, a high (low) corruption perception index, low (high) political risks and high (low) currency depreciation are found to carry high external (parent) debt ratios. Thus, our findings suggest that affiliates substitute external debt with parent debt in countries with poor institutional features; using internal capital markets to overcome weak institutional environments. We also find that currency depreciation, credit availability, and common law countries are negatively associated with the use of parent (relative to external) debt. Finally, before controlling for other country variables, multinationals seem to adapt to local capital structure norms but the influence of local norms disappears when host country characteristics are included in the estimates. (For more information, contact Raj Aggarwal, Kent State University, USA, raggarwa@kent.edu)

This paper examines for the first time, the capital structure of the Spanish multinational companies (MNCs), using a sample group of 277 MNCs and 569 domestic companies. We conclude that the Spanish multinationals are more indebted than the domestic companies. This result contrasts with the one obtained with the available empirical evidence referring to multinationals from other geographical origins. This singularity can be explained by the pecking order theory, a theoretical contribution not utilized by the published literature on the determinants of the multinational's capital structure. In the case of Spanish multinationals, due to asymmetry of information and to institutional constraints a pecking order strategy was the option followed to finance their
Strategic R&D Location by Multinational Firms: Spillovers, Technology Sourcing, and Competition

René Belderbos, Katholieke Universiteit Leuven
Elissavet Lykogianni, Katholieke Universiteit Leuven
Reinilde Veugelers, Katholieke Universiteit Leuven

We analyze strategic interaction in R&D internationalization decisions by two multinational firms competing both abroad and in their home markets and examine different incentives for foreign R&D faced by technology leaders and technology laggards. The model takes into account the impact of local inter-firm R&D spillovers, (non-costless) international intra-firm transfer of knowledge, and the notion that internal R&D increases the effectiveness of incoming spillovers. Greater efficiency of intra-firm transfers and greater spillovers increases the attractiveness of home R&D to the technology leader. The lagging firm in contrast increases the share of foreign R&D as overseas technology sourcing becomes more effective. Greater product market competition encourages the leading firm to engage in foreign R&D to capture a larger share of profits on the foreign market, while laggards concentrate more R&D at home to defend their home market position. The country with a stricter intellectual property rights regime attracts larger shares of R&D by both leader and laggard. (For more information, contact Elissavet Lykogianni, Katholieke Universiteit Leuven, Belgium, elissavet.lykogianni@econ.kuleuven.ac.be)

The Internationalization of Japanese Pharmaceutical Research and Development

Joan D. Penner-Hahn, Wayne State University

While many researchers have noted the existence of international research and development activities, very little attention has been devoted to developing a theoretical explanation of which firms in an industry expand their research activities abroad. In this paper, I propose and test a theoretical explanation for this phenomenon based primarily on the transactions cost and evolutionary economics perspectives. I examine the role that market experience and two types of technological capability, research capability and complementary technical skills, play in explaining the establishment of a foreign research and development facility. I find that incumbent firms and new entrant firms respond to different incentives. For the incumbent pharmaceutical firms, their foreign market presence, research capability, and complementary technical skills assets influence their establishment of foreign research and development, while new entrant firms are only influenced by their foreign market presence assets. Incumbent firms are most influenced by their complementary technical skills. (For more information, contact Joan D. Penner-Hahn, Wayne State University, USA, jdph@wayne.edu)

MNEs Strategies of Internationalisation of Production and R&D Investment in an Integrated Graphical Framework Accounting for the Nature and the Speed of the Learning Process

Mário Alexandre Silva, Faculdade de Economia da Universidade do Porto
Aurora A. C. Teixeira, CEMPRE, Faculdade de Economia da Universidade do Porto

Existing illustrations of the learning phenomenon either stress the relationship between flows and stocks, neglecting the chronological time variable, or the speed of knowledge accumulation along time, neglecting the nature of the underlying learning process. In this paper we present a graphical depiction stressing, in an explicit...
way, both the nature of interplay between flows and stocks and the intensity of the learning process. The four-quadrant graphs that we develop overcome considerable simplification in literature by deriving, by construction, a measure of dynamic gains of knowledge following the interplay of stock of scientific and technological knowledge and the flow of effort in R&D. This scheme is then applied to study the internationalisation of production and R&D, which are strategies followed by multinational firms. (For more information, contact Aurora A. C. Teixeira, Universidade do Porto, Portugal, ateixeira@fep.up.pt)

Session: 2.1.9 - Competitive  
Track: Track 5 - Innovation and Marketing

**Born Global Firms**

**Presented On:** 7/11/2005 - 08:30-10:00

**Chair:** Sergio Willian Carvalho, Baruch College, CUNY  
**Discussant:** Ahmet H. Kirca, George Washington University

**How Small Born-Globals Overcome Constraints**  
Susan Freeman, Monash University, Australia  
Ron Edwards, Monash University, Australia  
Bill Schroder, Monash University, Australia

We identify key constraints facing small born globals: lack of economies-of-scale; lack of resources (financial and knowledge); and aversion to risk-taking. We explore how they overcome them, achieving superior performance, through entrepreneurial and managerial knowledge, contributing to specific understanding of organizational capabilities of small born globals and small firms generally. (For more information, contact Susan Freeman, Monash University, Australia, susan.freeman@buseco.monash.edu.au)

**The Impact of IT Capability on Born-Global SMEs: Evidence from China**  
Man Zhang, Bowling Green State University  
Jim Mccullough, University of Puget Sound

Born-global SMEs are an emerging phenomenon. In order to compete in the international market, they heavily invest in information technology (IT). Yet, little evidence shows SMEs benefiting from IT investment. This study proposes that born-global SMEs need to develop IT capability to increase their export performance. Drawing from resource based theory and information systems (IS) literature, the authors develop the scale to measure IT capability. Using structural equations modeling with data collected from managers from 121 firms in China, results show that the three components of IT capability are all significantly related to export performance. (For more information, contact Man Zhang, Bowling Green State University, USA, frank_lee_man@yahoo.com)

**Do Born Global Firms Represent a Truly Distinct Type of Organisation?**  
Douglas Dow, Melbourne Business School

Using two extensive surveys of Australian exporters, this paper explores two issues. First of all, it tests whether born global firms truly represent a distinct type of organisation by examining the pattern of early market selection. The results indicate that born global firms do indeed behave in distinct fashion; and thus, are worthy of independent study. In light of this result, the authors then test whether many of the generalisations and theories that have been put forward over the past decade to explain why some firms behave in a 'born global' manner, while others do not, hold across a broad population of such firms. (For more information, contact Douglas Dow, Melbourne Business School, Australia, d.dow@mbs.edu)
The Shift Towards Services

Karl P. Sauvant, Division on Investment, Technology and Enterprise Development, UNCTAD

This presentation will review the range of services exported from developing countries, although generalizations as to national or corporate policy are difficult to make. Relatively few emerging countries are significant exporters, with exports concentrated in under 20 countries, with only a handful accounting for over two thirds. I will propose hypotheses for this concentration and then tackle the question of the determinants of comparative advantage. Again, services being so disparate, only a few country-level factors apply in common. There is also concentration in the destination or import countries. Reasons will be explored. I will end with a prognosis, a review of what national policy measures could further promote growth in service exports, and a summary of benefits and costs for exporting and importing countries. (For more information, contact Karl P. Sauvant, Division on Investment, Technology and Enterprise Development, UNCTAD, Switzerland, karl.sauvant@unctad.org)

Implications for IB Theory

Yair Aharoni, University of Tel Aviv

FDI stocks and flows have seen a substantial shift towards services and, within services, towards business services, telecommunications, electricity and water services. What drives this shift? What is the impact of this shift on host countries? What are policy implications? What are future developments likely to be? This presentation will discuss the salient features of the shift towards services and its policy implications.

Services Exports from Emerging Markets

Farok Contractor, Rutgers University

The increasing globalization of services should lead to an examination of the relevance of received theory of international trade and of international business to this new phenomenon. Services are extremely heterogeneous and also not very well defined. An important issue is to agree on definitions used in building theory. Specifically, many services are embodied in goods, and many of the firm specific advantages of manufacturing firms stem from expertise in services such as marketing or design. IB theory should address such questions as: Why have some services become global earlier than other services? Thus, why is accounting global and much of the auditing of large firms is done by the Big Four while law firms are less global? Why is it that universities did not become transnational and those that did expand abroad are not those considered the best? What is the impact of regulations on the degree of globalization? These and other questions will be elaborated. The presentation will suggest several strands of possible research avenues for scholars of IB.

The Impact of Ownership and Location Factors on the Internationalization of Service Transnationals into Transition Economies: An Empirical Study

Sumit K. Kundu, Florida International University
Vikas Kumar, Bocconi University
Susan Peters, California State Polytechnic University

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 FDI from industrialized countries to central and
eastern European countries. This is one of the pioneering research studies on services FDI 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 the internalization for service TNCs seeking to enter into the Czech Republic, Hungary and Poland.

Session: 2.1.11 - Panel
Track: Track 7 - Managing Across Borders

*Networks in International Management Research: Assessing Progress, Opportunities and Challenges*

Presented On: 7/11/2005 - 08:30-10:00

Chair: Charles Dhanaraj, Indiana University
Discussant: Julian Birkinshaw, London Business School

*The Embedded Multinational – The Uppsala Research Program on MNEs*
Ulf Andersson, Uppsala University
Mats Forsgren, Uppsala University
Ulf Holm, Uppsala University

*Multinational Corporation Networks: Practices and Performance*
Anthony Goerzen, University of Victoria

*Centres of Excellence: Network Research on European MNCs*
Torben Pedersen, Copenhagen Business School
Ulf Holm, Uppsala University

*Learning and Knowledge Management through External Networks*
Nicholas Athanassiou, Northeastern University
Martha Maznevski, University of Virginia

*Geography and Networks: Effect on Innovation and Knowledge Diffusion*
Jasjit Singh, INSEAD, Singapore

*Geographical Movements, Social Networks, and the New Species of Multinationals*
Ivo Zander, Uppsala University

*Network Imprinting: Impact of Social Networks on New Venture Internationalization*
Charles Dhanaraj, Indiana University
Stephanie Fernhaber, Indiana University

The core objective of the panel is to provide a forum to assess the conceptual and methodological advances and challenges in network oriented research in international business, with a view to explore/find opportunities for cross-fertilization of the research paradigms in order to advance the state of the art in international management research. There are myriad ways in which ‘networks’ have been conceptualized and operationalized in international management research, which inherently provides a rich context for networks. By bringing together researchers that are working on different research questions, we hope we can inform one another, learn from each other and eventually find a way to advance the state-of-the-art in international management research. The panel will work in a Round-Table format, for a total duration of 90 minutes. Following brief presentations from panel members, there will be an extended discussion, focusing on advancing the respective research agenda in four broad areas: (1) MNE Network Management; (2) Subsidiary Embeddedness; (3) Global Knowledge Network, and (4) International Entrepreneurship. (For more information, contact Charles Dhanaraj, Indiana University, USA, dhanaraj@iupui.edu)
Sharing What We Know

Presented On: 7/11/2005 - 08:30-10:00

Chair: Tatiana Zalan, University of Melbourne
Discussant: Shaohua Carolyn Mu, Baylor University

Cultural Distance, Ownership, Product and Process Similarity, Acquisition and Intra-network Knowledge Sharing
Jangho Lee, Sogang University

Drawing on the transaction cost concept, this paper identifies and evaluates major transaction cost affecting factors. Regression results suggest that knowledge sharing would occur to a greater extent between culturally closer members than more distant ones, and that similarities in products and processes among members of the MNC network would be positively related to MNC subsidiary's intra-network knowledge sharing. Regression results also show that the degree of MNC ownership would be positively related to MNC subsidiary's intra-network knowledge sharing. Meantime statistical analysis reveals an interesting finding that acquired local units would exchange knowledge with other global units more vigorously than greenfield establishments. The finding suggests that MNC would try to avoid the possible routinization and the dominance and narrowness of an MNC's mental models hampering its adaptation to changing environments by entering foreign markets through acquisitions and by exchanging knowledge with them extensively. Regression results show that non-production-related intra-network knowledge sharing was positively related to acquisitions, but that production-related intra-network knowledge sharing was not. (For more information, contact Jangho Lee, Sogang University, South Korea, jhlee@ccs.sogang.ac.kr)

Sharing Knowing vs. Transferring Knowledge
Kristiina Mäkelä, Helsinki School of Economics, Finland

This paper explores knowledge sharing in interpersonal cross-border relationships between MNC managers. It argues that a significant part of knowledge sharing within the MNC occurs in interpersonal interaction between MNC managers within the daily work of the organisation. Furthermore, it conceptualises the MNC as not only a differentiated network but a distributed network characterised by differentiated communities of knowing. In an exploratory case study of the knowledge sharing patterns of 22 MNC managers, it examines cross-border interaction between MNC managers as instances of sharing knowing rather than transferring knowledge. By doing so, it provides a complementary perspective for examining knowledge exchanges within the MNC, and highlights the importance of aspects such as overcoming cognitive boundaries in interaction. (For more information, contact Kristiina Mäkelä, Helsinki School of Economics, Finland, kristiina.makela@hkkk.fi)

The Diffusion of 'Learning to Learn' Skills within a Global Firm: Transferring Innovation Know-How to Overseas Subsidiaries
Soonkyoo Choe, Yonsei University
Doug-Pyo Hong, LG Household & Health Care Ltd

In this study, we investigate the factors that may influence the parent-subsidiary transfer of innovation know-how within a global company. Our sample consists of business innovation projects carried out by foreign subsidiaries of a large internationalized Korean business group during the 2000-2003 period. Our analysis reveals that tacitness is an important barrier to the international transfer of innovation know-how. The absorptive capacity of the subsidiary tends to facilitate the transfer, although the impact of this factor is not very strong. We also find that innovation know-how is more efficiently transmitted through formal integrating mechanisms than informal socialization mechanisms. In particular, along with the high potential value of innovation know-how perceived by the project team managers, the support and assistance both from the...
subsidiary management and from the headquarters are important contributing factors. These findings suggests that the sharing of innovation know-how poses a difficult challenge to a global firm due to its tacit nature, but the firm may effectively deal with the challenge by setting up appropriate formal transfer mechanisms and providing support for international innovation activities. (For more information, contact Soonkyoo Choe, Yonsei University, South Korea, skychoe@yonsei.ac.kr)

Learning from International Business Affiliations: Effects of the Effective and Efficient Transfer of Knowledge on Absorptive Capacity
Liliana Perez Nordtvedt, The University of Texas at Arlington
Ben L. Kedia, The University of Memphis

This research proposes that successful international knowledge transfer affects the further development of one dynamic capability of the firm: absorptive capacity. Further, even though researchers have focused on knowledge transfer as a single construct, we suggest that knowledge transfer has effectiveness and efficiency components. Following a path analytical procedure, we find that a) the effectiveness in the knowledge transferred from the International Business Affiliation, IBA, and b) the attractiveness of the IBA positively affect the development of absorptive capacity of the focal firm. However, we find that the efficiency in the knowledge transfer from the IBA negatively affects the development of absorptive capacity of the focal firm. We also find that a) the attractiveness of the IBA and b) a strong relationship between the focal organization and the IBA positively affect the effectiveness of the knowledge transferred from the IBA to the focal firm. Finally, we find that a strong relationship between the focal organization and the IBA positively affect the efficiency of the knowledge transfer from the IBA to the focal firm. (For more information, contact Liliana Perez Nordtvedt, University of Texas at Arlington, USA, lnordtvedt@uta.edu)

Session: 2.1.13 - Competitive
Track: Track 8 - Managing People Across Cultures

Staffing International Assignments

Presented On: 7/11/2005 - 08:30-10:00

Chair: Sigrid Khorram, University of Texas at El Paso
Discussant: Taco Reus, Florida Atlantic University

Theoretical Perspectives on the Determinants of MNCs’ Foreign Subsidiary Managerial Staffing Strategy
Chei Hwee Chua, University of South Carolina

Determinants of MNCs’ foreign subsidiary managerial staffing strategy are proposed from two theoretical perspectives. First, using agency theory, it is suggested that MNCs use parent country national (PCN) managers to manage agency problems at their foreign subsidiaries, and that the foreign subsidiary’s cultural distance from its headquarters’ market and the extent of a shared corporate culture are important determinants of whether PCN or host country national (HCN) managers are chosen. Next, it is highlighted that when MNCs operate out of their home countries, its foreign subsidiaries are subject to the conditions of “institutional duality”. Hence, it is appropriate to examine the determinants of MNCs’ managerial staffing strategy at their foreign subsidiaries from an institutional theory perspective. Drawing on institutional theory, MNCs’ choice of PCN or HCN managers at the foreign subsidiary is suggested to be influenced by the favorability of the host country’s regulatory, normative and cognitive institutional profiles, and pressures for internal and external mimicry regarding foreign subsidiary managerial staffing strategy. Implications for theory and practice are discussed. (For more information, contact Chei Hwee Chua, University of South Carolina, USA, cheihwee_chua@moore.sc.edu)
Foreign Subsidiary Staffing, Institutional Environment and Performance Implications: Experiences from Japanese MNCs

Ajai Singh Gaur, National University of Singapore
Andrew Delios, National University of Singapore
Kulwant Singh, National University of Singapore

We investigate the issue of overseas subsidiary staffing by parent country nationals (expatriates) in Japanese firms. We adopt institutional perspectives to advance understanding of how the host country environment influences subsidiary staffing strategy, moving beyond traditional cultural distance measures of host country complexity. We propose that firms rely less on parent company nationals in less developed institutional environments for reasons related to subsidiary legitimacy and adaptation to the host environment. Further, we expect the positive influence of expatriate staffing levels on subsidiary performance to be weaker, the more developed the institutional environment. Results based on an analysis of expatriate employment levels in more than 13,015 foreign subsidiaries of 2,952 Japanese firms in 48 countries substantially support our arguments. Our study support the view that institutional theory measures significantly explain subsidiary staffing decisions, and do so more consistently than cultural distance. (For more information, contact Ajai Singh Gaur, National University of Singapore, Singapore, ajai@nus.edu.sg)

Revisiting Repatriation Concerns: Organizational Support vs. Career and Contextual Influences

Mila Lazarova, Simon Fraser University
Jean-Luc Cerdin, ESSEC Business School

This paper reviews and attempts to integrate two perspectives on repatriate retention: a traditional one, which suggests that the main determinant of repatriate retention is the availability of repatriation support programs, and an emerging one, which focuses on individual career activism in a changing employment context. Results of a study of 133 expatriates from 14 MNCs indicate that both views contribute to our understanding of repatriate retention. Building on the results of our study, we put forward a framework to guide future research. (For more information, contact Mila Lazarova, Simon Fraser University, Canada, mbl@sfu.ca)

Organizational Support And Psychological Well-Being of Western Expatriates in Turkey

Dilek Zamantili Nayir, Marmara University
Xiaoyun Wang, University of Manitoba

Following the integration of world markets and the increasing growth of multinational business activity, foreign direct investment has increased tremendously (Yavas & Bodur, 1999). As a result, the issue of international assignments has become increasingly important for multinational companies (Kraimer, Wayne, & Jaworski, 2001). The current study focuses on the relationship of organizational support from the parent company and the expatriate psychological well-being, and the contingent factors of this relationship, such as cultural difference awareness and expatriate locus of control. A survey was conducted with a sample of 110 Western expatriates currently working in Turkey. The data was analyzed and results revealed that organizational support from the parent company did positively and significantly correlate with expatriate psychological well-being, and this relationship is stronger for those expatriates who have lower level of internal locus of control and lower level of cultural difference awareness. The implication of these results is discussed. (For more information, contact Dilek Zamantili Nayir, Marmara University, Turkey, dznayir@marmara.edu.tr)
Session: 2.1.14 - Panel

_AJBS Special Session 2: Japan as a Research Focus_

**Presented On:** 7/11/2005 - 08:30-10:00

**Chair:** Chikaku Usui, University of Missouri, St. Louis  
**Discussant:** Adrian Tschoegl, University of Pennsylvania

**Panelists:**  
John Cantwell, Rutgers University, USA and University of Reading  
Jean-Francois Hennart, Tilburg University  
D. Eleanor Westney, M.I.T.

Session: 2.2.1 - Panel

**Track: Track 1 - Context of Global Business**

_The Evolving Policy Framework for International Business and the IB Research Agenda: A Broken Connection?_

**Presented On:** 7/11/2005 - 10:30-12:00

**Chair:** Michael Gestrin, Senior Economist, OECD

_The OECD Policy Framework For Investment: An Emerging International Standard For Host-Country Policy_
  Michael Gestrin, Senior Economist, OECD  
  Manfred Schekulin, Director, Export and Investment Policy, Austrian Ministry of Economic Affairs and Labour and Chairman, OECD Investment Committee

_Investment Rules in Regional Trade Agreements: The Spread of the NAFTA Model_
  Christopher Wilkie, Deputy Director, Investment Trade Policy Division (EBI), Government of Canada

_Multilateral Investment Rules Post Cancún: Prospects And Possibilities_
  Edward M. Graham, Senior Fellow, Institute for International Economics

_The Development Implications of the Evolving Framework for International Business_
  Richard Newfarmer, Lead Author, Global Economic Prospects, World Bank

_Multinational Enterprises and the United Nations: The Evolution of the Policy Debate over 25 Years_
  Karl P. Sauvant, Director of the Division on Investment, Technology and Enterprise Development, UNCTAD

The international policy framework for international business has evolved radically over the course of the past decade, with the proliferation of bilateral investment treaties (BITs), regional arrangements (e.g. NAFTA, chapter 11), and even some multilateral agreements dealing with investment issues (e.g. the WTO TRIMs and GATS Agreements). This pattern shows no sign of slowing down. Indeed, after the failure to keep investment on the WTO agenda after the breakdown of negotiations in Cancún, many countries, especially the United States, have intensified their efforts to shape the international policy framework for international business through regional agreements that contain “strong” investment rules. The ongoing evolution of the international policy framework for international investment clearly holds implications for international business. Yet, the study of (and, indeed, the development of) the international policy framework for investment has largely been limited to the community of negotiators and practitioners in international organisations and the international legal community, with limited dialogue between this community and the academic community of international business scholars. This panel aims to shrink this dearth of dialogue by bringing together international business scholars.
scholars doing research on international policy issues and leaders in the “practitioner” community who are actively playing a role in the development of international business policy. On the one hand, such a dialogue could serve as a reality check for the academic IB community. On the other, it could open channels for academic IB research to better inform the development of the international policy framework for international business. (For more information, contact Michael Gestrin, Senior Economist, OECD, France, michael.gestrin@oecd.org)

Session: 2.2.2 - Competitive
Track: Track 1 - Context of Global Business

Bargaining, Institutions and Power in the International Context

Presented On: 7/11/2005 - 10:30-12:00

Chair: Hildy Teegen, George Washington University
Discussant: Steve Kobrin, University of Pennsylvania

The Deinstitutionalization of Coerced Reforms: The Case of Private Infrastructure Investments
Witold Jerzy Henisz, University of Pennsylvania
Bennet A. Zelner, Georgetown University

Coercive isomorphism is a prominent source of institutional change. The literature to date has emphasized how actors that are powerful and legitimate (e.g., a national government) may coerce the adoption of reforms by dependent actors (e.g., state governments and other organizations whose activities are governed by the federal government). We observe that that an actor's power alone may be sufficient to promote reform, regardless of the actor's legitimacy. However, such reforms are more susceptible to subsequent change than are those that emerge from processes not subject to the influence of external actors whose sway derives from their power alone. We develop and test our arguments in the context of the worldwide electricity provision industry by analyzing countries' adoption of reforms in response to conditional lending practices by multilateral organizations such as the World Bank and the IMF. We find that reforms adopted in response to coercive pressures exerted by these organizations encounter much greater resistance, and that the incidence of financial and economic crises, the absence of checks and balances in established political institutions, and the inexperience of investor coalitions dramatically increase the predicted level of resistance. (For more information, contact Witold Jerzy Henisz, University of Pennsylvania, USA, henisz@wharton.upenn.edu)

Beyond the Bargaining Power Model: Explaining Governance Outcomes among Nations, MNEs, and NGOs
James F. Nebus, Northeastern University
Carlos Rufin, Babson College

Governance of today's international issues is established by different types (nation states, MNEs, NGOs, etc.) and numbers of actors. This introduces a level of complexity beyond that taken into account by the dyadic model of bargaining power theory. To date, most analysis of these complex governance issues has taken the form of descriptive case studies that explain these events ex-post. This situation begs two questions. First, what theories can IB researchers use to extend the bargaining power model in order to predict governance outcomes in the more complex, multiple actor context? Second, what measures and quantitative methodologies can IB researchers use to move beyond ex-post case studies toward predicting outcomes. This paper proposes a theory in which the governance interactions among these actors reflects their legal, economic, and political relationships; their governance preference alignments, and ability to set the issue agenda. The paper also offers a corresponding network model, measures, and methodology to predict the degree to which an actor determines governance outcomes for a specific issue area. An example applies this methodology to the governance of privatized public utilities in the Dominican Republic during 1999-2003. (For more information, contact James F. Nebus, Northeastern University, USA, j.nebus@neu.edu)
Session: 2.2.3 - Competitive  
Track: Track 1 - Context of Global Business

**Attracting FDI**

**Presented On:** 7/11/2005 - 10:30-12:00

**Chair:** Mona Makhija, Ohio State University  
**Discussant:** Susan Trussler, University of Scranton

*Which Dimensions Matter?: Testing ‘Institutional Pillars’ as Predictors of FDI*  
Jamie D. Collins, Texas A&M University  
Dan Li, Texas A&M University  
Purva Kansal, Panjab University

In an attempt to further clarify the influence of institutional constraints on firm behavior, we analyze each of the pillars of institutional environments (cognitive, normative, regulative) to determine which has the greatest influence on foreign direct investment. Our findings reveal that, when considered separately, each institutional pillar has a unique influence on the level of FDI approved in India. However, only the regulative pillar is predictive of FDI approvals when all three pillars are considered simultaneously. The level of realized investment is strongly influenced by economic factors and the regulative pillar, weakly influenced by the cognitive pillar, and it is not significantly influenced by the normative pillar. Overall, these findings suggest that institutional theory is a useful, complementary approach to economics-based measures when investigating foreign investment decisions. We utilize a dataset covering every FDI project approved and transaction completed in India between 1995 and 2001 for our analyses. (For more information, contact Jamie D. Collins, Texas A&M University, USA, jamiecollins@tamu.edu)

*Towards Assessment of the Relative Role of Political Stability on a Country’s Propensity to Attract FDI*  
Alina Kudina, Oxford University

This paper analyzes the role of political risk for foreign direct investment (FDI). Its importance is assessed relatively to that of another major FDI determinant – market size. The hypotheses are tested using dynamic panel data methods on a sample of 55 countries over the period 1995-2002. It was found that a bigger market size strengthens a positive impact of political stability on FDI, whereas a smaller size moderates the country’s stability effect. Thus, large and politically unstable countries are at least as attractive for foreign investors as smaller but more stable countries are. However, a change in political stability has a greater impact on FDI than a corresponding change in a market size. Consequently, countries are expected to benefit considerably from improvement in their political environment in terms of FDI inflows. Moreover, lagged FDI was shown to have a sizeable impact in determining the current period’s FDI. This suggests a potentially important impact of experiential learning and path dependencies on investment behavior of incumbent investors and their home/global business partners and competitors. (For more information, contact Alina Kudina, Oxford University, United Kingdom, alina.kudina@sbs.ox.ac.uk)

*A Proposal To Improve The UNCTAD’s Inward FDI Potential Index*  
Carlos Rodriguez, Basque Country University  
Jesus Ferreiro, Basque Country University  
Mari Carmen Gomez, Basque Country University

In the fields of foreign direct investments analysis and international business a rising attention is being paid to the comparative study of countries attractiveness for foreign investments. In this sense, the United Nations Conference on Trade and Development has developed several indexes to evaluate and compare the location advantages of the countries and their relative success in attracting foreign investments. However, these indexes suffer from several limitations. We have constructed for 49 countries, relying on 70 variables and data reduction techniques, an Improved Inward FDI Potential Index that can solve some of those limitations. The correlation analysis shows that it fits better with the Inward FDI Performance Index and also, the higher
number of variables included, allows us to rank the countries according to the different kinds of FDI flows. (For more information, contact Carlos Rodriguez, Basque Country University, Spain, ebprogoc@bs.ehu.es)

Session: 2.2.4 - Panel
Track: Track 2 - Forging Global Links

Global Customer and Supplier Management

Presented On: 7/11/2005 - 10:30-12:00

Chair: Bodo Schlegelmilch, Wirtschaftsuniversität Wien

Manager-Managed Dimension—Challenges of Global Account Management
Omar Toulan, McGill University

Geographic Dimension—Identifying Spatial Segments For Global Supply Chain Services
Matthew B. Myers, University of Tennessee

Company-Account Dimension, Model, and Qualitative Findings
George S. Yip, London Business School

Demand-Supply Dimension and Quantitative Findings
G. Tomas M. Hult, Michigan State University

This panel will provide an integrated view of global customer and supplier management. The organizing framework for the panel is that there are at least four dimensions to global relationships for managing global customers or global suppliers: (1) the manager and managed dimension, (2) the company level and account level dimension, (3) the geographic dimension, and (4) the demand side and supply side dimension. The panelists will address: 1. Omar Toulan: Manager-Managed Dimension—Challenges of Global Account Management (focusing on GAM as an organizational innovation) 2. Matthew Myers: Geographic Dimension—Identifying Spatial Segments for Global Supply Chain Services (creating cross-national segments in global supplier management) 3. George Yip: Company-Account Dimension, Model, and Qualitative Findings (three-dimensional empirical study covering management of both global customers and suppliers, company and account level, and manager and managed sides) 4. Tomas Hult: Demand-Supply Dimension and Quantitative Findings (empirical test of a global customer-supplier management model, using a new simulation technique that creates large samples from a few respondents). The chair, Bodo Schlegelmich, will also bring his extensive experience of global marketing. (For more information, contact George S. Yip, London Business School, United Kingdom, gyip@london.edu)
Session: 2.2.5 - Panel
Track: Track 3 - Growing Local Roots

**Links Between Global Offshoring and the Local Institutional Context**

**Presented On:** 7/11/2005 - 10:30-12:00

**Chair:** Sushil Vachani, Boston University  
**Discussant:** Tatiana Manolova, Suffolk University

- *Local Political Business Cycle Effects on Global Off-Shoring Trends*  
  Paul Vaaler, Tufts University

- *Off-shoring and the Indian IT Labour Market*  
  Rakesh Basant, Indian Institute of Management, Ahmedabad

- *The New Breed of Third-World Multinationals: The Case of an Indian Software Services Firm*  
  Ravi Ramamurti, Northeastern University

- *Human Resource Challenges of Global Offshoring*  
  Fred F. Foulkes, Boston University  
  Sushil Vachani, Boston University  
  Jennifer Zaslow, Boston University

The exponential rise in offshoring of business process outsourcing has created important links between the local institutional context in which offshored activities are performed and the global strategies of multinationals. This panel will explore different aspects of these links. It will examine how the political, economic and cultural elements of local institutional contexts affect the flow and location of offshoring investment, and mold aspects of multinationals’ global operating strategies. It will also examine the effect in the reverse direction - how the flow of offshoring activities affects the local context, for example, via deepening of the labor market in developing countries and enriching its diversity. (For more information, contact Sushil Vachani, Boston University, USA, svachani@bu.edu)

Session: 2.2.6 - Competitive
Track: Track 4 - Economics, Finance and Taxation

**MNC Growth and Internationalization**

**Presented On:** 7/11/2005 - 10:30-12:00

**Chair:** Robert Grosse, Thunderbird  
**Discussant:** Stanley D. Nollen, Georgetown University

- *Modelling the Growth of the Multinational Enterprise: Extending Penrose's Analysis*  
  Peter J. Buckley, Leeds University  
  Mark Casson, University of Reading

This paper formalises Penrose's (1959) models of the growth of the firm and demonstrates important implications for the modelling of the behaviour of multinational enterprises. The paper produced a synthetic model which examines both the strengths and weaknesses of Penrose's approach relative to that of Buckley and Casson. It provides a very simple account of knowledge accumulation based on R&D, features linear growth rather than exponential growth, path dependence in size but not in growth, and links location and internalisation factors through an internal price. (For more information, contact Peter J. Buckley, University of Leeds, United Kingdom, pjb@lubs.leeds.ac.uk)
**Operating Characteristics, Risk, and Performance of Born-Global Firms**  
Joan Wiggenhorn, Barry University  
Kimberly C. Gleason, Florida Atlantic University  
Jeff Madura, Florida Atlantic University

This study is the first to provide a financial markets-oriented empirical investigation of the “born-global” phenomenon using a sample of newly public American firms. Our results indicate that compared to firms of similar age who do not pursue rapid internationalization, born-global firms are generally larger, more diversified, and have more venture capital backing. Their founders, board members and managers exhibit more international experience. The returns twelve and eighteen months post IPO are significantly higher for born-global firms than for a control sample of firms who do not engage in rapid internationalization. Furthermore, those born-global firms with joint ventures or acquisitions in several countries perform better than those that only export within the first 6 years since their inception. (For more information, contact Kimberly C. Gleason, Florida Atlantic University, USA, kgleason@fau.edu)

**Internationalization vs. Business Diversification – The Impact of Internal Capability Development**  
Niron Hashai, Hebrew University  
Tamar Almor, College of Management, Academic Studies  
Marina Papanastassiou, Athens University of Economics  
Fragkiskos Filippaios, University of Kent  
Ruth Rama, Instituto de Economia y Geografia CSIC (Spanish Council for Scientific Research)

Firms may grow by internationalizing into new foreign markets, by diversifying into new businesses or both. In this paper we pose that the development of firms' internal capabilities affect the decision which of these growth paths will dominate. Specificity, scarcity and indivisibility of a firm's resources lead to internal capabilities that create learning, scale and scope economies and hence superior performance if that firm chooses either internationalization or business diversification as its dominant growth path. This view is demonstrated through an analysis of the extent and process of internationalization and business diversification of a sample of 81 leading Food MNEs between the years 1996 and 2000. Our hypotheses are mostly supported by the data. (For more information, contact Niron Hashai, Hebrew University, Israel, nironh@huji.ac.il)

**Session: 2.2.7 - Competitive**  
**Track: Track 4 - Economics, Finance and Taxation**

**Taxation and Transaction Costs**

**Presented On:** 7/11/2005 - 10:30-12:00

**Chair:** Ike Mathur, Southern Illinois University  
**Discussant:** Robert K Larson, University of Dayton

**New Evidence on the Effective Tax Burden of MNC Activities in Central- and East-European Countries**  
Christian Bellak, WU-Wien  
Roman Roemisch, Vienna Institute of International Economic Studies  
Markus Leibrecht, Economic Analysis Division, Austrian National Bank

Company-taxation policies in the Central and East European New Member States (CEE-NMS) have been frequently characterised as tax-cutting strategies in order to attract Foreign Direct Investment (FDI). On the basis of a survey of six empirical studies a median value of the tax-rate elasticities of FDI of -0.22 in CEE-NMS and mediterranean periphery countries is derived. Yet, these tax-rate elasticities probably suffer from a sort of measurement error bias since these studies entirely rely on the host country Statutory tax rate as measure of tax burden. Building on a thorough criticism of FDI as a measure reflecting multinational activity and the Statutory tax rate as a reliable measure of the effective tax burden, 315 effective average bilateral tax rates
(BEATR) are calculated for seven home countries and five CEE-NMS for the period 1996-2004, following the approach of Devereux and Griffith (1998). Since our empirical results show substantial differences in the variability of the host country Statutory tax rates and the BEATRs, it is contended that the latter should be used as explanatory variables in empirical studies. (For more information, contact Christian Bellak, WU-Wien, Austria, christian.bellak@wu-wien.ac.at)

Political Determinants of Tax Avoidance: Evidence from Foreign Invested Enterprises in China
Yasheng Chen, Simon Fraser University
Rajulton Fernando, University of Western Ontario
David J. Sharp, University of Western Ontario

This study investigates politically-based determinants of corporate income tax avoidance of new foreign-invested enterprises (FIEs) in China. Unlike most previous studies, which focus on how companies shift taxable income (through discretionary accounting policy choices, for example), this study uses survival analysis to examine political factors which affect tax avoidance, measured as the time between enterprise start-up and its first payment of income taxes. Using longitudinal data from 2906 manufacturing FIEs in China, we found a firm size effect that varies over time: in the early life of a venture, large firms are more aggressive, but by their sixth year, the size effect is in the opposite direction, consistent with the political cost hypothesis. We also found that FIEs financed from outside Chinese direct political influence (i.e., outside the PRC, Hong Kong, Taiwan and Macao), and FIEs located in areas of low FIE density have the greatest ability to avoid taxes. (For more information, contact David J. Sharp, University of Western Ontario, Canada, dsharp@ivey.uwo.ca)

Transaction Costs and Foreign Market Entry Mode: An Eclectic Approach in the Presence of Risk Premium and Production Cost Difference
Min-Chan Pyo, George Washington University

A firm transfers its production facilities to a foreign country when it can internalize the market to the point where gains are greater than costs of internalization. However, profits and costs are not the only factors affecting the entry mode. A firm must weigh risks involved in foreign direct investment. The realistic transaction cost model including risk premium increases the power of the internalization theory for explaining the real FDI trend and recent aggressive FDI by firms from less developed countries. This paper demonstrates that transaction costs should be greater for a firm from a less developed country than a firm from a developed country to choose FDI as its entry mode; additionally, transaction costs (risk premium) should be greater (lower) for a firm to transfer production facilities to a developed country with high production costs than to a less developed country. (For more information, contact Min-Chan Pyo, George Washington University, USA, chadpyo@gwu.edu)
a three stage game among a foreign partner of an IJV, a domestic partner of an IJV, and a local competitor in a host country was constructed and analyzed. Basically, the termination of an IJV and the location choice by a foreign partner of an IJV result from the interaction among the market structure, the ownership structure, and the role of a government in a host country. In both cases of a symmetrical cluster and an asymmetrical cluster, the stability of an IJV is highly dependent on the ownership structure of a foreign partner firm in an IJV and the resulting market structure. A government's subsidy does not give any incentive for a foreign partner firm to locate as close as possible to the previous domestic partner in a symmetrical cluster, but the subsidy can do so under certain conditions in an asymmetrical cluster. The termination of an IJV in a host country can be efficient in the case of an asymmetrical cluster, but inefficient in the case of a symmetrical cluster. (For more information, contact In Hyeock (Ian) Lee, Indiana University, USA, ihlee@indiana.edu)

Placing Big Bets: Exit as a Mechanism for National R&D Reform in the Transnational Economy
Kazuhiro Asakawa, Keio University
Mark Lehrer, University of Rhode Island

This paper presents a co-evolutionary framework for national R&D reform and firm-level strategies in the transnational economy. Particular attention was paid to the role of "exit" strategies taken by firms as a trigger for national institutional reform. Firms located in a country with weak R&D environment could shift their key R&D activities to another country with better condition for conducting their R&D. Such a move is a major threat to its home country government which, in turn, would take action to ameliorate its institutional R&D environment for fear of losing even more key players. The paper investigates the underlying condition of adopting the exit options by firms, followed by the analysis of the impact the exit option makes to the national R&D reform. The paper then examines the way the government-level exit option, in turn, helps the nation's weak R&D sector rejuvenate itself in the long run. Both country and firms have differing bets to place: the latter placing the locational bets, whereas the former the sectoral bets. (For more information, contact Kazuhiro Asakawa, Keio University, Japan, asakawa@kbs.keio.ac.jp)

Internationalization as a Spatial Process
Mika Gabrielsson, Helsinki School of Economics
Jarmo Eronen, Helsinki School of Economics
Jorma Pietala, Helsinki School of Economics

Internationalization research has examined country market selection and expansion without dealing extensively with the internal space differentiation of target countries. Building on the fields of international business and economic geography, this article develops a new graphical model that depicts both the attractiveness of target regions and the spatial patterns of target countries. It has the potential to become a useful tool for international business managers who have to decide upon the location of their foreign business operations and can prove to be equally useful for firms rationalizing their operations. Moreover, the research puts forward the proposition that while 'the market expansion strategy of born global firms may be rapid, it lacks penetration-depth', leaving the firm without the strong local roots needed for future prosperity and growth if no corrective actions are initiated by firm managers and political decision makers. (For more information, contact Mika Gabrielsson, Helsinki School of Economics, Finland, mika.gabrielsson@hkkk.fi)

Population Exploitation, Organizational Exploration: Effects on Foreign Entry Location Decisions in China
Jiatao Li, Hong Kong University of Science and Technology
Fiona Kun Yao, Hong Kong University of Science and Technology

Extant research on the antecedents of exploration and exploitation has largely focused on the path dependent search process within the firm and has paid less attention to the interplay between the patterns of firm- and population-level exploitation and exploration. Based on a longitudinal study of foreign investment location decisions by American firms in China over 1979-95, we examine how firms learn to explore and learn from others. Our results suggest that excessive exploitation at the population level can serve as an impetus for firms to break away from their exploitative location path dependence. (For more information, contact Jiatao Li, Hong Kong University of Science and Technology, Hong Kong, mnjtl@ust.hk)
Knowledge Management and Modularization in the Automobile Industry of Brazil: A Supplier-Focused Approach

Ronaldo Parente, Rutgers University
Chandrashekhar Lakshman, Virginia State University

This study focuses on the impact of one aspect of knowledge management in organizations, viz., supplier-focused knowledge management and its associated processes, on financial and product performance in the Brazilian automotive industry. A model of the relationship between supplier-focused knowledge management and performance is described and the associated hypotheses are developed and then tested. The model identifies the various components of supplier-focused knowledge management and delineates the processes through which they affect organizational performance, including contingency variables that moderate such impact. The results support the major hypotheses of our SFKM model. These results are discussed in the context of the knowledge management and modularization literatures in terms of the contributions, implications for research and practice, and directions for future research. (For more information, contact Ronaldo Parente, Rutgers University, USA, ronaldo@parente.com)

The Impact of Uncertainty, Tacitness of Strategic Resources and Context Specificity on the Collaboration Strategies of Brazilian Exporters: An Exploratory Study

Fernando Robles, George Washington University
Syed Akhter, Marquette University
Ruth Clarke, Nova Southeastern University
Marcilio Machado, Universidade Federal do Espirito Santo, Brazil

This paper examines the impact of uncertainty, the tacitness of strategic resources and context specificity on the collaboration strategies of Brazilian exporters. The authors discuss the theoretical background for export collaboration and international market entry from a transaction cost, resource-based and context-specificity perspectives. Based on theory, eleven propositions are presented and then tested on a sample of manufacturing exporters in Brazil. Results support some dimensions of the theory, but questions are raised specifically concerning degree of collaboration in the face of environmental uncertainty. Our findings suggest that the predominantly commodity or semi-commodity make-up of exports from Brazil, leads to internalization rather than collaboration of efforts. Given the immaturity of the export sector, we suggest that with the development of value-added consumer products and brands, a stronger focus on distribution and marketing activities in international markets will lead to a corresponding willingness to collaborate. (For more information, contact Fernando Robles, George Washington University, USA, roblesf@aol.com)

The Termination Dilemma of Foreign Intermediaries: Performance, Anti-shirking Measures and Hold-up Safeguards

Bent Petersen, Copenhagen Business School
Torben Pedersen, Copenhagen Business School
Gabriel R. G. Benito, Copenhagen Business School and BI Norwegian School of Management

The paper examines the “termination dilemma” phenomenon of foreign intermediaries operating in export markets of great sales potential to their principals/exporters. Both low and high sales performances evoke risks of termination: either via replacement with another intermediary, or through the establishment of a sales subsidiary. The termination dilemma induces foreign intermediaries to make no more than a mediocre sales effort, thereby imposing losses to exporters in terms of sacrificed sales revenue and/or as costs of establishing
sales subsidiaries prematurely. The paper investigates how anti-shirking measures (such as outcome-based
remuneration and monitoring instruments) and hold-up safeguards (e.g. severance payment) put in place by
exporters may mitigate such problems. The empirical study is based on a longitudinal data set of 258 Danish
exporting firms and their relations to foreign intermediaries in major export markets over a 5-year period. (For
more information, contact Bent Petersen, Copenhagen Business School, Denmark, bp.int@cbs.dk)

**Session: 2.2.10 - Competitive**
**Track: Track 6 - Internationalization of Services**

**Mode of Entry in Service Industries**

**Presented On:** 7/11/2005 - 10:30-12:00

**Chair:** Dana-Nicoleta Lascu, University of Richmond
**Discussant:** J. Brent Mckenzie, University of Western Ontario

*Beyond Entry: Examining McDonald's Expansion in International Markets*
David Leibsohn, University of Michigan
Francine Lafontaine, University of Michigan

This paper examines the factors that affect not only entry but also the subsequent growth of retail service
chains in foreign markets. Specifically, we focus on McDonald's expansion around the globe. Arguably,
McDonald's has introduced the American concept of fast food and franchising to many foreign markets.
Moreover, this firm has by now expanded throughout most of the world. Thus it is of particular interest to
examine the international expansion path that it chose to pursue. The pattern of entry into foreign markets and
growth that we observe contradicts the notion that McDonald's expanded abroad only after saturating existing
markets. Instead, we find evidence that is consistent with traditional profit maximization arguments for a multi-
market firm as we see McDonald's allocating resources to achieve growth across many desirable markets,
particularly favoring those with greater market potential (higher GDP per capita and population). More
importantly, we find that some of the factors that affect expansion post-entry are different from those that
affect entry. We interpret these results as evidence first that there are sunk costs associated with entry, and
second, that the firm adapts its expansion pattern in response to changes in local market circumstances post
entry. (For more information, contact David Leibsohn, University of Michigan, USA, leibsohn@bus.umich.edu)

*Modes of Foreign Entry by Knowledge-Intensive Firms: A Resource-Based Analysis*
Klaus E. Meyer, Copenhagen Business School and National Cheng-chi University, Taiwan
Mike Wright, Nottingham University Business School
Sarika Pruthi, Nottingham University Business School

Entry strategies have been a pivotal research topic in international business research. With few exceptions this
research has focused on manufacturing, yet the conclusions from this literature may not apply to service firms.
The objective of this paper is to offer a theoretical framework to analyze entry mode decisions of knowledge-
intensive firms. Our starting point is the observation that the core strategic consideration in these firms is the
exploration and exploitation of knowledge. Thus, our theoretical framework is grounded in the knowledge-based
theories of the firm. Specifically, the paper addresses three issues. First, it illustrates the feasibility of clustering
the diverse entry modes used by knowledge-intensive firms in terms of the access to local resources that they
provide the entrant. Second, it proposes that the most appropriate (i.e. most value-creating) entry mode is a
function of the trade-off between resource exploration and resource exploitation. Third, it advances testable
propositions delimiting circumstances under which each mode maximizes long-term value creation. The
pertinent entry mode literature and the resource-based view of the firm are reviewed in the context of the
propositions, and guidelines derived for choosing the appropriate mode of entry given the characteristics of
firms' resources, products, and the environment. (For more information, contact Klaus E. Meyer, Copenhagen
Business School; National Cheng-chi University, Denmark, km.cees@cbs.dk)
Mode of Entry in Service Firms: Strategic Variables and Characteristics of Services Influencing the Internationalization Process

Esther Sanchez-Peinado, University of Valencia, Spain
Jose Pla-Barber, University of Valencia, Spain
Louis Hébert, HEC Montreal, Quebec

Despite the importance of the service sector in developed economies and the growth of foreign investments in this sector during the last decade, few studies have undertaken to empirically analyze the factors influencing entry mode choice. The special characteristics of the service sector increase the complexity of the analysis and, thus, traditional explanations of entry mode choice in manufacturing sectors may need to be complemented by other moderating influences. Based on 174 entry decisions of service firms, our results suggest the importance of including strategic variables and the specific nature of services to understand a complex phenomenon, which is not always associated just with efficiency and value-based considerations but also with strategic issues and industry characteristics. (For more information, contact Esther Sanchez-Peinado, University of Valencia, Spain, esther.sanchez@uv.es)

Session: 2.2.11 - Competitive
Track: Track 7 - Managing Across Borders

The Drivers of Internationalization and Performance

Presented On: 7/11/2005 - 10:30-12:00

Chair: Mary A. Krome Hamilton, University of Rhode Island
Discussant: Lance Eliot Brouthers, UTEP

Moderator Influences on the Internationalization Performance Relationship
B. Elango, Illinois State University

The relationship between internationalization and performance has been the topic of a significant number of research studies which report a mixed pattern of findings. However, the incorporation of global industry characteristics in the testing of this relationship has not been a facet of these studies. This article investigates the impact of intra-firm trade and differential market growth of the industry on the relationship between internationalization and performance. It focuses on technology intensive industries using a sample of 795 firms drawn from five countries. Findings indicate that internationalization has a positive relationship (which is quadratic in nature) with performance. Intra-firm trade and differential growth rates were found to interact with the relationship between internationalization and performance, thereby indicating the benefits of internationalization to be contingent on global industry characteristics. (For more information, contact B. Elango, Illinois State University, USA, elango@ilstu.edu)

How Firm Performance Affects Internationalization
Jae Chul Jung, University of Western Ontario
Pratima Bansal, University of Western Ontario

While considerable efforts have been undertaken to determine whether internationalization is related to firm performance, few studies have investigated if a firm’s prior performance determines internationalization. In this paper, we argue that relative, not absolute, prior firm performance is a critical variable in determining a firm’s internationalization. We also suggest that we can resolve theoretical conflicts between prospect theory and the threat-rigidity perspective by recognizing the importance of national culture. We test our hypotheses using time-series, cross-sectional data from 1,601 Japanese firms from 1993 to 1998. (For more information, contact Jae Chul Jung, University of Western Ontario, Canada, jjung@ivey.uwo.ca)
Internationalization and Performance: The Moderating Role of Organizational Complexity
Fabienne Fortanier, University of Amsterdam
Alan R. Muller, University of Amsterdam

The costs and benefits of internationalization for performance remain highly debated. Recent research has suggested that much of the controversy can be explained by moderating factors such as intangible assets, but the role of organizational complexity remains underemphasized. This paper focuses on the moderating role of three organizational aspects of international strategy: the spread of internationalization, the degree of centralization and extent of cross-border integration. Regressions conducted on data collected for 195 Fortune Global companies show that geographically dispersed internationalization patterns are profitable at lower degrees of overall internationalization, while high levels of spread are less profitable for highly international firms. In addition, for highly decentralized organizations, internationalization is negatively linked to performance, although the effects are partly absorbed if region of origin effects are included. Cross-border integration has negative profitability consequences for all firms, regardless of their overall degree of internationalization. Finally, the research corroborates earlier studies that internationalization is more profitable for firms that have abundant intangible assets. (For more information, contact Fabienne Fortanier, University of Amsterdam, Netherlands, f.n.fortanier@uva.nl)

Multinationality and Cost Efficiency: The Case of U.S. Manufacturing Firms
Lei Li, University of Portland

This study has perhaps made the first attempt to adopt a simultaneous equation modeling to investigate the relationship between a firm’s multinationality and cost efficiency. The results show that for U.S. manufacturing firms, (1) multinationality improves direct operating efficiency and advertising efficiency; (2) multinationality appears to have a horizontal S-curved relationship with administrative efficiency; (3) R&D efficiency can also be achieved with internationalization until a firm reaches a high level of multinationality; and (4) the impact of multinationality is much more substantial on administrative, R&D, and advertising efficiency than on direct operating efficiency. Limitations and avenues for future research have been elaborated in the conclusion. (For more information, contact Lei Li, University of Portland, USA, lil@up.edu)

Session: 2.2.12 - Competitive
Track: Track 7 - Managing Across Borders

Subsidiary Roles

Presented On: 7/11/2005 - 10:30-12:00

Chair: David Brock, Ben-Gurion University
Discussant: Moacir De Miranda Oliveira Jr., Pontifical Catholic University of Sao Paulo

Strategy, Structure, and Effectiveness in Multinational Subsidiaries
Amir Shoham, Ben-Gurion University
David Brock, Ben-Gurion University

Multinational subsidiaries undertake dual roles: as local competitors and cogs in the wheels of their parent organizations. Subsidiaries are the contemporary gladiators of the competitive environment. Competing among themselves and with local firms, they attempt to bring global resources to bear in diverse international arenas. However the management practices that enabled the original multinationals to grow out of their domestic markets do not always suit subsidiaries across national borders. I tested in this study theoretical arguments for linkages between strategy, structure and aspects of organizational effectiveness. Data collection among a large sample of 298 multinational subsidiaries is described, leading to testing of my theories. Results indicated that there is a very high correlation between the strategy and the structure of the subsidiaries and that moderate levels of GI outperformed extreme levels of GI. (For more information, contact Amir Shoham, Ben-Gurion University, Israel, amirsho@bgu.ac.il)
The Territorial Extension of the Strategic Role of the Western Subsidiary in the Developing Countries: Identification of the Determining Factors
Chiraz Saidani, Laval University
Zhan Su, Laval University

Recent writings in international business have highlighted the substantial gap in multinationals research in understanding how subsidiaries operate in developing countries, how they build capacities in a relatively underdeveloped market and how the Head Quarters values (or not) the territorial extension of their strategic responsibilities. This article attempts to explore and identify the key determinants of the extension of the role assigned to four western subsidiaries in Tunisia. The proposed model forcefully illustrates the regional extension of the role of the concerned subsidiaries. No subsidiary, nonetheless, has yet succeeded in reaching a global extension of their strategic role. Moreover, in all the subsidiaries explored in our study, the extension of responsibilities is never initiated by the head quarters. Rather, it is dictated either by some local conditions (i.e., exogenous determinants) or by the subsidiary itself (i.e., endogenous determinants). (For more information, contact Zhan Su, Université Laval, Canada, zhan.su@fса.ulaval.ca)

Subsidiary Types, Activities, and Location: An Empirical Investigation
Michael Enright, University of Hong Kong
Venkat Subramanian, University of Hong Kong

The present paper attempts to add to the growing literature on the functions of foreign subsidiaries in the strategies of multinational companies in two ways: (a) by using a series of activities to induce subsidiary roles and (b) by investigating the firm-specific and location-specific determinants of subsidiary roles. Cluster analysis of responses of multinational subsidiary managers in the Asia-Pacific support a four-fold subsidiary typology. Categorical modeling on the resulting subsidiary types showed that several firm-specific and location-specific variables such as firm size, nationality, host market size and the level of host market openness have an impact on subsidiary mandate. The paper discusses the implications for research and management of firm subsidiaries. (For more information, contact Venkat Subramanian, University of Hong Kong, Hong Kong, vsubrama@business.hku.hk)

MNE Subsidiaries in Australia: Drivers of Growth or Harbingers of Increasing Disengagement?
Stephen Nicholas, University of Sydney
Elizabeth Maitland, University of New South Wales
Andre Sammartino, University of Melbourne

This paper investigates the nature of multinational enterprise (MNE) subsidiaries operating in Australia. Utilising and modifying the integration-responsiveness framework to categorise 237 subsidiaries of MNEs operating in Australia, we find that only 12.4 percent of the sample were active subsidiaries, creating competencies that were integrated across the MNE network. Almost 70 percent of the subsidiaries fall into the autonomous or receptive categories, receiving parent competencies but contributing little to the broader MNE, and almost 20 percent are quiescent. We argue that this situation is not structural but rather reflective of individual MNEs’ strategic decisions, and that this represents a significant challenge for the Australian economy. (For more information, contact Andre Sammartino, University of Melbourne, Australia, samma@unimelb.edu.au)
Session: 2.2.13 - Panel
Track: Track 8 - Managing People Across Cultures

2nd WAIB Sponsored Panel: Women Don't Ask -- But Mentoring Can Help!

Presented On: 7/11/2005 - 10:30-12:00

Chair: Susan Forquer Gupta, University of Wisconsin-Milwaukee

If I Knew Then What I Know Now
Virginia Phillips, University of Otago

A Needs-Driven approach to the Development of Mentoring Networks
Terri A. Scandura, University of Miami

Mentoring Expectations: What Should We Be Asking For?
Susan Forquer Gupta, University of Wisconsin

From 'Me and Mine' to 'You and Yours' – Growing into the Role of Mentor
Lyn S. Amine, Saint Louis University

Women IB doctoral students and faculty deprive themselves of valuable and timely help by failing to ask for help when needed. This panel will promote a dialogue on mentoring and working with others. Panelists include a doctoral candidate, a tenure-track faculty who is being mentored, a researcher specializing in mentoring, and a senior faculty who has been both a mentee and a mentor. The panels offers personal insight, theoretical perspective, and paradigms for mentoring. (For more information, contact Lyn S. Amine, Saint Louis University, USA, aminels@slu.edu)

Session: Poster2 - Poster

Poster Session 2 with Light Lunch


Impact of Technological Innovation Capabilities on International Competitiveness of Firms
Madan Annavarjula, Northern Illinois University
Steven Mcmillan, Penn State University
Sam Beldona, Wichita State University

In the post industrial era of globalization of products and markets, the central role of innovation driven knowledge in enhancing performance of firms can hardly be overemphasized. Proponents of the “Resource Based View” and “Knowledge Based View” of the firm suggest that generation, diffusion and application of organizational knowledge leads to sustainable competitive advantage and superior performance of firms. Technological innovation as a source of this organizational knowledge has thus gained added significance as an important driver of organizational performance. While there is near unanimity in accepting the vital role of innovation in a firm’s performance, divergent views on its dimensionality and measurement have prevailed in academic research so far. This study utilizes a broader definition of a firm’s technological innovation capabilities that include the generation, dissemination and strength of innovative activity in a firm. They are then used to predict international competitiveness of the firm. The unique features of this study are that it uses multiple indicators of firm’s technological innovation, it uses a cross sectional, longitudinal data along with lagged measures of international competitiveness. It also utilizes time series research methodology in order to significantly improve external validity of the results. (For more information, contact Madan Annavarjula, Northern Illinois University, USA, madan@niu.edu)
Macroeconomic Impact of Foreign Direct Investment on the Domestic Economy of South Africa

Mohamed Ansari, Albany State University
Abiodun Ojemakinde, Albany State University
Cranmer Rutihinda, Bishop's University

This paper analyzes the impact of foreign direct investment (FDI) on the domestic economy of South Africa. More specifically, we test the effect of FDI on domestic saving and on efficiency of domestic investment. Attempt is made to highlight any discernible change of FDI inflow and its impact since the end of apartheid in 1994. All estimations use quarterly data from 1985:1 to 2001:2. To avoid spurious results, stationarity conditions of the data set are determined prior to all estimations. Equations are estimated using Ordinary Least Squares (OLS) techniques and vector error-correction model (VECM). Our findings show that foreign direct investment has had a positive impact on the domestic economy of South Africa. This has an important policy implication. (For more information, contact Cranmer Rutihinda, Bishop's University, Canada, crutihin@ubishops.ca)

Corporate Groups of Asia and Latin America: Changing Organizational Structures and Global Strategies

Syed Tariq Anwar, West Texas A&M University

This poster paper investigates and compares corporate groups of Asia and Latin America within their institutional characteristics, organizational structures, network behavior, and global strategies. Additional variables include sources of hierarchical profiles, institutional dynamics, reciprocal ties, and cooperation and competition issues. The study's initial findings suggest that keiretsu companies, chaebols, Asian corporate groups (ACGs), overseas Chinese business networks (OCBNs), and Latin American corporate groups (LACGs) differ from each other and have originated out of region/country-specific circumstances, business environments, governmental policies, and unique growth patterns. Some of the structural reorganizations taking place at the global level in the groups clearly suggest that the present strategies are totally different from the eighties and nineties. The study also provides implications and those unexplored research issues which are critical to future research. (For more information, contact Syed Tariq Anwar, West Texas A&M University, USA, sanwar@mail.wtamu.edu)

Importance of Firms’ Size in Export Activity: An Evaluation in the Case of Small and Mid-size Non-consolidated Export Firms in Spain

Jesús Arteaga-Ortiz, University of Las Palmas de Gran Canaria, Spain
Diego Medina-Muñoz, University of Las Palmas de Gran Canaria
Harvey Arbeláez, Monterey Institute of International Studies

A firm’s size is one of the main groups of factors determining export activity. With the exception of Alonso and Donoso’s (1994, 1998) research for the case of Spain, few studies have been conducted to examine the significance of size as a key determinant of export activity. The objective of this empirical work is twofold: (1) to describe the size of non-consolidated export Spanish SMEs or those not exporting but interested in exports; and (2) to assess the possible relationships between export activity and the size and other demographic characteristics of the firms participating in this study. Findings are significant to update export marketing practices in Spain at a time of more economic engagement in the European Union. (For more information, contact Jesús Arteaga-Ortiz, Universidad de Las Palmas de Gran Canaria, Spain, jarteaga@dede.ulpgc.es)

Exploring the Mode of Knowledge Transfer in MNCs: The Role of Direct and Indirect Linkages

Kazuhiro Asakawa, Keio University
Mary Krome Hamilton, University of Rhode Island

The paper explores the conditions which enable knowledge mobilization by MNCs. The traditional model by which MNCs exploit home country advantages and applying them to other parts of the world is revised to acknowledge the strategic importance of tapping into overseas environment to access key knowledge from abroad. As of today, however, our understanding of the mode of knowledge mobilization remains limited. What kinds of mechanisms are used when MNCs access knowledge from abroad, transfer it to other countries (in particular, to its home country’s headquarters), transform it into an user’s context, and leverage it? Under
what condition are certain indirect mechanisms such as knowledge brokers more effective than direct ones? The paper advocates an eclectic approach to knowledge mobilization, i.e. capability and structure, and argues that flexible and dynamic approaches to utilize different mechanisms according to differing knowledge-management conditions are the first step to successful cross-border knowledge mobilization by MNCs. (For more information, contact Kazuhiro Asakawa, Keio University, Japan, asakawa@kbs.keio.ac.jp)

**Facilitating Expert-Local Knowledge Transfer with Dynamic Models: Exploratory Application in China**

Robert Earl Bateman, American University of Sharjah

The rapid transfer of knowledge across borders has become a foundational component of globalization, making effective diffusion of relevant information among diverse cultures a required competence for any firm that expects to operate on a global scale. Even formerly insular local enterprises are learning from competitors and customers abroad. Some proponents of learning theory point to the utility of mental models as a concept for facilitating the distribution of knowledge within an organization, but the use of formal models as an enabling device for improving transnational and intercultural knowledge flows has received little scholarly attention. This paper reports on an exploratory case study in which discrete-event models were used to convey new processes and concepts to health care administrators in China. Dynamic models in the form of discrete-event simulations are common in production industries, where they are increasingly used to transfer process-based technology to far-flung subsidiaries. In contrast, application of these models to support knowledge flows in the public service sector is in its early stages. Particularly in situations where knowledge sources and recipients come from different cultural backgrounds, dynamic models may offer an effective method to demonstrate process knowledge, teach abstract concepts, and stimulate a bidirectional flow of information that allows imported approaches to benefit from local knowledge. (For more information, contact Robert Earl Bateman, American University of Sharjah, USA, robb@dynamisis.com)

**Competitive Performance and International Diversification: Hypothesis of Potential Endogenous and Exogenous Competitive Advantages of Firms**

A. M. Bobillo, University Of Valladolid
Felix Lopez-Iturriaga, University Of Valladolid
Ilduara Busta-Varela, Copenhagen Business School
Fernando Tejerina-Gaite, University Of Valladolid

The internal and external competitive advantages of firms across different phases of internationalization depend on the resources used by industries for their financial development and growth. These advantages, as well as the influence of internal owners, facilitate the access of firms to foreign markets. This study attempts to clarify the relationship between those resources and firm’s advantages, as well as to analyze the relationship between the degree of international diversification and firm performance in Germany, France, the U.K., Spain or Denmark. Our results support a curvilinear relationship between the degree of internationalization (hereinafter DOI) and firm performance that is articulated in three stages in the presence of industry reputation, technological and distribution barriers and also showing high transaction cost. These findings point to a cyclic process in the firm’s international expansion, where overcoming such barriers and developing governance and coordination mechanisms to minimize transaction cost becomes the main challenge of the firm in order to compete at the worldwide level. (For more information, contact A.M. Bobillo, University of Valladolid, Spain, amartbob@eade.uva.es)

**The Impact of Relationship Quality on Continuous Resource Commitment and Partner Performance in International R&D Alliances: A Conceptual Framework**

Brigitte H. T. Bojkowszky, WU-Wien
Bodo B. Schlegelmilch, WU-Wien

International R&D alliances have become subject of growing interest to companies from diverse industries and researchers from a wide variety of academic disciplines. While many facets of international R&D alliances have already been scrutinized, it is still not sufficiently understood how relationship quality drives continuous resource commitment to such alliances, and how such resource commitments impact on the assessment of alliance partner performance. This paper attempts to shed light on these issues. Based on an integration of literature
from different research traditions and personal interviews with executives signing responsible for international R&D alliances, insights are synthesized in a conceptual model which provides a base for further empirical investigations. (For more information, contact Brigitte H. T. Bojkowszky, WU-Wien, Austria, brigitte.bojkowszky@wu-wien.ac.at)

Location as a Political Strategy: Political Risk and Foreign Ventures in the PRC
Jonathan Brookfield, Texas A&M University
Jun Li, U. of New Hampshire

Political risk comes in many different forms, and firms have developed a number of different strategies to cope with it. This study first considers some different notions of political risk and then looks at the experience of several foreign ventures in the People's Republic of China. The paper focuses on the companies' political activities and the ways in which they have dealt with issues of political risk, especially bureaucratic risk, as they have deepened their involvement in the local economy. Evidence suggests that location can be used as a political strategy. (For more information, contact Jonathan Brookfield, Texas A&M University, USA, brookfield@tamu.edu)

Putting your Eggs in One Basket: the SME, Multinationality and Firm Performance
Lance Brouthers, University of Texas at El Paso
George Nakos, Clayton College & State University
Keith Brouthers, Temple University

This paper examines the multinationality level that maximizes the profitability of a small and medium-sized enterprise (SME). The paper proposes that, due in large measure to limited resources (both financial and managerial) and the major risk inherent in internationalizing, SMEs may be better off entering only one foreign market instead of using a multiple country export strategy. The hypotheses are tested on a sample of Greek and Caribbean firms and our findings show that SMEs that make the decision to concentrate on only one international market outperform companies that spread their exports to multiple markets. (For more information, contact George Nakos, Clayton College & State University, USA, georgenakos@mail.clayton.edu)

Brazil's Embraer and National Competitiveness – Global Links, not Diamonds: A critical Case Test of the Diamond Model's Validity in Latin America
Miguel P. Caldas, Loyola University New Orleans
Ilan Avrichir, ESPM & IBMEC-SP

This paper empirically analyzes Brazilian aircraft manufacturing industry, particularly Embraer, as a critical case to test Porter's diamond model in a developing country. We (i) synthesized the requirements of Porter's model; (ii) contrasted them with data collected at Embraer (achieved global competitiveness but seems not compliant); and (iii) contrasted the data with a rival model, to determine their comparative explanatory strength of Embraer's global success. Results indicated the Diamond's fragility to explain the case (33% adherence), and signaled strong support of the “double diamond” rival model (91% adherence). We argue that strong global linkages to its suppliers and client base, rather than factor or cost elements alone, may better explain Embraer's competitiveness. We conclude discussing the diamond's validity for Latin America. (For more information, contact Miguel P. Caldas, Loyola University, New Orleans, USA, mpcaldas@loyno.edu)

Will India become the New China? The Emergence of India as a Location of Globalising Business
Malcolm Kenneth Chapman, University of Leeds
Nicolas Forsans, University of Leeds

India and China invite comparison. They are both enormous countries, with population figures that challenge the imagination. They are both countries that have been, until quite recently, marginal to the main concerns of most companies active in international business. Both have traditionally been hostile to foreign investment, but are changing their stance on this issue. Comparisons between India and China invite attention in corporate boardrooms of multinationals, in business school seminars and in the business media. Any comparison also invites attention, however, and perhaps most importantly, in India and China themselves. This paper explores
some of the historical and political reasons for differences in the economic development of these vast countries, seeks to provide some understanding for differences in pace and patterns and speculates on future developments. (For more information, contact Nicolas Forsans, University of Leeds, United Kingdom, nf@lubs.leeds.ac.uk)

**Knowledge Transfer within Multinational Corporations: A Strategic International Human Resource Management Perspective**

Jiun-Shiu Chen, The University of Memphis  
Raj V. Mahto, The University of Memphis  
Edith C. Busija, The University of Memphis

The success of knowledge transfer very much depends on a company's ability to effectively manage its employees, as people are at the heart of knowledge management. However, the role of human resource management in the realm of knowledge transfer in multinational corporations (MNCs) has been neglected. The purpose of this paper, is to provide a framework to examine the impact of strategic international human resource management (SIHRM) orientation on the transfer of knowledge within MNCs. Specifically, we propose that the SIHRM orientation plays a crucial role in knowledge transfer by influencing the motivation of exchange partners, the transmission channel, the level of cultural similarities among units, and the quality of the relationship (e.g. trust). We also suggest that the SIHRM influences the directionality of knowledge transfer between subsidiary and headquarters/subsidiary. (For more information, contact Jiun-Shiu Chen, University of Memphis, USA, jschen@memphis.edu)

**Economic Development and E-Commerce Activity**

Kittinoot Chulikavit, Maejo University  
Jim Mccullough, University of Puget Sound  
Jerman Rose, Washington State University

This study uses economic indicators to examine internationalizing behavior of E-commerce firms and examines the impact of E-commerce on the internationalization of firms from different countries at different levels of development. It appears that firms from developing countries pay more attention to potential foreign markets and gain more experience in international business making them competitive in the global context than firms from developed countries. Better home government regulation and institutional forces that insure security of transactions and protection of privacy are needed to support and encourage domestic firms to use the Internet more effectively to conduct their business overseas. Better host government laws insuring copyright protection and secured payments are required for encouraging firms to sell their products and services within the country. (For more information, contact Jim Mccullough, University of Puget Sound, USA, mccullough@ups.edu)

**Cases from the Food Retail Industry in Egypt**

Mourad Dakhli, Georgia State University  
Ilgaz Arikan, Georgia State University  
Diaa Ghaly, The Wadi Group (Egypt)  
Yasser Michemich, Georgia State University  
Sherin El-Bendary, Georgia State University

We present a set of three cases that collectively deal with various aspects of doing business in Egypt. The first of these cases traces the internationalization efforts of an agricultural concern and outline the challenges of developing a solid global growth strategy. The second of these cases describes Sainsbury's failed attempt to establish a successful presence in Egypt. The case invokes pricing, cultural, and political factors behind the firm's failure. The last case describes the entry of The French Carrefour Group, the largest retailer in Europe, into the Egyptian market. The firm has been successful in its attempt to capture a large market share in Egypt. Factors that may have led to the firm's success in this competitive market are presented. (For more information, contact Mourad Dakhli, Georgia State University, USA, mdakhli@gsu.edu)
Knowledge Acquisition Strategies of Small and Medium-Sized Enterprises: Evidence from Hungary and Ukraine
Wade M. Danis, Georgia State University
Andrew V. Shipilov, University of Toronto

The paper reports the initial results (based on case studies from the Hungarian and Ukrainian IT-consulting industries) of a multi-country study exploring how small- and medium-sized enterprises (SMEs) in transition economies acquire the knowledge they need to compete in increasingly competitive local and global markets. This study begins to address three critical gaps in the literature. First, it considers a wider range of knowledge acquisition strategies than prior research, which has focused primarily on knowledge transfer in international alliances. Second, the study seeks to assess the effectiveness of various knowledge acquisition methods and establish links to SME performance, an area of key concern since SMEs are vitally important to economic restructuring, innovation and growth. Third, a deeper examination of knowledge acquisition mechanisms and processes provides insights into how prior knowledge is adapted as new knowledge is acquired and assimilated. These issues are not only timely but also highly relevant to researchers, practitioners, and policy makers alike. (For more information, contact Wade M. Danis, Georgia State University, USA, wdanis@gsu.edu)

While Detroit Slept Keiretsu Thrived: The Competitive Power of Keiretsu and Supply Chain Of Japanese Auto Makers in Global Market Success
Gary R. Fane, University of North Florida
M. Reza Vaghefi, University of North Florida
Louis A. Woods, University of North Florida
Cheryl A. Van Deusen, University of North Florida

This research investigates and provide empirical evidence that in order for the firm to experience long term sustained competitive advantage it is most essential to free itself of government protection and instead invest in human resources to create knowledge, and deploy its scarce resources in the areas that can most effectively provide and underpin its competitiveness and sustainability. These core areas are human assets, specialized capital assets and an organizational framework that enhances a value-added philosophy and objectives by empowering the human assets. (For more information, contact Cheryl A. Van Deusen, University of North Florida, USA, cvandeus@unf.edu)

Women's Entrepreneurship: A Force for International Business in Post-Soviet Georgia
Bijan Fazlollahi, Georgia State University
Judy G. Quick, Georgia State University

In the Post-Soviet era, especially in the Caucasus and Central Asia regions, the participation of women in the political and economic arenas has declined precipitously. Several factors contribute to this decline- the re-emergence of the traditional role of women in society, the lack of a legal structure to protect women, the paucity of laws to encourage business in general and women-owned businesses in particular. The transition period of the fragile democracies in the Post-Soviet Caucasus and Central Asia has seen governments plagued by corruption, offering a difficult environment for the growth of local businesses and foreign investment. Using the methodology of a literature survey as well as a primary research questionnaire, the paper identifies external and internal obstacles to the success of women in business in Post-Soviet Georgia. The paper concludes that the success of women-owned businesses in this region requires comprehensive business training for women and the promotion of activism to influence lending practices as well as to improve the political, legal, cultural and economic landscape with regard to women’s issues. Successful women-owned businesses enhance the local economy and create a more viable environment for International Business in Post-Soviet Georgia. (For more information, contact Bijan Fazlollahi, Georgia State University, USA, dscbbf@langate.gsu.edu)

Rewards and Firm Performance - A look into the Motivation Black Box
Oliver Gottschalg, INSEAD

What is the impact of performance-based rewards on firm performance? Despite substantial research in this area, we are still missing both a generally accepted theoretical model and conclusive empirical findings regarding whether, and under what conditions, the use of rewards increases firm performance. This study
integrates arguments regarding the effect of rewards on individual motivation from social psychology and economics and applies them to the organizational level. The resulting conceptual framework describes how rewards influence performance through three distinct and interrelated motivational mechanisms. Hypotheses derived from this model are then tested empirically on a sample of 118 management buyouts in the UK. The results of the structural equation model suggest that in this setting, rewards increase not only extrinsic, but also intrinsic forms of motivation. Surprisingly, however, the performance impact of intrinsic motivation is much more powerful than that of extrinsic motivation, which fails to show any statistical significance. Furthermore, and contrary to “received wisdom”, the three types of motivation mutually reinforce each other in their positive impact on performance. The data indicates, therefore, that rewards are an important determinant of firm performance, but only indirectly via their role as antecedents of intrinsic motivational levers. (For more information, contact Oliver Gottschalg, INSEAD, France, oliver.gottschalg@insead.edu)

Resolving a Morally Ambiguous Dilemma: An Exploratory Study of an International Marketing Decision Scenario
Andreas F. Grein, Baruch College - CUNY
Stephen J. Gould, Baruch College - CUNY

Multinationals need to satisfy stakeholders in many different constituencies with conflicting interests and ethics simultaneously. To explore the ethical dilemma of this issue, empirical research using a scenario based on the health concerns of the fast food industry was conducted among business students at a major U.S. university. It applied a qualitative semi-structured approach which allows the potential ambiguities, ambivalences and subtle variations in making moral decisions to manifest. Seven themes emerged including an integrative Hierarchy of Ethical Stances model. (For more information, contact Andreas F. Grein, Baruch College - CUNY, USA, andreas_grein@baruch.cuny.edu)

I Han, National Taiwan University
Cheng-Min Chuang, National Taiwan University

This paper adopts the resource-based and national culture perspectives to explain the relationship between R&D investment and company performance. We propose that the performance of a company and its investment in R&D have mutual effects on each other. Because of different national cultures, different company rewarding systems and decision-making patterns of management teams have various intensities of the mutual effects in different countries. We empirically test the data of the US and Taiwanese technology-intensive companies during 1998-2003. We found that R&D investment has significant impact on company performance, and vice versa. Our results also show the evidence on the different intensities of this mutual relationship between these two countries. Our study makes contributions to both academia and practitioners for its advancing knowledge and implications of the empirical evidence in the context of the US and Taiwanese companies in the technology-intensive industry. (For more information, contact I Han, National Taiwan University, Taiwan, yvohan@ms3.hinet.net)

Product Diversification, Geographic Expansion, and the Corporate Performance: A Competence Perspective
Chia-Wen Hsu, National Taiwan University
Heng-Yih Liu, Yuan Ze University

Corporate diversification has been a central issue of research concern in strategy management and international business. Previous research basically suggests that a managed diversification may enhance corporate returns. However, the research result is not consistent concerning whether differential approaches to diversify a firm’s value-added activities could increase business performance with as well. More critically, previous research mainly relied upon output measures to evaluate firm diversification, which undermine the essence of synergy creation by diversification. By taking this weakness into research consideration, the present research evaluates performance consequences of both product and geographic diversifications from the competence perspective, with particular emphasis on the relationship between competence similarity, geographic expansion, and corporate performance. Employing the notion from competence-based management, we suggest a rather novel approach to measuring the degree of diversification. Using a longitudinal data containing firm-level operation
information during 1997-2002, our empirical investigation found that product competence similarity has positive affect on firm performance, and geographic expansion has negative affect on firm performance. Implications of this result and suggestions for future research are discussed. (For more information, contact Chia-Wen Hsu, National Taiwan University, Taiwan, kevinjubi@yahoo.com.tw)

The Challenge of Latecomers: An Explorative Study of Foreign Market Entry-Strategy Process of Selected Hungarian Companies
Emma Incze, Corvinus University of Budapest

As a direct consequence of political and economic transformation and globalization, the option of cross-border investment is open to companies originated in transformational countries from Central and Eastern Europe as well. The question arises how these companies employ this possibility and how they handle the disadvantages of being latecomer as well as the problems deriving from the economic disequilibrium that affects their home countries. The objective of this study was to describe and understand the foreign market entry-strategy process in its complexity and to identify the specifics that derive from the latecomer status and the economic disequilibrium that affects these countries, as home bases for the newly emerged multinationals. The main question driving this research was how various factors influence the foreign market entry of companies. A qualitative approach was adopted involving interviews. The findings suggest that foreign market entry strategy of the analyzed companies is more opportunity driven that derives from the latecomer status and the economic disequilibrium that affects the home environment of these companies. (For more information, contact Emma Incze, Corvinus University of Budapest, Hungary, emma.incze@uni-corvinus.hu)

Cultural Analysis of South Korea's Economic Prospects
O. Yul Kwon, Griffith University

This study analyses cultural effects on economic development in South Korea. It introduces the concept of transaction costs as an operational intermediary between culture and economic development. Using this approach, we find that culture affects economic development through its impacts on transaction costs in the static case. In the dynamic case, culture affects the economy through its impacts on the creative capacity of citizens. To assess the role of culture in future economic development, recent changes in Korean culture are examined. These include rising individualism and declining sense of community and trust; weaker appreciation of cooperation, compromise, and acceptance of dissent, and rising inclination towards confrontation; and the failing rule of law and rising perception of injustice. These all raise transaction costs. In addition, the future orientation is fading, as suggested by decreasing savings and investment rates, and by decline in the fertility rate. In view of these recent changes, Korean culture will have a negative effect on the future economy, compared to its positive influence in earlier decades from the 1960s. Culture is therefore not ceteris paribus. Even if all else remains the same, the prospects of the Korean economy will be tainted by the influence of culture. (For more information, contact O. Yul Kwon, Griffith University, Australia, y.kwon@griffith.edu.au)

Measuring Commitment in Family Business: The Moderating Role of Firm Internationalization
Somnath Lahiri, The University of Memphis
Raj V. Mahto, The University of Memphis

Family firms constitute a significant percentage of businesses worldwide. Little is known about what drives owners of these enterprises to remain committed to their firms’ long-term continuance. Although the concept of commitment has been widely discussed in business literature, there has been scant attention to its study in the realm of family business. Internationalization of family firms is another area that has not been investigated adequately. Precisely, whether and how internationalization affects owners’ commitment in continuing the legacy of their businesses is not clear. In this paper, we study (a) antecedents to family business commitment, representing the extent to which family business owners identify with the goal of the continuance of the organization as a family business, and (b) examine the impact of firm internationalization on family business commitment. Analyses are conducted with hierarchical regression equations and subgroup analysis on a nationwide sample of 2024 family firms. By and large, the results show support for our theoretical expectations. (For more information, contact Somnath Lahiri, University of Memphis, USA, slahiri@memphis.edu)
A Cross-Cultural Approach to Interactivity: Measurement Issues
Dana-Nicoleta Lascu, University of Richmond

Interactive media presents opportunities to redefine established measures in the context of the structures that arise through interactivity, as well as to develop new measures. Marketing interactivity measures were developed by Stevenson et al. (2000), Bruner and Kumar (2000), Shankar et al. (2000) - none validated. Wu (1999) developed a scale contaminated with affective response items, and Cho and Leckenby (1999) developed an interactivity scale confounded with behavioral intention. Validated measures of interactivity have identified as essential dimensions active control, two-way communication, and synchronicity (Ariely 2000; Sundar et al. 1999; Liu 2003). Cho and Park (2001) have attempted to draw on the research and related scales developed in the information technology area - in particular, the user information satisfaction (UIS) measure (Doll and Torkzadeh 1988) - but they limit the study of website interactivity to consumer satisfaction. This study develops and validates a multi-item interactivity scale drawing upon the marketing literature on satisfaction, service quality, communication, and attitude-toward-the-ad, and upon the information systems literature on user information satisfaction. The study proposes to ultimately advance an etic model of website interaction satisfaction that addresses the multiple dimensions of website interactivity pertinent to both marketing and information systems. (For more information, contact Dana-Nicoleta Lascu, University of Richmond, USA, dlascu@richmond.edu)

Cultural Knowledge and Cross-Cultural Training: A Knowledge-Spiral Perspective
Tomasz Lenartowicz, Florida Atlantic University
James Patrick Johnson, Rollins College, Florida
Robert Konopaske, Florida Atlantic University

We identify a deficiency of cultural knowledge among US-based international business practitioners as a primary reason for the failure of many overseas ventures, and we then discuss the importance of cultural knowledge for firms as well as individuals in international business. Even though knowledge creation has been recognized as an important source of competitive advantage for MNCs, there is a paucity of research investigating the relationship between cultural knowledge and knowledge creation. Therefore, drawing from the resource-based view of the firm, social learning theory, and the tacit knowledge perspective, we seek to fill this gap in the international business literature by examining the concept of cultural knowledge, its structure and formation process, and the processes by which individuals and companies acquire cultural knowledge. We discuss the process by which cultural knowledge is created, based on Nonaka and colleagues’ knowledge spiral, and explore how cultural knowledge is generated and disseminated in multinational corporations, emphasizing the intersection of social learning theory (Bandura, 1977) and cross-cultural training programs. We conclude that the majority of current cross-cultural training programs are ineffective and we recommend the use of more appropriate techniques that are currently available. (For more information, contact James Patrick Johnson, Rollins College, USA, jppjohnson@rollins.edu)

Business Practice Arbitrage as a Success Factor in Service Sector Entrepreneurship by Foreigners in Japan
Carl Kay, Independent Consultant
Tim Clark, Portland State University

An analysis of primary and contributing success factors for 10 successfully operating service sector businesses started in Japan by foreigners was made from August 2003-August 2004. The most important success factor was application of a business practice common in the founder’s home country but innovative within the Japanese service sector. This “arbitrage” was the primary success factor in 5 of the 10 companies studied. Application of an advanced service methodology was the second most important factor, followed by transparency of pricing and/or information. The results highlight both the deficiencies in Japan’s domestic service sector offerings and the value of the perspective foreigners bring to the problem. In this study, the full version of which will be released in book form with extensive citations later in 2005, the authors note the importance to success in many of the cases of low context cultural elements (Hall) applied within Japan’s high context society. The catalytic role in Japan of foreign multinational companies as demand drivers for innovative services is discussed, as is the pressing need for service sector innovations to make Japan more appealing to
the skilled foreign workers it must attract in the future. (For more information, contact Carl Kay, Independent Consultant, Japan, carlkay@mub.biglobe.ne.jp)

Transition of the Banking Sector: From State-to Foreign Ownership: The East and Central European Experience
Katherin Marton, Fordham University

Development of the banking sector was among the priorities of the newly elected governments in Eastern and Central Europe. Within the broader economic reforms of the transition it was probably this sector which posed most challenges. As performance of the banking sector depends largely on the real sector, the financial sector carried the burden of economic transition. During the past 15 years the banking sector in most countries of Eastern Europe experienced a major transformation. Most banks are well-capitalized, and profitable, with rates of return higher than in countries of the European Union. foreign banks which account for about two-third to three-fourth of the banking sector’s assets in the region, improved the efficiency of the banking sector and in general, tend to operate more efficiently than their domestically-owned counterparts. Despite these favorable developments, provision of financial intermediation in the economies of ECE countries remained relatively underdeveloped. Lending to the private sector remains at very low level, with the rate of bank lending to GDP far below the countries of the European Union. As foreign banks prefer to lend to foreign subsidiaries and large companies, borrowing needs of the domestically-owned small and medium-sized enterprises remained largely unmet. (For more information, contact Katherin Marton, Fordham University, USA, kmartonfordham@aol.com)

Overcome Management Bias in International Expansion: A Four-Step Strategy
Briance Mascarenhas, Rutgers University
Diana L Day, Rutgers University

With shorter product cycles, firms need to improve their innovation capacity and spread rapidly their innovations abroad before they are imitated or superseded. But when expanding internationally, managers often frame their decisions narrowly, leading to overconfidence and optimism in their market entries. This management bias often leads firms into less attractive markets with large inflexible investments that limit learning and innovation. To overcome this management bias, the article advances a Four-Step Strategy to achieve broad, rapid, deep, and innovative international expansion. (For more information, contact Briance Mascarenhas, Rutgers University, USA, mascaren@crab.rutgers.edu)

Start-up and Survival of Household-level Rural Non-farm Activities
Atul Mishra, Plymouth University

While the farm non-farm relationship has been studied extensively in the development literature, the focus has generally been on the aggregate relationship. The study of the formation, survival, growth and closure of micro and small enterprises in the rural non-farm economy is still in a nascent stage. This study attempts to fill the gap through a study from an area in India that is characterised by subsistence-farm economy. It attempts to isolate the collates of whether the enterprises started from scratch, the activities they entered into and the constraints they ran into – both at the time of start as well as at the time of running. The findings support the hypothesis that education of the entrepreneur is the key characteristic that explains both the type of constraints. We conclude with some policy implications that follow from our study. (For more information, contact Atul Mishra, Plymouth University Business School, United Kingdom, a.mishra@plymouth.ac.uk)

All Revolutions are Not the Same: Strategy, Power and Negotiation among Expatriate Managers in a German Multinational Corporation
Fiona Moore, Kingston University

This paper contributes to the ongoing debates on HRM in Head Office/subsidiary relationships and the uses of expatriates in corporate strategy, focusing specifically on the literature which argues that expatriates are used by the Head Offices of multinational corporations primarily for social control. Taking Erving Goffman’s theories of strategic self-presentation, I suggest instead, on the basis of a detailed ethnographic study of the expatriate staff of the London office of a German multinational bank, that, in fact, not only do the local managers use the presence of the expatriates to resist Head Office’s practices, but that the expatriates themselves employ their
position strategically, to negotiate between both parties according to their own interests. This creates a situation characterised less by domination and resistance than by dynamic negotiation between different groups with different strategies engaging in particular forms of self-presentation, in which no group ultimately prevails. I conclude by arguing for the development of a new way of considering international management in theory and practice, taking into account the influences on the manager and their organisation, and the strategies of individuals and groups within the MNC. (For more information, contact Fiona Moore, Kingston University, United Kingdom, f.moore@kingston.ac.uk)

Be Consumer-Related Partner-Selection for International Alliance
Feng-chuan Pan, Tajen Institute of Technology; ISU
Jun Ying Huang, I-Shou University
Chi-Yu Huang, I-Shou University

Firms enter into international strategic alliance as one of international expansion strategies and for strengthen competitive advantages. Selecting proper international strategic alliance partner has been view as critical factor to the success of cross-border cooperation. While the consumer is the center of marketing and many functional operations, they are ignored in most strategic alliance researches. In contrast to the firm's internalization process of Uppsala school, this paper propose that partner selection for international operation would be first step for direct investment or wholly owned subsidiary. And partner selected to ensure successes of venturing for ideal markets shall be based on criteria that are consumer-oriented of which distinct from partner-related factors and task-related factors. This paper presents the importance of the role of consumer in several functional activities, and the necessity of involving consumer-related factors in the decision of international strategic alliance. Base on theories of cooperation and alliance, and literatures in consumer research, this paper develop several propositions. An empirical survey has been also done to provide some initial evidence for these propositions. The author also presents some discussion on the research of involving consumer in ISA partner selection process. (For more information, contact Feng-Chuan Pan, Tajen Institute of Technology; ISU, Taiwan, taiwan.pan@msa.hinet.net)

Asymmetry and Heterogeneity in Alliances
Andrew Papadopoulos, HEC Montreal
Yan Cimon, HEC Montreal
Louis Hebert, HEC Montreal

The purpose of this paper is to analyze the issues related to asymmetry and heterogeneity as they pertain to the study of alliances. First, we start by defining the concepts of asymmetry and heterogeneity to show that they are not synonyms. Second, we propose a framework that allows for the integration of the resource-based view (RBV), transaction cost economics (TCE) and industrial organization (IO) at different levels of asymmetry and heterogeneity. We argue that RBV is a more appropriate theoretical anchoring for explaining alliance formation in a high heterogeneity and low asymmetry environment while TCE is more apt in explaining strategic alliances in high asymmetry and low heterogeneity situations. Furthermore, the case of low asymmetry and low heterogeneity is addressed from the IO perspective. In the case of high asymmetry and high heterogeneity, we reconcile RBV and TCE by comparing the cost of trust building to contracting as alternative mechanisms to governance. We conclude by suggesting that there are optimal levels of heterogeneity and asymmetry for performance maximization. (For more information, contact Andrew Papadopoulos, HEC Montreal, Canada, andrew.papadopoulos@hec.ca)

Free Trade Zones and Export Processing Zones as Instruments for International Strategy: Review, Typology, and Suggestions for Research
Nicolas Papadopoulos, Carleton University
Shavin Malhotra, Carleton University

“Free Trade”, “Export Processing”, and other types of special “zones” are geographically-defined areas within countries that are intended to provided a barrier-free environment for business, often accompanied by special incentives, for firms considering in-zone operations. As an important instrument that facilitates international trade and investment, such zones have been growing significantly in number, number of firms operating within
them, volume of business, and importance over the past several decades, with most nations now offering some type of free zone program. Yet in spite of their importance, and concomitant research interest among scholars in economics, studies on free zones by business researchers are virtually non-existent. This paper provides an integrative review of the FTZ concept based on relevant insights from the literature, develops a typology of main types of zones, discusses the importance of zones and global zone networks in supply chain management and international strategy, and provides suggestions for future research. (For more information, contact Nicolas Papadopoulos, Carleton University, Canada, npapadop@carleton.ca)

**Profitability of Foreign Owned Companies in Poland 1993-2002: Does Foreign Ownership Matter?**  
Konrad Marcin Pawlik, Aarhus School of Business

Unique database on industry variables of foreign owned companies in Poland for the years 1993-2002, this paper analyses the determinants of the profitability of the foreign affiliates. In panel estimations investments activity and foreign capital share are shown to be significant and negatively associated to performance, while numbers of companies in the given industry are shown to be positively associated to profitability. Due to volatility of profit measures the analysis has been divided into three short time spans: “uncertainty”, “expansion”, “maturity” based on industry external factors and internal factors. According International Business Research some industry variables are assumed to be proxies for complex and tacit technology transfer and profitability is perceived to measure its efficient integration in the affiliate. The results show the association between foreign ownership and profitability to change over time: in the expansion stage the association is positive, while in the uncertain and mature stage negative. The wage level, as indicator for incentive to absorb knowledge, is positively associated with profitability in the uncertainty stage. Investment activity, as an indicator for innovation performance, indicates that high affiliate profitability in uncertain and expansion stages is not a reflection of the flow of technology embodied in highly advanced machinery (For more information, contact Konrad Marcin Pawlik, Aarhus School of Business, Denmark, kpa@asb.dk)

**Correlates and Predictors to Organizational Commitment in China**  
Douglas Kent Peterson, The College of New Jersey

Managers need to be able to develop reasonable work attitudes among host nation employees. This study adds to the growing knowledge base regarding worker motivation and commitment among factory workers in China. This study meaningfully applies a combination of questionnaire methodology with group interviews and direct observation to uncovering previously unexplored components to commitment among Chinese workers. Results of rigorous statistical analyses indicated that job satisfaction was not as predictive of organizational commitment as is reported in western countries. More predictive of commitment in China, was supervisor conduct/relationship, perception of company financial and social status, leadership behaviors of initiating structure and consideration, and relationships with co-workers. Demographically, behavioral, affective, and continuance commitment were predicted by gender, education, and length of employment with a company. The traditional positive relationship between job commitment and job satisfaction was not fully supported. (For more information, contact Douglas Kent Peterson, College of New Jersey, USA, dpeterso@tcnj.edu)

**The Role of Alliance Learning in the Australian Information and Communications Technology (ICT) Industry.**  
Vanessa Ratten, Queensland University of Technology

Alliances have emerged as an important organizational structure that most firms are involved in. The Information and Communication Technology (ICT) industry is an industry that is characterised by a high number of alliances. The dynamic nature of the ICT industry means that alliances provide firms with the optimal structure in which to learn and obtain new information. This paper examines the ICT industry in Queensland, Australia. A qualitative methodology is undertaken to examine how alliances operate in the ICT industry. Major implications and conclusions are drawn from this study. (For more information, contact Vanessa Ratten, Queensland University of Technology, Australia, v.ratten@qut.edu.au)
**Impact of Iraq War on Gulf Countries Equity Markets**

Massood Samii, Southern New Hampshire University  
Bulent Aybar, Southern New Hampshire University  
Arul Thirunavukkarasu, Southern New Hampshire University

Has the recent political disturbance in the Gulf Region had an impact on the economies of the surrounding countries, particularly the Gulf countries? While it may appear to have made these economies riskier, this paper argues that the war has in fact improved the performance of these markets by reducing the stock-market risk in that area and has been beneficial for their equity market. We used data for the equity markets of Bahrain, Kuwait, Oman, Qatar, Saudi Arabia, UAE and show that the war has improved the performance of these markets. One reason that can be attributed to improve in performance is the fact, that the uncertainty of the anticipation of war is now eliminated and therefore investors know what to expect in these markets. This reduced uncertainty about the war has helped to improve the investor’s confidence in these markets. The other reason is the rise in the price of crude oil partly because of the war resulting in financial windfall for these countries. (For more information, contact Arul Thirunavukkarasu, Southern New Hampshire University, USA, arul.thirunavukkarasu@snhu.edu)

**Wind of change? Shareholder Structures in Germany**

Lydia M. Schmelter, Queensland University of Technology  
Gordon Boyce, Queensland University of Technology

An empirical study of the ownership structures of the top 500 German companies was conducted to determine whether significant changes have occurred between 1992 and 2004. This study discovered a large increase in the proportion of stock owned by non-financial firms and a decrease in the proportion of stock owned by financial institutions. Also, it found that the number of large stockholders has increased considerably, especially in the shareholdings of non-financial firms. This research also found a strong incidence of interlocking shareholdings among the largest German firms. In addition, research results indicated that large companies do still follow conglomerate strategies. This study found a further decrease in the presence of holding companies and a decrease in shareholdings by banks and financial institutions. (For more information, contact Lydia M. Schmelter, Queensland University of Technology, Australia, l.schmelter@qut.edu.au)

**Internationalisation by Divestiture: The Case of a Small, High-Technology Firm from a Small Economy**

Joanna Scott-Kennel, Victoria University of Wellington

New Zealand is renowned for entrepreneurial and innovative spirit (GEM, 2003). However, small innovative firms, founded by New Zealanders, are increasingly being snapped up in acquisitions by foreign multinational enterprises (MNEs). This conceptual paper draws on a case study of a small, high-technology manufacturing firm to examine the reasons why New Zealand entrepreneurs might decide to sell their companies to MNEs, as well as the outcomes of the sales for the companies themselves. The paper suggests that in the New Zealand context there are institutional, managerial, and technological restraints to local ownership of high-tech SMEs that may be overcome via MNE ownership. This paper addresses a gap in the internationalisation literature that has failed to consider divestiture as an alternative international trajectory - that is - the decision by owners/managers to cede their ownership rights to an MNE in order to grow or globalise their innovative firms. The paper also highlights the risks of such a strategy. (For more information, contact Joanna Scott-Kennel, Victoria University of Wellington, New Zealand, joanna.scott-kennel@vuw.ac.nz)

**Can A Large Multinational Corporation Be ‘Entrepreneurial’? Effects of Entrepreneurial Orientation on Internationalized and Foreign Entry Decisions**

Chiung-Hui Tseng, National Cheng Kung University

Corporate entrepreneurship is necessary for firms of all sizes to prosper and flourish in competitive environments. For a large multinational corporation navigating the competitive, volatile global business arena, bearing entrepreneurial spirits is particularly a vital means for exploiting international opportunities. This paper seeks to investigate how entrepreneurial orientation, a process view of corporate entrepreneurship, affects two important international strategies of multinational corporations, namely degree of internationalization and
foreign market entry modes. Three key dimensions of entrepreneurial orientation are identified, including innovativeness, proactiveness, and risk taking. Propositions independently linking the three entrepreneurial attitudes to the degree of internationalization and foreign entry decision are presented and discussed. In addition, the interrelation between the two international decisions is also discussed. (For more information, contact Chiung-Hui Tseng, National Cheng Kung University, Taiwan, ctseng@mail.ncku.edu.tw)

Global Cohesion: The Contribution of Corporate Public Diplomacy
Rehan ul-Haq, University of Birmingham
Waseem Mahmood OBE, Media Development Consultant

The sociologist Samuel Huntington (Huntington, 1997) refers to the 'Clash of Civilisations' and suggests this as being a clash of cultures between the Islamic World and the West. The implications in political and diplomatic areas are profound, with major economic repercussions, in particular for transnational corporations, already being seen. Official government efforts to shape the communications environment overseas have been less than effective, therefore private sector firms need to establish Corporate Public Diplomacy (CPD) programmes. The authors define and propose a generic CPD strategy for a transnational corporation in Islamic countries, with two major components - humanitarian and Dialogue of Civilizations - and suggest an important role for academics researching in politics, international relations, international business, marketing and strategy domains. (For more information, contact Rehan ul-Haq, University of Birmingham, United Kingdom, r.ul-haq@bham.ac.uk)

Socio-Political Theory of Corporate Acquisitions Among Chinese Firms
Jie Wu, National University of Singapore

While the previous research on the merge & acquisition has focused on synergy motives and agent motive, this study instead seeks to add to prior research by developing a theoretical explanation that gives much closer attention to the macro socio-political aspects of the acquisitions. By considering not only the diversity of preferences held by powerful owners, but also the power of individual investors and its effects on acquisitions, this study goes beyond existing approaches to test the impacts of individual investors on acquisitions. Using the empirical context of acquisition among Chinese firms, which has multiple theoretical and empirical benefits, I test specific predictions about how such heterogeneity in power and interests imply different effects for the merge & acquisitions among Chinese firms. I discuss the implications of my findings for research on the merge and acquisitions practices, as well as the debate over the convergence of national governance systems. (For more information, contact Jie Wu, National University of Singapore, Singapore, g0201929@nus.edu.sg)

Generalist or Specialist: Foreign Firms' Strategic Positioning in a Partitioned Host-Market Industry
Henry Yu Xie, Saint Louis University
Hongxin Zhao, Saint Louis University

This paper draws on resource partitioning theory of population ecology in the examination of foreign entrants’ strategic positioning in a host-market industry. Foreign entrants, either generalist or specialist firms in their home-market industry, are posited to strategically position themselves as generalist or specialist firms in the host-market industry. We examine foreign entrants’ strategic positioning with three levels of factors: host country-specific, industry-specific and firm-specific factors. We propose that institutional environment of host country, industry concentration of host-market industry, and local market knowledge and international experience of foreign entrants affect foreign generalist firms’ strategic positioning. However, these three levels of factors do not exert impact on foreign specialist firms’ strategy in a host-market industry. We also discuss implications and directions for future research. (For more information, contact Henry Yu Xie, Saint Louis University, USA, xiey@slu.edu)

Cross-Cultural Variations in Human Resource Practices and Firm Performance: A Comparison of Multinational and Local Firms
Pei-Chuan Wu, National University of Singapore

This study examines the relationships between high performance work systems (HPWS) and firm performance. Specifically, it focuses on the moderating effects of country of origin on HPWS and firm performance (i.e.
turnover rate, mobility rate, and perceived performance). The findings from a sample of leading firms from three regions (Hong Kong, Singapore, and Taiwan) indicate support for both the universal and contingency approaches. HPWS is a significant predictor of perceived firm performance. In addition, country of origin moderates the relationship between human resource practices and turnover. (For more information, contact Pei-Chuan Wu, National University of Singapore, Singapore, bizwupc@nus.edu.sg)

Localizing Global Brands In Emerging Markets: Insights from Marketing and Brand Managers in Turkey
Attila Yaprak, Wayne State University
Burcu Tasoluk, Michigan State University
Roger Calantone, Michigan State University

Global branding has inspired an interesting stream of literature during the last decade. However, localizing global brands in host, especially emerging, markets has not received much attention in the literature. Our work, reported in this paper, attempts to fill this void. Based on interviews we conducted with brand managers, we discuss strategic and environmental drivers of local rollouts of global brands in Turkey. (For more information, contact Attila Yaprak, Wayne State University, USA, attila.yaprak@wayne.edu)

Semiglobalization of the Wine Industry
Tatiana Zalan, University of Melbourne

A number of influential scholars have recently argued for semiglobalization, or incomplete integration of product and factor markets, which merits the status of a major research program in international business. At the core of this study is the analysis of the extent of globalization of the worldwide wine industry. Using the framework for analyzing industry globalization potential developed by Yip (1989), we conclude that the industry does not appear to be amenable to globalization on the supply and demand side. This study thus provides corroborating evidence for semiglobalization and additional support for the somewhat neglected notion that location-specificity matters. We argue that the wine industry represents an extreme case of such location-specificity - not only at the level of a country, but, on the supply side, even at a much lower level of a particular region or 'terroir'. (For more information, contact Tatiana Zalan, University of Melbourne, Australia, tzalan@unimelb.edu.au)

Session: 2.3.1 - Panel
Track: Track 1 - Context of Global Business

Environmental and Natural-Resource Issues in International Business


Chair: Robert J. Weiner, George Washington University; Université Laval

Corporate Environmental Behavior in Emerging Markets and the Public Policy Process
Jorge Rivera, George Washington University
Mark Starik, George Washington University
Peter deLeon, University of Colorado-Denver

Environmental Entrepreneurship in the North American Region
Mark Starik, George Washington University

Can Host Governments Influence the Developmental Impact of Investors’ Corporate Social Responsibility Programmes?
Lamon Rutten, UNCTAD
Models for Forecasting Natural-Resource Prices: An Application to Aluminum
Jean-Thomas Bernard, Université Laval
Lynda Khalaf, Université Laval
Maral Kichian, Bank of Canada
Sebastien McMahon, Ministry of Finance of Québec

This proposal is motivated by the AIB 2004 conference's location-specific advantage in Canada, a country where natural resources have long played a major role in the economy, and where environmentally-sensitive issues arise from the east coast (fishing) to the west coast (logging). Historically, many of these resources have been exploited by foreign MNEs, making this sector/country combination of particular interest to an AIB audience. A majority of the world's nations are dependent on their natural resource endowments for their participation in international trade and investment. These nations overlap all the regions of the globe, from climate and soil in West Africa, to hydrocarbons in Central Asia, the Middle East, North Sea, and Indonesia, to metals in Canada, Russia, the Andean Countries, and South Africa. The natural environment receives a surprisingly small amount of attention in International Business, judging by the articles published in the Journal of International Business Studies, and papers presented at AIB conferences. This panel is designed to remedy the scarcity through heightening interest and awareness regarding issues related to natural resources and environment, and fostering dialogue in this area. (For more information, contact Robert J. Weiner, George Washington University; Université Laval, USA, rweiner@gwu.edu)

Session: 2.3.2 - Competitive
Track: Track 3 - Growing Local Roots
Clusters: Development and Evolution

Chair: Colin Campbell-Hunt, University of Otago
Discussant: Sjoerd Beugelsdijk, Tilburg University

Economic Development as a Learning Process: Cluster Formation and Institutions in Chile
Paola Perez-Aleman, McGill University

Clusters to encourage national economic development. This paper argues for an approach that focuses on the institutions enhancing the conditions for individual and collective firm learning. Through an analysis of two successful, newly formed clusters in Chile, one in agroindustry and the other in salmon fisheries, the paper illustrates the emergence of new institutional arrangements to coordinate economic activity that assist firm building and upgrading of technological and organizational capabilities. The Chilean cases underscore the relevance of institutions that create conditions for firms, government, and business associations to engage in an interactive learning process that fosters improvements in economic performance. The emergence of dynamic clusters depends on building institutions that enable coordinated learning among firms to improve quality and skills. (For more information, contact Paola Perez-Aleman, McGill University, Canada, paola.perez-aleman@mcgill.ca)

Evolution of Industry Clusters through Spin-Offs and the Role of Flagship Firms
Manuel Portugal Ferreira, University of Utah
William Hesterly, University of Utah
Ana Teresa Tavares, University of Porto

Extant research often traces the origins of clusters to historical trajectories and to more or less random and undefined exogenous events, rather than to business strategy or policy. We suggest that the origin and evolution of industry clusters may be more endogenous than is usually deemed in the literature. Clusters may emerge and develop through the gestation of spin-offs by entrepreneurial employees that exit the parent firms, or previous employers, to create their own business. These entrepreneurial spin-offs benefit from maintaining
social and business ties to the parent firm and using the parents' network of relationships. The idiosyncratic configuration of the cluster that is formed, with cohesive offsprings surrounding the parent firms, is a munificent environment that supports future spin-offs. The emergence and evolution of the cluster is thus bound by the family tree of parent and offspring firms. Flagships in the cluster are firms that by their characteristics and positioning within the cluster and the industry lead the evolution of the cluster by generating a disproportional amount of new and successful spin-offs. This model provides a useful approach for the design of government policies promoting cluster formation, and could become a deliberate business strategy by flagship firms. (For more information, contact Ana Teresa Tavares, University of Porto, Portugal, atavares@fep.up.pt)

Clustering at the Edge: Growing Businesses of Global Reach from Thin Soil
Colin Campbell-Hunt, University of Otago
Sylvie Chetty, Massey University
Sheelagh Matears, Lincoln University

The paper explores the paradox of global advantage stemming from distinctive local roots in the context of one of the most remote clustering communities on the planet, the Dunedin engineering cluster. By taking the phenomenon of clustering to the limit of its effectiveness, and at the beginning of the community's engagement with the global economy, the research seeks to isolate processes that assume an importance early in the formation of a cluster but which may become taken for granted in more established systems. We find that building scale is crucial to the early engagement of cluster dynamics, and that horizontal rather than vertical co-specialisation offers a more promising means to that end. We also explain the clustering phenomenon as a fully dynamic process and isolate virtuous cycles of positive feedback that have the potential, even at this early stage, to make the cluster's advantage self-sustaining. (For more information, contact Colin Campbell-Hunt, University of Otago, New Zealand, ccampbell-hunt@business.otago.ac.nz)

Session: 2.3.3 - Competitive
Track: Track 4 - Economics, Finance and Taxation

Banking, Financial Institutions and Post-privatization


Chair: John Clarry, The College of New Jersey
Discussant: Akash Dania, University of Texas-Pan American

Privatization and Bank Performance in Developing Countries
Narjess Boubakri, HEC Montreal
Jean-Claude Cosset, HEC Montreal
Klaus Fischer, Universite Laval
Omrane Guedhami, Memorial University of Newfoundland

We examine the postprivatization performance of eighty-one banks from twenty-two developing countries. Our results suggest that: i) On average, newly privatized banks have a lower economic efficiency, and a lower solvency than state-owned banks. ii) In the postprivatization period, profitability increases but, depending on the type of owner, efficiency, risk exposure and capitalization may worsen or improve. However, iii) Over time, privatization yields significant improvements in economic efficiency and credit risk exposure. iv) We also find that newly privatized banks that are controlled by local industrial groups become more exposed to credit risk and interest rate risk after privatization. (For more information, contact Jean-Claude Cosset, HEC Montreal, Canada, jean-claude.cosset@hec.ca)
Banks that Don't Lend? Unlocking Credit to Spur Growth in Developing Countries
Reid W. Click, George Washington University
Paul L. Freedman, U.S. Agency for International Development

Credit markets in developing countries are extremely inefficient. There is minimal lending to the private sector despite substantial liquidity within the banking system. Redirecting a portion of the liquid assets maintained by banks towards loans to private sector borrowers could significantly accelerate rates of economic growth in developing countries. Increasing the volume of lending to the private sector will require legal reforms in the areas of contract enforcement, collateral laws, and bankruptcy regimes. Reforms in these areas are needed so that lenders can be confident they will get repaid on a loan if the borrower defaults. The volume of lending to the private sector can also be augmented by curtailing budget deficits that drive up interest rates and ultimately crowd-out private investment and by promoting private credit bureaus that widely disseminate information to lenders about the credit history of prospective borrowers. (For more information, contact Reid W. Click, George Washington University, USA, rclick@gwu.edu)

The Set Up of Bank Offices in London
Mohamed Azzim Gulamhussen, ISCTE - Business School

This paper conceptualizes and empirically examines factors affecting the set up of bank offices in London. The hypotheses are tested with a unique data set collected though interviews with senior managers of multinational banks. The findings reveal that banks set up large-scale offices in London to deter rival banks offer services to their domestic and foreign borrowers. I also find that the scale of office is negatively related to the perceived risk of foreign investors and positively related to lock-in. The findings suggest that the real options approach can prove useful in developing a dynamic version of the static theory that explains the set up of bank offices in foreign markets. In addition, the findings shed light on the recent concerns of regulators and the public in general about London's role as a major financial center in Europe. (For more information, contact Mohamed Azzim Gulamhussen, ISCTE Business School, Portugal, magn@iscte.pt)

Cross-Border Investment in the Latin American Banking Sector
Jesús Arteaga Ortiz, Universidad de Las Palmas de Gran Canaria
Wendy Jeffus, Southern New Hampshire University

Cross-border investment in the banking sector has been a large part of merger and acquisition activity in Latin America. Spain and the United States have been the largest investors, participating in almost 70% of the total transaction value. The total value of foreign investment within that region in the banking sector is over 50 billion dollars. After an introduction and explanation of the importance of FDI and implications for cross-border investment in banking, this paper focuses on the largest investor in the Latin American banking sector and attempts to find an explanation for the increasing participation of Spanish banks. The paper alludes to a potential new reality: Latin America could be the geographical place where major contenders in the banking industry worldwide will be engaged in battles for global dominance. The data for this analysis consists of worldwide investment in Latin America from 1985 to 2002. (For more information, contact Wendy Jeffus, Southern New Hampshire University, USA, wendy.jeffus@snhu.edu)
Location Decisions


Chair: Nichole M. Castater, Clark Atlanta University
Discussant: Animesh Ghoshal, DePaul University

Dunning's Framework, International Market Selection, and Firm Performance
Lance Eliot Brouthers, University of Texas at El Paso
Keith D. Brouthers, Temple University
Somnath Mukhopadhyay, University of Texas at El Paso
Timothy J. Wilkinson, University of Akron

Previous scholarship on international market selection has been largely atheoretical, focusing almost exclusively on variables related to potential markets. In this paper Dunning's eclectic framework is used to predict international market selection outcomes for European Union firms entering the markets of Central and Eastern Europe. Results indicate that the OLI model correctly predicts 64% the market selection decisions of the sample firms. This is significantly above the 35% predicted solely by location factors. The results also indicate that Dunning's model can be used as a normative method of international market selection. Significantly higher satisfaction with marketing performance occurred for firms that selected their international markets according to the predictions of the framework. (For more information, contact Timothy Jon Wilkinson, University of Akron, USA, twilkin@uakron.edu)

The Effects of Location Choices on Home Economy: A Firm Level Analysis
Ryh-Song Yeh, National Chi Nan University
Huilin Lin, National Taiwan University

There is an increasing concern in emerging economies with regard to the effects of FDI on home economy. Rather than an aggregate conclusion about the effects on employment and export associated with FDI in most researches, this study investigates the effects of Taiwan's FDI toward DCs, China and South-East Asian Nations at firm level. The effects are varied depending on firm's location choices, strategies, industry and characteristics. The investment in DCs is the most favorable for it has a significant and positive effect on production scale, employment, product quality and technology. The Investment in China and South-East Asian Nations has positive impact on firm's product quality and technology, but a significant and negative effect on production scale and employment. There are always gains and losses to some firms in the process of economic reconstruction even in a short run. Limitations and implications of research results are finally discussed. (For more information, contact Ryh-Song Yeh, National Chi Nan University, Taiwan, rsyeh@ncnu.edu.tw)
**Knowledge Integration and Knowledge Management in MNCs**

**Presented On:** 7/11/2005 - 13:30-15:00

**Chair:** Simon Collinson, University of Warwick

**Discussant:** Srilata Zaheer, University of Minnesota

*Does Vertical Integration Impact Technological Search? Evidence from the Global Semiconductor Industry*

Nandini Lahiri, Indian School of Business
Gautam Ahuja, University of Michigan

In this paper, we ask why firms vary in their ability to explore new domains of technological knowledge. We argue that the consequences of organizational design impact the ability of the firm to explore in new technology space. Given prior research on the role of aspiration and slack resources in innovation, we hypothesize that predetermined choices of organizational design affect the outcome of the search process. Our results indicate that while vertically integrated firms have to bear the consequences of high fixed costs of manufacturing facilities, such disadvantages may be dampened by other choices that the firm makes. (For more information, contact Nandini Lahiri, Indian School of Business, India, nandini_lahiri@isb.edu)

*Designing Knowledge Management Systems in MNCs: A Managerial Framework*

Bo Bernhard Nielsen, Western Washington University
Snejina Michailova, University of Auckland

Companies that understand and actively manage the process of designing, developing and advancing effective KMSs are likely to outperform competition. Using examples from eight multinational companies studied over the last three years and examples published in the literature, this paper develops a framework that a) recognizes KMSs as contingent on the contexts within which they are designed and implemented, b) identifies four distinct, yet overlapping categories of KMSs and defines the key characteristics of each category, c) highlights the complexity of transition between categories and, d) argues for the need for intentional specific managerial actions directed towards policy/strategy, organizational/structural and cultural/human factors within each particular category. (For more information, contact Snejina Michailova, University of Auckland, New Zealand, s.michailova@auckland.ac.nz)

*Driving Creativity: Extending Knowledge Management into the Multinational Corporation*

James W. Gabberty, Pace University
Jennifer D. E. Thomas, Pace University

Much has been written about the proliferation of the modern multinational corporation (MNC) as a primary driver of globalization [Bhagwati 2004; Rugman et al. 2004; Wolf 2004]. In recent years, these organizational types have increased both the size and scope of their influence beyond doing business in the markets of proximal nations to operating on a global scale. The complicated task of ensuring the unimpeded flow of information and firm knowledge remains in lockstep with firm expansion is such a sizeable task that only a few firms can claim to operate anywhere near their capabilities and an even fewer number of models exist that may be used to assist strategists planning the expansion process. Although innovations in information technology (IT) and advancements in telecommunications have ushered in this era of rapid globalization, line managers working for MNCs often have difficulty maximizing the aggregate potential of company assets; yet a common goal shared by all MNCs is to operate at maximal performance while concomitantly increasing the ability of the firm to innovate. This paper examines the processes of idea creation that may be leveraged by multinational corporations undergoing expansion and the role that IT plays as a driver of innovation. (For more information, contact James W. Gabberty, Pace University, USA, jgabberty@pace.edu)
Based on a questionnaire administered to Continental European firms, this paper explores the determinants of knowledge integration at a corporate level of analysis. Hypotheses are developed and tested as to how corporate determinants, and complementarities between these determinants impact on knowledge integration. The results indicate that firms with complementarities between product-based structures, project-based structures, human resource mechanisms, information technology, and decentralized structures were able to enhance knowledge integration more than firms implementing these determinants separately. (For more information, contact Henk W. Volberda, RSM Erasmus University, Netherlands, h.volberda@rsm.nl)

Session: 2.3.6 - Panel
Track: Track 6 - Internationalization of Services

Global Outsourcing of Services: Developing a Research Agenda


Chair: Farok J. Contractor, Rutgers University and Susan Mudambi, Temple University

The global outsourcing of services has accelerated because of the fall in telecommunication costs, digitalization or codification of administrative processes and records, better technical skills abroad, and competitive pressures. Service and administrative functions are being modularized, disaggregated, stored, and transmitted at low cost, thus overcoming the barriers of simultaneity and perishability. Centralized functions are being codified, digitized and replaced by personnel in foreign countries. Knowledge-intensive services such as architectural design and tax preparation, and internal company functions such as accounting, HRM, supply chain management, and even R&D, are beginning to be outsourced globally. Almost all administrative processes are today amenable to modularization, digitization and outsourcing -- something that was barely contemplated just five years ago. This disaggregation of service functions obviates geographical, temporal and organizational boundaries. The panel will address five domains: (1) Disaggregation of the value chain and selection of pieces that may be outsourced, (2) Choosing the foreign location, (3) Organizing and managing globally distributed teamwork, (4) Limits to outsourcing. Finding the optimal balance between salary cost savings of foreign outsourcing and an increase in other costs, as well as quality and control concerns, (5) A benefit/cost framework for corporations, and for public policy. (For more information, contact Farok J. Contractor, Rutgers University, USA, farok@andromeda.rutgers.edu)

How Far Can Service Outsourcing Globalize? Limits to the Phenomenon

Masaaki Kotabe, Temple University
Janet Y. Murray, St. Louis University

The global outsourcing of services has accelerated because of the fall in telecommunication costs, digitalization or codification of administrative processes and records, better technical skills abroad, and competitive pressures. Service and administrative functions are being modularized, disaggregated, stored, and transmitted at low cost, thus overcoming the barriers of simultaneity and perishability. Centralized functions are being codified, digitized and replaced by personnel in foreign countries. Knowledge-intensive services such as architectural design and tax preparation, and internal company functions such as accounting, HRM, supply chain management, and even R&D, are beginning to be outsourced globally. Almost all administrative processes are today amenable to modularization, digitization and outsourcing -- something that was barely contemplated just
five years ago. This disaggregation of service functions obviates geographical, temporal and organizational boundaries. The panel will address five domains: (1) Disaggregation of the value chain and selection of pieces that may be outsourced, (2) Choosing the foreign location, (3) Organizing and managing globally distributed teamwork, (4) Limits to outsourcing. Finding the optimal balance between salary cost savings of foreign outsourcing and an increase in other costs, as well as quality and control concerns, (5) A benefit/cost framework for corporations, and for public policy.

Globally Distributed Teamwork: Redefining Organization Design
Mary Ann Von Glinow, Florida International University

The global outsourcing of services has accelerated because of the fall in telecommunication costs, digitalization or codification of administrative processes and records, better technical skills abroad, and competitive pressures. Service and administrative functions are being modularized, disaggregated, stored, and transmitted at low cost, thus overcoming the barriers of simultaneity and perishability. Centralized functions are being codified, digitized and replaced by personnel in foreign countries. Knowledge-intensive services such as architectural design and tax preparation, and internal company functions such as accounting, HRM, supply chain management, and even R&D, are beginning to be outsourced globally. Almost all administrative processes are today amenable to modularization, digitization and outsourcing -- something that was barely contemplated just five years ago. This disaggregation of service functions obviates geographical, temporal and organizational boundaries. The panel will address five domains: (1) Disaggregation of the value chain and selection of pieces that may be outsourced, (2) Choosing the foreign location, (3) Organizing and managing globally distributed teamwork, (4) Limits to outsourcing. Finding the optimal balance between salary cost savings of foreign outsourcing and an increase in other costs, as well as quality and control concerns, (5) A benefit/cost framework for corporations, and for public policy.

Offshoring: Toward the Development of Multi-Level Theory
Fred Niederman, Saint Louis University
Sumit K. Kundu, Florida International University

The global outsourcing of services has accelerated because of the fall in telecommunication costs, digitalization or codification of administrative processes and records, better technical skills abroad, and competitive pressures. Service and administrative functions are being modularized, disaggregated, stored, and transmitted at low cost, thus overcoming the barriers of simultaneity and perishability. Centralized functions are being codified, digitized and replaced by personnel in foreign countries. Knowledge-intensive services such as architectural design and tax preparation, and internal company functions such as accounting, HRM, supply chain management, and even R&D, are beginning to be outsourced globally. Almost all administrative processes are today amenable to modularization, digitization and outsourcing -- something that was barely contemplated just five years ago. This disaggregation of service functions obviates geographical, temporal and organizational boundaries. The panel will address five domains: (1) Disaggregation of the value chain and selection of pieces that may be outsourced, (2) Choosing the foreign location, (3) Organizing and managing globally distributed teamwork, (4) Limits to outsourcing. Finding the optimal balance between salary cost savings of foreign outsourcing and an increase in other costs, as well as quality and control concerns, (5) A benefit/cost framework for corporations, and for public policy.
Factors Determining Input Linkages between Local Suppliers and Foreign Subsidiaries in Southeast Asia
Axele Giroud, Bradford University
Hafiz Mirza, Bradford University

The net beneficial impact of foreign subsidiaries on host economies remains controversial. One significant potential beneficial impact arises from the propensity of foreign subsidiary to purchase inputs from suppliers in the host economy. We analyse variations in local input linkages across four countries in Southeast Asia. Using multiple linear regressions, we find that input linkages are highest when foreign subsidiaries perform a strategic role in the MNE network and where they are relatively embedded in the host economy. Non-firm factors, such as the industry and the existence of a supply base, are also important in explaining supply linkages. (For more information, contact Axele Giroud, Bradford University, United Kingdom, a.l.a.giroud@bradford.ac.uk)

Supply Chain Integration in Europe: A Status Report
Prabir K. Bagchi, George Washington University
Tage Skjoett-Larsen, Copenhagen Business School
Lars Boege Soerensen, Copenhagen Business School
Byoung-Chun Ha, George Washington University

In an effort to understand the status of integration in supply chains in European firms, this paper provides in which areas and to what extent European firms involve key suppliers and customers in decision-making, how the nature of the firm affects the extent of integration with supply chain partners, what are the significant underlying factors that define supply chain integration and how the underlying factors of supply chain integration affect supply chain performance. (For more information, contact Prabir K. Bagchi, George Washington University, USA, bagchi@gwu.edu)

Keiretsu Effect in Globalization: A Local Phenomenon with Global Outreach
Gary R. Fane, University of North Florida
M. Reza Vaghefi, University of North Florida
Louis A. Woods, University of North Florida
Cheryl A. Van Deusen, University of North Florida

A key historic differentiating attribute of motor vehicle production in Japan versus the United States was based on their contrasting structural characteristics. One pursued high degrees of vertical integration with a pyramidal organizational strategy, seeking to capitalize on scale-economies, while the other, implemented an organizational structure that was horizontal, based outsourcing and the formation of production partnerships (Keiretsu). In Japan production was based on 'lean production', outsourcing, and the formation of close relationships with outside suppliers, by way of contrast, U.S. firms sought to internalize production of parts and components, seeking scale economies of 'mass production'. These contrasting production strategies have been characterized as representing 'make or buy' decisions. The need to coordinate the many internal divisions of U.S. auto- makers necessitated a hierarchical 'command and control' organizational framework with its 'top-down' management structure, relegating little freedom of initiative to workers. The Detroit-model involved substantial transaction costs, including monitoring. In contrast, the flexible production approach, pioneered by the Toyota Production System, empowered workers to become intimately familiar with the entire production process, to think about those processes and accept responsibility for their immediate work environments, and
overseeing quality of the final product. (For more information, contact Cheryl A. Van Deusen, University of North Florida, USA, cvandeus@unf.edu)

MNEs and the Externalisation of Production: Are Firm Boundaries Shrinking?
Roger Strange, King's College London
James Newton, University of Hong Kong

Recent years have seen a dramatic growth in the number of firms who have opted to subcontract substantial elements of their production chains to independent suppliers, yet without apparently relinquishing control over essential aspects of the production process. We term this phenomenon the 'externalisation' of production, and we argue that this should not be seen as a simple manifestation of a 'make or buy' decision. We provide a theoretical explanation of the phenomenon of externalisation that draws upon traditional IB perspectives, but also makes use of imported concepts such as the internal governance structure of production chains. We also discuss what is driving the process of externalisation, what is the extent of the externalisation phenomenon, and who benefits, and who loses, from the 'slicing-up' of the production chain. (For more information, contact Roger Strange, King's College London, United Kingdom, roger.strange@kcl.ac.uk)

Session: 2.3.8 - Competitive
Track: Track 7 - Managing Across Borders

Managing Uncertainty and Risk


Chair: Karen D. Loch, Georgia State University
Discussant: Laubie Li, University of South Australia

Risk Perception and International Joint-Venture Adaptation
Hsiu-yun Hsieh, University of Birmingham
Suzana Braga Rodrigues, University of Birmingham

The world has witnessed recurring IJV failures. Yet, despite extensive studies, the existing IJV research remains inadequate to provide a comprehensive knowledge base concerning effective management of cross-culture collaborations. Particularly, the research on intermediate phase of alliance management remains relatively unexplored. Some scholars also claim the lack of a systematic risk-based approach for alliance managers. Motivated by these gaps in research, this paper utilizes a risk analysis framework to offer a systematic understanding of the risks perceived by partners and to investigate what would trigger the reconfiguration of governance in the IJV post-formation context. The framework was tested using a sample of international joint ventures in Taiwan. This study found that the interpartner relationship dynamics seem to be a primary source of influence on partner's perceived risks. Poor communication, misperceived initial partner fit, and overdependence are related to performance risk, whereas relationship instability, opportunism, and poor communication are related to agency risk. The findings also suggest a set of risk-reduction approaches for each type of risks involved in the ex-post IJV monitoring. The overall discussion has important implications for cross-border JV practitioners about more effective management practices in cross-border partnership activities. (For more information, contact Hsiu-yun Hsieh, University of Birmingham, United Kingdom, hxh209@bham.ac.uk)

Uncertainty in Firm Internationalization
Tim Kastelle, University of Queensland

Since Knight published Risk, Uncertainty and Profit in 1921, two schools of thought have developed in dealing with his concepts of risk and uncertainty. One is that Knight's distinction is not useful and can safely be ignored. This is the approach that is taken in most of mainstream economics, as well as in the theories of firm internationalization that have evolved from economics. The second approach embraces Knight's distinction, often giving uncertainty a central role in the processes undertaken by firms. This paper builds a model of
uncertainty in management decision making that integrates these two views. The model is then used to integrate two competing models of the internationalization process of small firms. The paper concludes with a set of general implications for strategic decision makers that derive from the model. (For more information, contact Tim Kastelle, University of Queensland, Australia, t.kastelle@business.uq.edu.au)

**The Knowledge Sourcing Process in Transnational Expansion Strategy Formulation**
Mary Krome Hamilton, University of Rhode Island

The study explores the knowledge sourcing process under three conditions of uncertainty. Since knowledge sourcing plays a critical role in transnational global expansion strategies, understanding the knowledge sourcing process during these expansion efforts is critical. As of today, however, our understanding of the actual processes used by MNCs during the knowledge sourcing stage remains limited. This study examines the how knowledge is sourced during the strategy formulation process and how these processes vary under different environmental uncertainty conditions, by examining the knowledge sourcing process from the dynamic capability and network perspectives. A process model was developed and three environmental conditions (similar, dissimilar, and unfamiliar) were examined. Three patterns emerged from the data, suggesting that environmental uncertainty does influence the knowledge sourcing process by shifting the emphasis and importance of the sourcing interactions throughout the process. (For more information, contact Mary Krome Hamilton, University of Rhode Island, USA, hamiltonm@uri.edu)

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**Session: 2.3.9 - Competitive**  
**Track: Track 8 - Managing People Across Cultures**

**Difficult Human Relationship in Global World: Conflict and Stress**


Chair: Victoria Jones, University of Evansville  
Discussant: Sigrid Khorram, University of Texas at El Paso

**Job Stressors and Job Strains in Three Subcultures of Greater China: The Role of Self-Efficacy**
Oi Ling Siu, Lingnan University

We tested the direct and moderating effects of self-efficacy between job stressors (interpersonal conflict, quantitative workload, organizational constraints, organizational politics) and job strains (job dissatisfaction, physical and psychological symptoms) among employees in Hong Kong, Taipei and Beijing. A self-administered questionnaire survey was conducted to collect data from 105 (54 males, 50 females, 1 unidentified), 146 (102 males, 43 females), and 129 (46 males, 82 females, 1 unidentified) employed students in Hong Kong, Taipei and Beijing respectively. The results consistently show that self-efficacy and job satisfaction were positively related. A series of hierarchical regressions while controlling for age, tenure, and job level revealed that self-efficacy moderated many of the stressor - strain relationships, specifically buffered the effects of interpersonal conflict and organizational politics on job strains. (For more information, contact Oi Ling Siu, Lingnan University, Hong Kong, siuol@ln.edu.hk)

**Relationships between Western Managers and Chinese Employees for Trust and Job Commitment: The Contribution of Cooperative Conflict**
Yi-feng Chen, Lingnan University  
Dean Tjosvold, Lingnan University

Cross-cultural researchers have recently argued the need to develop frameworks that can help diverse people overcome obstacles to work together productively. This study proposes that cooperative compared to competitive and avoiding approaches to managing conflict can strengthen the relationships between foreign managers and Chinese employees. These relationships in turn help them develop trust and job commitment. Chinese employees from Chinese mainland were surveyed on their relationships with their American and
Chinese managers. The critical incident technique was used to develop our interview structure. Results support the hypotheses that cooperative, but not competitive or avoiding conflict management helps employees and their managers develop quality relationships and improve trust and commitment. Cooperative conflict may be an important way to overcome obstacles and develop effective relationships within and across cultural boundaries. (For more information, contact Yi-feng Chen, Lingnan University, Hong Kong, yifeng@ln.edu.hk)

**The Effect of Dual Organizational Identification on MNC Subsidiary Managers**  
Davina Vora, University of Texas at Dallas  
Tatiana Kostova, University of South Carolina  
Kendall Roth, University of South Carolina

Subsidiary managers, due to their boundary spanning position, are faced with complex managerial roles involving both the interests of the multinational corporation (MNC) and the subsidiary. We suggest that these complex roles are best fulfilled when managers develop dual organizational identification towards the MNC and the subsidiary. We develop a conceptualization of dual organizational identification in terms of relative magnitude and discuss how this can impact fulfillment of subsidiary manager roles and the experience of role conflict. Specifically, we hypothesize that high identification with the MNC and the subsidiary is associated with high role performance and high role conflict. Results indicate that high identification with both entities is associated with high role fulfillment, as hypothesized, but also that it is also associated with low role conflict, contrary to our expectations. Implications for theory and practice, as well as limitations and areas for future research are also discussed. (For more information, contact Davina Vora, University of Texas at Dallas, USA, davina.vora@utdallas.edu)

**Session: 2.3.10**

**Farmer Dissertation Session**

**Presented On:** 7/11/2005 - 13:30-15:00

**Presentations by the 2005 AIB Richard N. Farmer Doctoral Dissertation Award Finalists.**

*Institutionalization of Market Orientation in the Subsidiaries of Multinational Corporations*  
Ahmet H. Kirca, George Washington University (Ph.D. awarded by University of South Carolina)

*Do Foreign Firms Crowd Out Domestic Firms? Evidence from the Czech Republic*  
Renata Kosova, George Washington University (Ph. D. awarded by University of Michigan)

*The Rise of Regionalism: Core Company Strategies under the Second Wave of Integration*  
Alan R. Muller, University of Amsterdam (Ph.D. awarded by Erasmus University)

*The Relationship between Global Integration and Performance in Multinational Professional Engineering Companies*  
Thomas Osegowitsch, University of Melbourne (Ph.D. awarded by University of Western Australia)
Institutions & Multinationals’ Assets & Performance

Presented On: 7/11/2005 - 15:30-17:00

Chair: Daniel (Danny) Van Den Bulcke, University of Antwerp
Discussant: Mona Makhija, Ohio State University

Institutional Quality, Networking Strategy, and Firm Performance: A Cross-country Analysis
Qi Zhou, Ohio State University
Mike W. Peng, Ohio State University

How do firms’ networking strategies vary in response to diverse institutional qualities across countries? The literature suggests that firms are likely to intensify their networking activities with government officials in countries with relatively poor formal market-supporting institutions. However, this proposition has rarely been directly tested on a cross-country basis. Utilizing a large, cross-country survey sample from 7152 firms in 59 countries, we find that networking intensity, in terms of firms’ time and monetary investment in cultivating ties with government officials, positively correlates with the low quality of the following six formal institutional components: (1) financial market development, (2) government regulations, (3) government intervention, (4) policy uncertainty, (5) law transparency, and (6) law enforcement. In addition, we report that instead of a linear positive effect, the investment on networking seems to have an inverted U-shape relationship with firm performance. Our sub-sample analysis differentiating emerging economies from developed (OECD) economies further corroborates these results. Overall, the findings point to the institutional contingencies on networking strategy, and propose a potential non-linear effect of networking on performance largely neglected by previous studies. (For more information, contact Qi Zhou, Ohio State University, USA, zhou.148@osu.edu)

Institutional Development and Subsidiary Performance
Shige Makino, Chinese University of Hong Kong
Takehiko Isobe, Kobe University
Christine M. Chan, University of Hong Kong

This paper investigates the impacts of the level of institutional development of host countries on the performance of foreign affiliates of multinational corporations. Institutional development is defined in terms of the extent to which economic, political, and social institutions in host countries are favorable to foreign affiliates. A longitudinal analysis of over 17,000 foreign affiliate-year cases, including 7,172 foreign affiliates operating in 38 host countries over the period 1996-2001, shows that foreign affiliate performance noticeably varies across countries. The results suggest that the performance of foreign affiliates varies strongly in countries where the level of institutional development is low, and that the effect of economic institutions on the variation in foreign affiliate performance is stronger than those of political and social institutions. (For more information, contact Shige Makino, Chinese University of Hong Kong, Hong Kong, makino@baf.msmail.cuhk.edu.hk)

Linking Disruptive Innovation with the Firm’s Institutional Context
Patricia A. Nelson, University of Edinburgh

The concept ‘disruptive innovation’ (Christensen, 1997) has been widely disseminated in management literature and has contributed to our understanding of the dynamics of innovation in firms. However, the concept is incomplete. In this paper, we argue that technology is disruptive in different ways depending on the institutional context. We analyze Christensen’s concept in the innovation literature alongside the business systems literature and link the firm’s innovative competencies with its institutional context. Specifically, the literature on varieties of capitalism distinguishes between liberal market economies (LMEs) such as the UK and the USA and coordinated market economies (CMEs) such as Germany and Japan. Disruptive innovation is brought about through entrants, often startups, which tend to drive incumbent firms out of the market. This is characteristic of LMEs; in CMEs, startups are less likely to thrive and incumbents are less likely to be toppled from their leading
positions. We identify four key structures in our analysis – the firm’s organization, the firm’s resource base, the institutional support for startups and the institutional support for labor mobility – and analyze specific instances of technological disruption in both LMEs and CMEs. (For more information, contact Patricia A. Nelson, University of Edinburgh, United Kingdom, p.a.nelson@ed.ac.uk)

**Session: 2.4.2 - Competitive**  
**Track: Track 1 - Context of Global Business**

**Multinational Ownership, Structure & Organization**

**Presented On:** 7/11/2005 - 15:30-17:00

**Chair:** Brigitte Lévy, University of Ottawa

**Discussant:** Paul Martin Vaaler, Fletcher School of Law and Diplomacy, Tufts University

*The Export Intensity of Foreign Affiliates in Transition Economies - The Importance of the Organization of Production*

Jørgen Ulff-Møller Nielsen, Aarhus School of Business

Konrad Pawlik, Aarhus School of Business

On the basis of a unique database containing trade and industry variables of foreign owned companies in the Polish manufacturing industry for the years 1993-2002, this paper investigates the relation between the organizational structure of multinational enterprises (vertically or horizontally integrated) and the export structure of their affiliates. Labour intensity, import intensity and scale economies at industry level are shown to be important explanatory variables for foreign affiliates’ export intensity well in accordance with the organizational structure of multinational enterprises. Specific transitional factors are shown also to be of importance with respect to the ability of affiliates to absorb knowledge, transferred from the parent companies. (For more information, contact Jørgen Ulff-Møller Nielsen, Aarhus School of Business, Denmark, jum@asb.dk)

*Large Shareholders, Foreign Investors and Corporate Board Reform: Evidence from Korea*

Chinmay Pattnaik, Yonsei University

Jootae Kim, Dankook University

Patterns of corporate ownership and governance structure differs across countries due to differences in institutional context especially the legal origins, leading to different set of governance issues. This study analyzes corporate governance role of different owners in countries with concentrated ownership and inadequate monitoring mechanism. In particular, based on the agency theory and identity of different owners, this study examines the relationship of controlling large shareholder and foreign investor ownership with the size and composition of corporate boards in Korea. We find that increase in controlling large shareholder ownership leads to smaller number of outside directors in the board. But increase in foreign ownership leads to larger board size and large number of outside directors. This research is an important addition to the growing body of research on the role of owner identity and corporate governance especially in emerging economies. While controlling shareholders oppose governance reform foreign investors are increasing their monitoring roles in countries where alternative mechanism of monitoring is not effective. (For more information, contact Chinmay Pattnaik, Yonsei University, South Korea, chinmay@yonsei.ac.kr)

*Institutional Effects on Organizational Form of FIEs in Transitional Economies: How does Isomorphism Emerge?*

Xueyuan Zhang, RSM Erasmus University

Patrick Reinmoeller, RSM Erasmus University

Barbara Krug, RSM Erasmus University

This paper investigates, given an institutional environment in transition economies, how foreign invested enterprises (FIEs) take similar organizational form (i.e. isomorphism) in terms of ownership structure. Institutional theory predicts isomorphism of FIEs in their organizational choices with the goal of generating
legitimacy which is crucial to their survival and growth. The host governments in transition economies exert pressures and demands on specific choices, yet there is hardly a study investigating isomorphism in transition economies. Regarding FIEs in transitional economies we raise the question “how does isomorphism emerge” under these special circumstances. We take China, one of the largest transition economies, to illustrate institutional pressures and explore the case of transition economies. In the historical development of FIEs in China between 1978 and 2004 we focus on the organizational choice in ownership structure. The analysis offers support to the isomorphism argument, and additional insights to further develop institutional theory and its application to the field of FIEs in transition economies. Propositions are developed for future empirical testing.

(For more information, contact Xueyuan Zhang, RSM Erasmus University, Netherlands, xzhang@rsm.nl)

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**Session: 2.4.3 - Competitive**

**Track: Track 1 - Context of Global Business**

**The Environment & Multinational Performance**

**Presented On:** 7/11/2005 - 15:30-17:00

**Chair:** Susan Trussler, University of Scranton

**Discussant:** Rangamohan V. Eunni, Youngstown State University

**The Strategic Effects of the Liability of Foreignness**

Koen De Backer, Vlerick Leuven Gent Management School

Leo Sleuwaegen, Katholieke Universiteit Leuven

This paper analyzes the liability of foreignness from a new strategic perspective by showing how the LOF selects only those firms able to match their liabilities of foreignness in host countries with a stronger productivity or net value added. This indirect strategic effect of the LOF resulting in a positive relationship between the LOF and firm performance is however counterbalanced by a direct negative effect of the LOF because of the extra costs of operating in a foreign environment. This direct effect is found to decrease over time, illustrating the potential of foreign firms to build up legitimacy in host countries. (For more information, contact Koen De Backer, Vlerick Leuven Gent Management School, Belgium, koen.debacker@vlerick.be)

**Performance Relationships in Western FDI in Turkey**

Mehmet Demirbag, The University of Sheffield

Ekrem Tatoglu, Bahcesehir University

This paper examines host country context and firm strategy level variables’ impact on performance of FDI companies. The study is based on primary data and we test relationship between host country related factors, institutional environment related variables and performance dimensions of MNCs. The results show that while political risk, financial incentives and cultural distance between the home and host country do not have any significant impact on foreign equity ventures’ performance, perception of factors such as input quality, comparative cost advantages, and government regulations demonstrate statistically significant relationship with performance dimensions we identified. (For more information, contact Mehmet Demirbag, University of Sheffield, United Kingdom, m.demirbag@sheffield.ac.uk)

**The Interplay between FDI, Security and European Integration. The Case of Central and Eastern Europe**

Carmen Stoian, Kent Business School

This paper proposes an interdisciplinary analysis of FDI determinants in transition economies by considering soft security factors such as the success of economic transition, the ideological orientation of governments, identification with a certain political geography notion such as the Balkans or membership of regional integration associations. This paper also investigates the role of EU membership prospects and economic integration with the EU in enhancing FDI in the ten candidate countries. In particular, a bi-directional relationship between FDI and economic reforms is tested, as well as the role of EU in breaking a potential
vicious circle of high security concerns, little investment, slow reforms, low prospects of EU membership and hence high security concerns. Panel data regressions for ten countries and ten years are drawn for the determinants of FDI and economic reforms. The bi-directional relationship is tested through a system of simultaneous equations. We find evidence that progress in the accession process has enhanced FDI in the candidates less advanced in reforms and that trade integration with the EU and increased aid have contributed towards enhancing FDI in the ten central and eastern European countries candidate for EU membership, some of which already joined the Union in 2004 (For more information, contact Carmen Stoian, University of Kent, United Kingdom, c.r.stoian@kent.ac.uk)

**Session: 2.4.4 - Competitive**  
**Track: Track 2 - Forging Global Links**

**Global Supply Chain**

**Presented On:** 7/11/2005 - 15:30-17:00

**Chair:** Thomas Hutzschenreuter, WHU - Otto Beisheim Graduate School of Management  
**Discussant:** Joanne Oxley, University of Toronto

**Tacit Knowledge Integration Capabilities in Strategic Modularization: A Study of Automakers in Brazil**  
Janet Murray, Saint Louis University  
Ronaldo Parente, Rutgers University  
Masaaki Kotabe, Temple University

Based on the dynamic capabilities perspective, we examine how tacit knowledge integration capabilities, the key feature of the strategic modularization process, influences business performance. In addition, we investigate the factors affecting the level of tacit knowledge integration capabilities. Our findings show the importance of tacit knowledge integration capabilities on business performance, but such positive relationship may be attenuated by buyer/supplier indirect communication. Our results also confirm the critical role of buyer/supplier integration on tacit knowledge integration capabilities. We also find that buyer/supplier integration is positively related to mutual trust. Further, it appears that mutual trust has a partial indirect effect on tacit knowledge integration capabilities. (For more information, contact Ronaldo Parente, Rutgers University, USA, ronaldo@parente.com)

**Modularity and Control in Global Component Outsourcing Relationships**  
Nukhet Harmancioglu, Michigan State University  
Nejat Capar, American University of Sharjah

Firms have increasingly been striving to develop capabilities and flexibilities by making use of outsourcing and adopting modular systems in contemporary business environment, characterized by technological discontinuities and globalization. However, these strategies constitute risks and costs related to opportunistic expropriation of tacit technological knowledge and monitoring sourcing partners due to geographical and/or cultural distance. Referring to marketing, management, and international business literature, the primary objective of this paper to provide a conceptual framework that explicates how firms manage their component outsourcing relationships in the global technology intensive markets. (For more information, contact Nukhet Harmancioglu, Michigan State University, USA, harmancioglu@bus.msu.edu)
Partner Switching and Organizational Growth: A Look at the Japanese Automobile Ancillary Industry
Kunal Banerji, Florida Atlantic University
Rakesh Sambharya, Rutgers University
Shaila Miranda, University of Oklahoma

The stability of the vertical keiretsu system has long been acknowledged as the main competitive advantage of the Japanese automobile industry. However, during 1997 – 2001, 35% of 421 first-tier supplier firms switched their keiretsu affiliation. Resource dependence theory provides insight into why supplier firms switch their affiliations. Using this theory, together with ecological and institutional lenses, we consider impacts of switching on the structure and performance of supplier firms. Hypotheses on the effects of switching on employment growth, sales growth, capital investment growth and profitability were developed. A series of ANCOVAs were then performed on the population of 421 Japanese first-tier suppliers with a keiretsu affiliation so as to test the effect of switching status on each of the four dependent variables. The ANCOVAs controlled for the founding year and the original keiretsu hub firm affiliation of the supplier firm. Results indicate that firms that switch keiretsu affiliation tend to have a faster growth in sales and capital employed. In contrast non-switchers have faster growth in firm size and in firm profitability. Most of the switches noted were from keiretsu established by Mitsubishi, Mazda, Nissan, Hino and Daihatsu to that of Honda and Toyota. (For more information, contact Kunal Banerji, Florida Atlantic University, USA, kbanerji@fau.edu)

Session: 2.4.5 - Competitive
Track: Track 3 - Growing Local Roots

Clustering: Innovation and Performance

Divesture of Foreign Manufacturing Affiliates: Country Platforms, Multinational Plant Networks, and Foreign Investor Agglomeration
René Belderbos, Katholieke Universiteit Leuven
Jianglei Zou, Katholieke Universiteit Leuven

We develop hypotheses concerning the impact of multinational firms’ international plant configuration and host country foreign investor agglomeration on the divesture of manufacturing affiliates, drawing on real option theory and location and agglomeration theory. We test our hypotheses on a comprehensive sample of 1080 Asian manufacturing affiliates of Japanese multinational firms in the electronics industry during the turbulent years preceding and into the Asian financial crisis (1995-1999). We find evidence that multinational firms both create flexibility options through maintaining a multinational plant network of platform affiliates in multiple Asian countries, and exercise this flexibility option through divestments and relocation of manufacturing activities within the network. Firms most responsive to Japanese investor agglomeration or inter-firm buyer-supplier agglomeration within vertical business groups have a higher probability of divesture, suggesting that agglomeration leads to ‘adverse selection’ of firms and affiliates with weaker competitiveness. (For more information, contact René Belderbos, Katholieke Universiteit Leuven, Belgium, rene.belderbos@econ.kuleuven.ac.be)

The Regional Environment and a Firm’s Innovative Performance
Sjoerd Beugelsdijk, Tilburg University

Following the recent critical debate in regional science and economic geography I argue that in order to truly test the importance of the role of the region for a firm’s innovative performance we need to minimize firm specific heterogeneity. Controlling for a large number of firm specific factors I test in this paper if regional characteristics like regional R&D intensity, number of R&D workers in the region, and presence of a research
institute are significantly related to a firm's ability to produce innovations. The insignificant findings suggest that the firm specific drivers of innovation are more important than a firm's regional environment. Based on this result, I argue that we need to analyze interactions and relationships, particularly those involving the exchange of knowledge to assess the extent to which such interactions are carried out within bounded territories. (For more information, contact Sjoerd Beugelsdijk, Tilburg University, Netherlands, s.beugelsdijk@uvt.nl)

Do Clusters Really Matter for Companies’ Competitive Strategies? Evidence at the Country Level

Mercedes Delgado-Garcia, Kellogg School of Management and Universidad de Sevilla

This paper presents a systematic empirical analysis of the impact of industrial clusters on company strategy, controlling for the institutional and macroeconomic environment. Building on a rich descriptive literature emphasizing the potential importance of regional clusters for global competitiveness, this study focuses on whether cluster strength influences companies to choose quality-oriented rather than low-cost strategies. The empirical analysis exploits a detailed country-level panel dataset based on the Executive Opinion Survey of the Global Competitiveness Report. The analysis addresses two econometric challenges. First, a selection effect arises if measures of the strength of clusters simply reflect the likelihood that quality-differentiated companies participate in innovative clusters. A second endogeneity problem arises if country-specific unobserved shocks contemporaneously change the cluster environment and induce companies to alter their strategies. Both sources of endogeneity are addressed by implementing a semiparametric empirical approach, building on the technique pioneered by Olley and Pakes (1996). The results point to a robust and significant relationship between the strength of industrial clusters and the adoption of quality-differentiated strategies. (For more information, contact Mercedes Delgado-Garcia, Northwestern University; Universidad de Sevilla, USA, m-delgado1@kellogg.northwestern.edu)

Session: 2.4.6 - Panel
Track: Track 4 - Economics, Finance and Taxation

The Conference Board: The Link Between Barriers to Trade and Canada-US Relative Productivity

Presented On: 7/11/2005 - 15:30-17:00

Chair: Paul Darby, Deputy Chief Economist, Conference Board of Canada
Discussant: Charles Barrett, Senior Vice-President, Conference Board of Canada

Panelists:
Avrim Lazar, President and CEO, Forest Products Association of Canada
John R. Baldwin, Director, Microeconomic Studies and Analysis Division

In October 2006, The Conference Board will publish the comprehensive report of The Canada Project, a three-year program of research and dialogue designed to help leading decision makers chart a policy course that will improve Canada's standard of living and position within North America and the world. Launched in January 2003, The Canada Project is a proactive response to the perceived drift in public policy.

Our focus has been on productivity and how to improve productivity in order to close the gap in our standard of living relative to the United States. The underlying assumption is that a country's economic resources (i.e., gross domestic product) allow it to choose which policies and strategies to adopt in order to improve its citizens' quality of life. Detailed industry case studies revealed that greater openness to competition is a critical factor in increasing productivity and reversing the gap.

This panel will highlight the results of a ground-breaking study on the relative degree of openness to competition in the Canadian goods and services, investment, and labour markets. The study indicates that for a core group of 16 manufacturing industries there is a strong correlation between the degree of barriers to competition and relative productivity performance vis-à-vis their U.S. counterparts. Not surprisingly, for the
service and other non-tradable sectors of the economy there is a much weaker relationship between barriers to competition and relative productivity performance, suggesting that removing internal or external trade barriers may not be the panacea for Canada's productivity woes. For more information, visit http://www.conferenceboard.ca/

**Session: 2.4.7 - Competitive**  
**Track: Track 4 - Economics, Finance and Taxation**

**Debt Service and Regional Concentration**

**Presented On:** 7/11/2005 - 15:30-17:00

**Chair:** Sidney J Gray, University of Sydney  
**Discussant:** Joan Mileski, Texas A&M University

*Adequacy of International Reserves in Emerging Market Economies: Empirical Evidence from India*  
Akash Dania, The University of Texas-Pan American

Debates following the financial crises of the 1990s have largely ignored the issue of reserve policies' impact on crisis prevention in the emerging market countries (EMCs). An important lesson derived from these crises is that the vulnerability of the affected countries may have been reduced by implementing a better reserve and debt management policy. A common trend among EMCs, in aftermath of the crises is the massive accumulation of foreign currency reserves. Are these countries prudent in accumulating these reserves? Since the opportunity cost of holding these reserves is real investment in the economy. Moreover, how do we estimate the reserve adequacy? Our research employs enhancement on the Guidott-rule and Greenspan's-liquidity-at-risk to answer these questions. We examine whether India has managed its foreign exchange reserves levels. Based on the suggested benchmark, our findings indicate that India may be holding reserves in excess of the suggested requirements. However, this position is debatable and is the central discussion of this paper. (For more information, contact Akash Dania, University of Texas-Pan American, USA, adania@utpa.edu)

**An Empirical Study of the Relationship between Developing Nations’ Debt Service Capacity and their Economic Policies**  
Weiping Liu, University of Wisconsin-Green Bay

This paper empirically studies the relationship between the debt service capacity of developing nations and the economic policies of consumption smoothness pursued by these nations. The results of the tests provide evidence that countries with different income levels tend to have different debt service capacity patterns. Developing countries with higher average income are more likely to pursue the policy of maintaining stable consumption and thus are more likely to default foreign debt when experiencing high fluctuations of net external income. (For more information, contact Weiping Liu, University of Wisconsin-Green Bay, USA, liuw@uwgb.edu)

**Reconsidering the Concentration of US MNE Activity: Is it Regional or National?**  
Walid Hejazi, University of Toronto

Several recent papers by Rugman and others have improved our understanding of the regional concentration of MNE activity. These papers have mainly considered the operations of the world’s top 500 MNEs. The current paper focuses on the operations of all US MNEs operating abroad. A gravity model is used to explain patterns of US MNE assets, sales, income, and employment inside the United States as well as in 50 other countries over the period 1985 to 2000. The gravity model is extended to include measures of institutional quality. This paper therefore tests whether patterns of US MNE operations can be explained using a formal model. Although the data used clearly show a strong regional concentration of US MNE activity, the evidence robustly shows that for each measure of US MNE activity, the bias is found to be a national one. The evidence presented here therefore complements the existing literature by making the point using a formal model that MNEs are not globally

Mason Carpenter, University of Wisconsin-Madison
Daniel Indro, Penn State University - Great Valley
Stewart Miller, The University of Texas at Austin
Malika Richards, Penn State University - Berks

By developing the relationship between information economics and behavioral agency theory we offer a framework that predicts when some foreign firms might be more successful than others in raising funds through the issuance of American Depository Receipts (ADRs) in U.S. equity markets. Our theoretical framework predicts that U.S. market participants may prefer to invest in firms which appear to follow institutionalized U.S. corporate governance practices such as stock-based CEO pay, particularly when the foreign firms’ home country risk is rated as high. Our framework also suggests that when country risk is high, the CEO risk preferences and behaviors engendered by the differences between the stock-ownership and the stock options form of stock-based pay may in turn differentially affect the amount of capital the foreign firm is able to raise through ADRs. Support for our theoretical framework is shown in a sample of 273 ADR offerings from 1994 to 2001. (For more information, contact Stewart Miller, University of Texas at Austin, USA, stewart.miller@mccombs.utexas.edu)

Financial Isomorphism and the Liabilities of Foreignness: Knowledge, Reputation, Stock Availability and Investment Attractiveness

Naomi A. Gardberg, Baruch College - CUNY
William Newburry, Rutgers Business School - Newark and New Brunswick

Recent media reports indicate that foreign firms are at a disadvantage to domestic firms with regard to investment attractiveness. Our analysis of individual perceptions regarding companies from the Reputation Quotient Gold 2000 study first confirms that a liability of foreignness (LOF) exists among foreign companies in terms of investment attractiveness. We then identify and test three possible LOF components – knowledge, corporate reputation and stock availability - all of which relate to a firm’s local embeddedness. Additionally, we examine the potential moderating effects of foreignness on the relationship between these measures and investment attractiveness. The 2005 AIB conference theme concerns the issue of local roots and global links. By examining factors that contribute to liabilities of foreignness with respect to investor attractiveness, we help determine factors which cause foreign firms to be less embedded or “rooted” in local markets, and by doing so, have also identified ways in which they can overcome these liabilities. This, in turn, may allow them to strengthen the “link” between their home and host markets. (For more information, contact Naomi A. Gardberg, Baruch College - CUNY, USA, naomi_gardberg@baruch.cuny.edu)
Local Problems, Global Effects: Was the "Asian Flu" Contagious?
Sorin A. Tuluca, Fairleigh Dickinson University
Burton Zwick, Fairleigh Dickinson University

For the Asian crisis of 1997, we use Granger causality techniques to determine whether the pervasive increase in turbulence across world financial markets resulted from investor contagion. Analysis of daily returns from 12 Asian and non-Asian equity, currency and money markets pre- and during the Asian crisis shows an extensive increase in co-movement across equity markets, less but still considerable increased co-movement across currency markets, and very little co-movement across money markets. Within countries, our results show only a moderate increase in co-movement between equity and currency markets and minimal co-movement between money markets and either equity or currency markets. The limited increase in co-movement of markets within countries relative to the much larger increase in co-movement across national markets suggests that the Asian crisis most likely resulted from investor contagion. (For more information, contact Sorin A. Tuluca, Fairleigh Dickinson University, USA, tuluca@fdu.edu)

Session: 2.4.9 - Competitive
Track: Track 5 - Innovation and Marketing

Patents, Licensing and Methodological Issues

Presented On: 7/11/2005 - 15:30-17:00

Chair: John Daniels, University of Miami
Discussant: Suma Athreye, Open University

Mariko Sakakibara, UCLA

Patents are one of the most important means to protect one's invention. When patents are traded, the value of patents is a central concern for companies in managing their innovative assets as well as for companies that source technology. We examine the determinants of patent value by using the data of 661 Japanese patent licensing contracts from the period 1998 through 2003. We find that the size of a licensor has a negative relationship with the royalty rate. We attribute this finding to adverse selection: large licensors are motivated to license only small inventions. We also find that the larger the size of a licensee, the lower the royalty rate it pays, possibly reflecting greater bargaining power. When research organizations are licensors, they charge 11% to 12% less than do other types of licensors, reflecting the weak bargaining power of these non-producing organizations. Patents used in industries where patent protection is effective have higher valuations. The remaining life of a licensed patent has a positive association with the value of the patent. Both a widely applicable patent and a technologically focused patent have high value. (For more information, contact Mariko Sakakibara, University of California, Los Angeles, USA, mariko.sakakibara@anderson.ucla.edu)

The ‘Home Advantage’ Effect and Patent Families: A Comparison of OECD Triadic Patents, the USPTO and the EPO
Paola Criscuolo, Tanaka Business School

This paper examines the extent of the ‘home advantage’ effect in the USPTO and the EPO patent data and in the OECD triadic patent families. By comparing a set of internationalisation indicators for a sample of European, US and Japanese MNEs it finds that, contrary to what is often assumed, this effect is not only present in the USPTO but also in the EPO. OECD triadic patent data, instead, are not biased towards any particular home country. It also finds that, because MNEs do not systematically file their patents with the EPO, the USPTO and the JPO, the OECD triadic patent family dataset excludes many patents, especially those invented in the US and accounted for in the USPTO, though it is mainly only low-value patents that are excluded. Thus OECD triadic patents can be considered a satisfactory alternative to the USPTO and the EPO for measuring R&D.
internationalisation. (For more information, contact Paola Criscuolo, Tanaka Business School, United Kingdom, p.criscuolo@imperial.ac.uk)

Recent Development and Application of Resource Dependence Perspectives: A Bibliometrics Analysis and Implications for Inter-Firm Technology Transfer

Fu-Sheng Tsai, I-Shou University
Shih-chieh Fang, Kaohsiung First University of Science and Technology
Julia L. Lin, I-Shou University
Mei-Ching Huang, I-Shou University

Organizations are considered as integrated internally and externally systems. The concept has been a long and widely accepted perspective by organizational theorists and practitioners. Based on this nature, the present study adopts Bibliometric techniques to investigate recent development of the Resource Dependence Perspective (RDP), which is imperatively critical as a building block rationale of the management research. To investigate and map recent theoretical development and application for RDP, this study makes several efforts: firstly, it presents reviews on the essence of RDP, which is rooted in the ideology of open system. Secondly, this study reports the roadmap of research and applications of RDP during the last three decades by performing an Informetrics analysis on a sample of papers and citations in RDP-related studies. Finally, through discussions on the analytical findings to make implications of the present study informational and managerial, the study concluded with a compact critique as well as possible future trend and research opportunities. (For more information, contact Fu-Sheng Tsai, I-Shou University, Taiwan, fusheng_tsai@hotmail.com)

Session: 2.4.10 - Competitive
Track: Track 5 - Innovation and Marketing

Capabilities, Branding and Marketing

Presented On: 7/11/2005 - 15:30-17:00

Chair: Janell D. Townsend, Michigan State University
Discussant: Mike C. H. Chao, Saint Louis University

A Transaction Cost Rationale for Private Branding and Its Implications for the Choice of Domestic vs. Offshore Sourcing

Shih-Fen S. Chen, Brandeis University

In this study, the author proposes a transaction cost framework to explore the interaction between private branding and offshore sourcing, two retail trends that have attracted substantial attention separately, but not concurrently. The starting point is that retailers often invest in the marketing of an outsourced product, but their marketing efforts are specific to the manufacturer who brands the product. This is called brand specificity, a special case of asset specificity that will drive up the cost of contracting the manufacturer-retailer transaction, particularly when the parties are located in two nations. By shifting the branding right from manufacturers to retailers, private branding also lifts the transaction cost penalty inflicted by brand specificity on offshore sourcing. A transaction cost link between private branding and offshore sourcing, therefore, can be established through the marketing investments made by retailers in a manufacturer-branded product. Empirical results obtained from a sample of products stocked by a national chain reveal that the retailer is more likely to brand a product that receives its marketing investments, but less inclined to source the product from abroad before putting a private label on it. Given the coincidence of private branding with offshore sourcing, the retailer also makes the decision of manufacturer vs. private branding to preserve the flexibility of offshore sourcing. These findings offer theoretical and practical implications beyond the interaction between two seemingly unrelated retail trends. (For more information, contact Shih-Fen S. Chen, Brandeis University, USA, shihfen@brandeis.edu)
Asian Brands Without Borders: Negotiating Cultural Difference in Asia
Julien Cayla, Australian Graduate School of Management
Giana Eckhardt, Australian Graduate School of Management

The international business literature stresses that cultural similarities and differences have an important impact on the way firms conduct their businesses. We enrich conceptions of cultural distance by looking at the different dimensions managers use to think about cultural similarities and differences within Asia from an emic perspective. We identify three frameworks that managers use to gauge cultural similarity and differences within the region: level of economic development, temporal proximity, and cultural scapes and flows. This has implications for the way cultural distance is conceptualized, and for our understanding of regionality, as compared to globalness and localness. (For more information, contact Julien Cayla, Australian Graduate School of Management, Australia, julienc@agsm.edu.au)

The Globalisation of Chinese Brands
Ying Fan, University of Lincoln

China has taken over Japan over the last decade to become the largest manufacturer and exporter of more than one hundred consumer products. However, China, as “the world factory”, has yet to create a single brand that is recognised worldwide. The recent acquisition of IBM’s PC business by China’s Lenovo may signal the beginning of the globalisation of Chinese brands. This paper will discuss the current brand revolution in China, focusing on the unique challenge faced by major Chinese enterprises: how to sustain their brands in domestic competition and how to expand in the global markets. The paper is divided into two parts: it first gives a brief review of the development of marketing and branding in China since the start of economic reform in 1978, and then discusses current issues in the domestic market: changes from price competition to brand competition, as well as diversification and the role of the government. The second part examines the routes to internationalisation taken by some of China’s biggest brands; differences in their entry modes and branding strategies are analysed. (For more information, contact Ying Fan, University of Lincoln, United Kingdom, yfan@lincoln.ac.uk)

International Business Competence: What Value Does It Have?
Gary A. Knight, Florida State University
Daekwan Kim, Florida State University
S. Tamer Cavusgil, Michigan State University

More firms are doing international business than ever before. Of particular interest is the growing participation of small and medium enterprises (SMEs). Although they often lack substantial financial and tangible resources, SMEs and other firms are succeeding in international business as never before. We argue that much of this success is attributable to possession of certain intangible resources and knowledge that are especially appropriate for advancing international business performance. This study identifies international business competence (IBC) as an intangible, overarching firm resource that engenders the international success of contemporary firms. Through case studies, four key dimensions of IBC were identified. A conceptual framework was developed that links IBC with various international and firm level performance variables. This model was then tested using survey data from a large sample of international firms. Results reveal that international entrepreneurship, marketing orientation, innovativeness, and market orientation are all significant dimensions of IBC, and that IBC contributes to a firm’s international and overall performance. These results are discussed. (For more information, contact Gary A. Knight, Florida State University, USA, gknight@cob.fsu.edu)
Session: 2.4.11 - Panel  
Track: Track 6 - Internationalization of Services

**Outsourcing, Restructuring of the Global Economy, and Changes in Multinational Business Strategy**

**Presented On:** 7/11/2005 - 15:30-17:00

**Chair:** Jiawen Yang, George Washington University and Raja Mitra, George Washington University

*Frameworks for Understanding Global Offshoring Developments*  
Raja Mitra, George Washington University

*India and Electronic Globalization: Initial Report from a Grounded Perspective*  
Nikhilesh Dholakia, University of Rhode Island

*“Do They Eat Our Luncheon?” --- Outsourcing and Skill-Specific Employment in U.S.*  
Jason Z. Yin, Seton Hall University

*Some Issues in Outsourcing*  
Pradeep A. Rau, George Washington University

*Offshore Outsourcing: An Efficiency Perspective on Six Emerging Markets*  
Kraiwinee Bunyaratavej, Arcadia University  
Eugene D. Hahn, Salisbury University

The objective of this panel is to develop a better understanding of the current trend of outsourcing and to evaluate the implications of outsourcing for multinational and local businesses in both the rich and poor countries. Our panelists will address the various issues of outsourcing from different perspectives based on their current research. Raja Mitra will examine some common misperceptions about global outsourcing and provide a basic framework in understanding the long term growth and structural change in global outsourcing. Nikhilesh Dholakia will discuss “electronic globalization” and the “emergent themes” developed from actual narratives from the leaders of Business Process Outsourcing (BPO) and global software firms, in India and in USA. Jason Yin will focus on the three modes of outsourcing in relation to skill-specific job growth in the U.S. Pradeep Rau will address the differences between “insourcing” and “outsourcing,” service outsourcing and manufacturing outsourcing. Kraiwinee Bunyaratavej and Eugene Hahn will examine the attractiveness of six countries (China, India and Eastern European countries) with regard to their entry attractiveness for offshore outsourcing to multinational companies in the United States and other advanced economies. (For more information, contact Jiawen Yang, George Washington University, USA, jwyang@gwu.edu)
Strategic Decision-Making in Complex Environments: Managers, Cognition and Internationalization
Elizabeth Maitland, University of New South Wales

How do managers interpret and understand foreign environments and how does this affect their strategic choices? Expansion of the firm’s activities across national boundaries increases the uncertainty attached to decision-making and increases the probability that errors will arise. Employing a New Institutional Economics framework, this paper integrates parent managers’ subjective perceptions of the ‘rules of the game’ into models of internationalization and explores entry form choice in three emerging markets. Two critical variables are identified: the firm’s prior multinational experience and perceptions of institutional proximity. (For more information, contact Elizabeth Maitland, University of New South Wales, Australia, e.maitland@unsw.edu.au)

Rivalry Deterrence in International Markets: Contingencies Governing the Mutual Forbearance Hypothesis
Tiying Yu, Boston College
Mohan Subramaniam, Boston College

The mutual forbearance hypothesis proposes that multiple contacts with rivals deter competitive aggressiveness. In this study we examine some of the contingencies governing the mutual forbearance hypothesis by focusing on multinational companies engaged in multipoint competition across international markets. Using a database of 1778 competitive actions of the 13 largest automobile companies operating in 27 countries over a 7-year period, we find increased subsidiary ownership and host country regulations further enhance the deterring influence of multimarket contact on competitive aggressiveness, whereas cultural distance of the host subsidiary market from the MNC’s home country attenuates this deterring influence. (For more information, contact Tiying Yu, Boston College, USA, yuti@bc.edu)

FDI and Internationalization Theories from a Choice and Determinism Perspective
Heather I. M. Wilson, University of Auckland
Mark D Domney, University of Auckland

We identify and respond to a critical paradox in international management: whether choice or determinism shapes the international expansion process and the competitive outcomes that result from it. We contend that existing international business theories are entrenched within a deterministic paradigm and international management literature within a choice paradigm. By viewing these two perspectives as integrative and orthogonal, we develop a conceptual model and propositions to explain international expansion in response to environmental variables. We contend determinism and choice constitute higher order constructs in the international business/management field and that progress in the discipline can be achieved by viewing determinism as a constraint on choice in relation to an objective environment, and choice as varying in relation to enacted assessments of the environment. (For more information, contact Heather I. M. Wilson, University of Auckland, New Zealand, h.wilson@auckland.ac.nz)

Competing in Multiple Geographic Markets: Multi-market Contact and Foreign Entry Location Decisions in China
Jiatao Li, Hong Kong University of Science and Technology
Fiona Kun Yao, Hong Kong University of Science and Technology

By integrating two streams of literature, i.e., multipoint competition and FDI location choice, we study location decisions of US subsidiaries in China from the multi-market contact (MMC) perspective. Extending the extant
literature, we first develop the concept of first order and second order MMC, and then propose an inverted U-shaped relationship between the two types of MMC and foreign entry location choice. We also examine the moderating effects of environmental and firm-specific uncertainty on the relationship between MMC and foreign entry. The hypotheses are largely supported by data on the location decisions of all U.S.-invested manufacturing ventures in China from 1979-95. Implications for multipoint competition and international strategy research and for managers faced with foreign entry decisions are discussed. (For more information, contact Jiatao Li, Hong Kong University of Science and Technology, Hong Kong, mnjtli@ust.hk)

Session: 2.4.13 - Competitive
Track: Track 7 - Managing Across Borders

Subsidiary Contributions

Presented On: 7/11/2005 - 15:30-17:00

Chair: John Spillan, Penn State University - DuBois
Discussant: Elizabeth L. Rose, Victoria University of Wellington

Leveraging Technological Innovation within an MNC: Inter-Subsidiary Relations, Technological Niche, Stock, and Flow

Weilei Shi, University of Pittsburgh

We draw on the niche theory from population ecology perspective to reconceptualize the inter-subsidiary relationships. Specifically, we argue that research on MNCs traditionally perceives intra-organizational relations as a dichotomy between cooperation and competition, thus ignores the multidimensional nature of these relations. We further contend, niche characteristics such as niche width, position, and overlap, can be used to fine-tune this improperly defined construct along the dimension of both commensalism and symbiosis. This clear-cut differentiation has strong bearing on the technological leveraging in terms of technology flows and stocks across and within niches, which has traditionally been treated in separate domains without respectful integrations. (For more information, contact Weilei Shi, University of Pittsburgh, USA, wshi@katz.pitt.edu)

The Costs of Governance in International Companies: A Study of their Effects on the Performance of Foreign Operations

Sverre Tomassen, BI Norwegian School of Management
Gabriel R. G. Benito, Copenhagen Business School and BI Norwegian School of Management

Using foreign direct investments as a governance mechanism has a cost side that goes beyond mere production and input costs. The governance costs of foreign operations are often vague and underestimated, and sometimes even ignored by companies entering a foreign market. The effects of these costs have also largely been neglected in former empirical research. This study examines the governance costs effects on foreign subsidiary performance and the moderating role that entries through start-up versus take-over have in generating such costs. Using data from a survey of 160 Norwegian multinational companies the study shows that there is a significant and negative relationship between bargaining costs and subsidiary performance, as well as between monitoring costs and performance, and maladaptation costs and performance. However, the governance costs effects on subsidiary performance are dependent on whether the subsidiary was established as a start-up or through a take-over. Overall, this study indicates that governance costs play a significant role in explaining the performance of foreign subsidiaries: close to 35 percent of the variation in performance can be attributed to such costs. Reducing such costs is hence of utmost importance for the management of multinational companies. (For more information, contact Sverre Tomassen, BI Norwegian School of Management, Norway, sverre.tomassen@bi.no)
Knowledge Integration and New Product Development in MNCs: A Subsidiary Perspective
Wen-Kuei Liang, Tatung University

To succeed in the knowledge and globalization village, the parents must not only transfer core competency to other subsidiaries, but also leverage its global networks to effectively manage dispersed knowledge assets. As knowledge backflow from overseas units is a great contribution to global innovation, this study investigates the role of subsidiary in new product development in a MNC. By examining 62 MNCs with two in-depth case studies, listed in TSE and OTC in Taipei, some appealing findings from those invested in China in the past decades are derived. Although, most China subsidiaries make no contribution to new product development at present, its position as source of important idea, knowledge and innovation is accrued over time. As for knowledge integration mechanism, individual interaction, team building and document exchange between parents and subsidiaries are favorable for new product development in the MNCs. (For more information, contact Wen-Kuei Liang, Tatung University, Taiwan, wkliang@ttu.edu.tw)

Satisfaction with Performance: The Effect of Context and MNEs' Capabilities
Desislava Dikova, University of Groningen

Taking an eclectic approach, we build on foundations provided by the Institutional theory, the Behavioral theory, the Transaction cost theory and International management to study the effects of host country context, parents' capabilities and foreign ownership stake on managers' satisfaction with subsidiary performance. Empirical evidence is based on 209 responses to a survey of western European multinationals (MNEs) that have launched an acquisition or started a greenfield in central and eastern Europe (CEE) between 1992 and 2002. We estimate subsidiaries' performance by inquiring at MNEs' headquarters about managers satisfaction with subsidiary's marketing, distribution, reputation and market access (marketing performance), sales growth, sales level, profitability and market share (financial performance). Results reveal that our predictors of satisfaction with marketing and financial performance differ in their explanatory power: entry strategy (establishment of market presence vs. setting up an export subsidiary), international strategy (global vs. multidomestic) and ownership stake are not a significant predictor of satisfaction with financial performance, but positively and significantly influence satisfaction with marketing performance. Both types of performance are negatively influenced by local institutional inefficiency and MNEs' R&D intensity, while cultural distance and MNEs' advertising intensity have a positive effect. (For more information, contact Desislava Dikova, University of Groningen, Netherlands, d.dikova@eco.rug.nl)

Session: 2.4.14 - Competitive
Track: Track 8 - Managing People Across Cultures
Managerial Control, Power and Inter-organizational Issues

Presented On: 7/11/2005 - 15:30-17:00

Chair: Sharon Watson, University of Delaware
Discussant: Nick Athanassiou, Northeastern University

Unpacking the Insiders: Family Firms in Crisis
Yue Maggie Zhou, University of Michigan
Michael Jensen, University of Michigan

This paper looks into a special form of organization -- family firms, and investigates how the composition of their top management team impacts firm performance. Combining upper-echelon and corporate governance perspectives with research on organization inertia, we predict that family firms led by the founders are less susceptible to change than those led by other members of the family, and that organizational changes that destroy the core resources of firms will put firms at a disadvantage, especially when the environmental shock is temporary and reversible. Using data on public firms in Thailand before, during and after the Asian Economic Crisis, we find: 1) firms led by insiders did not perform differently than those led by outsiders; 2) among firms
led by insiders, those led by founders performed worse during the crisis but better during the recovery; 3) firms who share their TMT responsibilities between founders and family insiders or outsiders perform better in general and during the post-crisis period in particular. (For more information, contact Yue Maggie Zhou, University of Michigan, USA, ymz@umich.edu)

The Interface Between Firm Capabilities and Group Attributes
Ishtiaq Mahmood, National University of Singapore
Hongjin Zhu, National University of Singapore

This study examines the financial performance of firms affiliated with Taiwan business groups by explicitly assessing the interface between firm capabilities and group attributes. Results show that marketing capability, R&D capability, and operations capability are important determinants of firm performance. While, business groups add value through facilitating resource sharing among group members, strong family control adversely affect firm profitability. Moreover, the mechanism by which groups affect firm profitability depends on the affiliate’s capabilities. Most group attributes serve as important complements to firm capabilities, while some act as substitutes to firm capabilities. (For more information, contact Ishtiaq P. Mahmood, National University of Singapore, Singapore, bizipm@nus.edu.sg)

Korean Managers’ Preferences for Components of Management Control Systems
Diane A. Riordan, James Madison University
Marion M. White, James Madison University
Kibok Baik, Kookmin University

Prior research provides evidence that cultural diversity affects the nature of various management practices. This paper reports the results of our investigation of the cultural dimensions that are predictive of South Korean managers’ preferences for components of management control. The methodology is an improvement over prior studies because it adds the dimension of paternalism and relies on stepwise regression, rather than predictions, to select the set of cultural values that describe a manager’s preferences for individual components of the management control system. (For more information, contact Diane A. Riordan, James Madison University, USA, riordada@jmu.edu)

AIB Executive of the Year Award Presentation

Presented On: 7/11/2005 - 17:15-18:00

Presentation of the 2005 Executive of the Year Award to Paul Desmarais, Jr., Chairman and Co-Chief Executive Officer, Power Corporation of Canada and Chairman, Power Financial Corporation.
ABSTRACTS FOR TUESDAY, JULY 12, 2005

Session: 3.1.1 - Competitive
Track: Track 1 - Context of Global Business

FDI and Its Impact

Presented On: 7/12/2005 - 08:30-10:00

Chair: Witold Jerzy Henisz, The Wharton School, University of Pennsylvania
Discussant: Witold Jerzy Henisz, University of Pennsylvania

Investor Response to Foreign Direct Investment Risk: The Effects of Direct and Indirect Experience of Multinational Corporations

Anthony Goerzen, University of Victoria
Stephen Sapp, University of Western Ontario

The theory of internalization, perhaps the dominant perspective on the multinational corporation (MNC), suggests that proprietary assets—usually in the form of advertising and/or marketing capabilities—are the key to understanding a firm’s ability to create value in foreign markets. We extend this perspective by arguing that the capacity of an MNC to create value via foreign direct investment (FDI) can also result from the use of an alternative proprietary asset, i.e., foreign experience, which mitigates country-level risks. Using Miller’s (1992) environmental risk framework, we analyze the interactions between different types of firm-level experience and a full set of country-level risks on FDI value creation. Our findings suggest that foreign experience mitigates the stock market's perception of foreign investment risk. (For more information, contact Anthony Goerzen, University of Victoria, Canada, agoerzen@uvic.ca)

Do Managers Behave the Way Theory Suggests? A Choice Theoretic Examination of Foreign Direct Investment

Timothy M. Devinney, Australian Graduate School of Management
Peter J. Buckley, University of Leeds
Jordan J Louviere, University of Technology, Sydney

Traditionally, empirical examination of FDI has relied on the use of secondary data on the choices made by firms about the form and location of overseas investment. These studies have two inherent problems. First, they rely solely on the choices made by different firms and assume that domain of possible options considered were the same. This is implicit in the estimation used that compares choices between companies. Second, there is an assumption about the rules used by firms to make these decisions, yet the decisions are made by boundedly rational managers. No attempt is made to incorporate the rules managers might be using to make the decisions. This study attempts to deal with both these issues by examining managers’ choices about investment through structured experimentation. Two experiments are used. One employs discrete choice modelling techniques and has managers make investment choices amongst pairs of investment options in different environments. The second uses best-worst experiments to examine managers’ orderings of general investment factors and confirm the findings of the first experiment. The results show that in creating sets of investments to “consider”, managers appear to follow fairly rational rules. However, the choice of actual “investments” appears less aligned to traditional models. (For more information, contact Timothy M. Devinney, Australian Graduate School of Management, Australia, t.devinney@unsw.edu.au)

Inward Foreign Direct Investment and the Structural Change of Industries in Emerging Market Economies

Guoyong Liang, RSM Erasmus University/UNCTAD

This paper dedicates to advancing the understanding of the FDI impact on the structural changes of industries in emerging market economies. Existing theories on the relationship between inward FDI and industrial structure are generally static and cannot really explain nor map the dynamic process though which FDI
influences the structural changes of industries in emerging markets. This paper addresses a number of theoretical gaps, develops a more dynamic theory on the basis of an eclectic discussion of theories and policy issues, and then uses China's telecom equipment industry as a test case for this dynamic model. The results of the ‘multiple case’ case study on China’s telecom equipment industry present a replication with which this model can be considered robust and worthy of continued investigation and interpretation. (For more information, contact Guoyong Liang, Erasmus University Rotterdam; UNCTAD, Netherlands, liang_guoyong@yahoo.com)

Session: 3.1.2 - Panel
Track: Track 1 - Context of Global Business

Fostering Business Opportunities at the Base of the Pyramid

Presented On: 7/12/2005 - 08:30-10:00

Chair: Jennifer M. Brinkerhoff, George Washington University
Discussant: Hildy Teegen, George Washington University

An Enabling Environment for Base of the Pyramid Business Development: What Roles for Government?
Derick W. Brinkerhoff, RTI International

Diasporas, Information Technology, and Base of the Pyramid Market Development: What can we Learn from Thamel.com?
Jennifer M. Brinkerhoff, George Washington University

Monika Aring, RTI International

The Economic Advantage of Cultures: Unleashing the Economic Vitality of Chicago’s Mexican Community through Learning States
Peter A. Creticos, Institute for Work and the Economy

This panel is organized to explore the challenges and opportunities of BOP market development. While there are growing arguments for MNCs to consider BOP market development for the purpose of business expansion, sustained competitiveness, and innovation, there is little documented experience of efforts underway. With increasing calls to consider international business opportunities in developing countries (Ramamurti 2004) for both moral and pragmatic justifications (see Meyer 2004), reflections on the “how to” need to be grounded in replicable experiences that can generate specific models and lessons. Building on the various works of Stuart Hart and C.K. Prahalad, among others, this panel expands upon extant literature by presenting multi-disciplinary perspectives and practical efforts in progress. (For more information, contact Jennifer M. Brinkerhoff, George Washington University, USA, jbrink@gwu.edu)
**Diversification and Diffusion: A Social Networks Perspective**  
Nan Zhou, National University of Singapore  
Andrew Delios, National University of Singapore

We examine the diffusion of one particular kind of firm strategy, diversification, among a population of Chinese listed firms during the period of 1991 to 2002. The results are consistent with the idea that information diffusion and mimetic adoption influence the diversification decision. By linking diversification to social network and institutionalism theory, this study sheds new light on how dissemination and legitimization processes unfold at the firm level of analysis to influence a major strategic decision such as the level of a firm's diversification. From the results, we suggest that diversification is not only a response to economic and agency concerns, but also a function of the social context in which a firm is imbedded. (For more information, contact Nan Zhou, National University of Singapore, Singapore, g0403306@nus.edu.sg)

**Building a Business on Ethnic Ties: A Study of the Effects of Ethnic Networks on Entrepreneurial Activities**  
Neri Karra, University of Cambridge  
Nelson Phillips, Imperial College  
Paul Tracey, University of Cambridge

There has been considerable interest in the role of ethnicity in new venture formation. However, little attention has been paid to the role of ethnicity in the growth and development of new ventures after founding. Furthermore, while there have been a number of empirical studies of ethnic entrepreneurship, few have examined firms that have been highly successful or that have internationalized successfully. In this article, we present the results of a case study of a highly successful international network where ethnic ties played a central role in its founding and rapid growth. Our conclusions are that ethnic ties can be an important resource in the founding of new ventures but that these same ethnic ties can become increasingly limiting as constituent firms grow and develop. (For more information, contact Neri Karra, University of Cambridge, United Kingdom, nk260@cam.ac.uk)

**Social Capital and New Firm Internationalization**  
Pia Arenius, HEC Lausanne  
Erkko Autio, HEC Lausanne

Even though social capital has been implicitly evoked in received internationalization frameworks, the effects of social capital on new firm internationalization have not received significant research attention. We employed the grounded theory method to develop a mediating model of how firm-level social capital impacts internationalization speed, diversity, success, and growth. Our model proposes two mediating paths, one for resource effects, and another for liability effects. (For more information, contact Erkko Autio, HEC University of Lausanne, Switzerland, erkko.autio@unil.ch)
International Joint Ventures

Ownership-Based Entry Mode Choice of MNEs: A Case of Land-Locked Emerging Country
Ekrem Tatoglu, Bahcesehir University
Mehmet Demirbag, University of Sheffield
Adiya Oyungerel, Consultant

This paper provides a comprehensive analysis of foreign investors' ownership strategies in land-locked transition economy, Mongolia. Drawing broadly on the transaction cost theory and institutional model, a number of investing firm and host country characteristics were identified. Drawing on a sample of 1,033 affiliates of foreign investors with varying levels of foreign ownership, the paper examines the choice between a wholly owned subsidiary (WOS) and a joint venture (JV). Strong support has been found for the impact of nationality and normative distance on the ownership mode choice of foreign investors. The results show that the main determinants of foreign equity ownership found in previous research also influence the ownership structure of foreign affiliates in Mongolia. The extent of FDI concentration, natural resource intensity of target industry, location of the affiliate and the age of affiliate have the expected impact on the foreign investor's choice between a JV and a WOS. However, no support has been found for the impact of capital size of affiliate on the level of equity ownership of foreign affiliates. (For more information, contact Ekrem Tatoglu, Bahcesehir University, Turkey, ekremt@bahcesehir.edu.tr)

Fiddling on an International Stage: Culturally Implied Moral Hazard in International Joint Ventures
Ursula F. Ott, Loughborough University
Marek Korczynski, Loughborough University

This paper studies the information asymmetries in IJVs due to different objectives and efforts induced in the course of the management of a joint enterprise. The IJV is, in general, considered as a means of adding value to a joint product or production process either in short-term or long-term perspective. The tension in IJVs arises because of the self-interest of the players to make profits in their own firms, to get promotion in their own firms and to work together with potential competitors. The analysis of the problem shows that the international business issues are embedded in an abstract model of cheating (embezzling, inducing a low effort into the joint enterprise or shirking). Firstly, the paper dealt with a model of culturally implied cheating based on Hofstede’s cultural dimensions. Secondly, the moral hazard problem in an international co-operative setting was developed on the basis of a formal approach. This should lead to offering appropriate incentive schemes to prevent the players from cheating. This paper deals with a game of culturally implied hidden action and contracts in order to deal with shirking, spying, embezzling and sabotage. (For more information, contact Ursula F. Ott, Loughborough University, United Kingdom, u.f.ott@lboro.ac.uk)

Evolution and Internalization of International Joint Ventures
H. Kevin Steensma, University of Washington
Jeffrey Q. Barden, Duke University
Marjorie A. Lyles, Indiana University
Charles Dhanaraj, Indiana University
Laszlo Tihanyi, Texas A&M University

Although international joint ventures mature over time and develop competitive viability, they maintain risk of instability due to their shared ownership. Such instability, which is defined as termination or changes in the ownership structure (Yan & Zeng, 1999), can ultimately lead to their internalization by one of the partners. In
this study, we consider factors that influence 1) the extent to which joint ventures’ evolution leads to becoming a wholly owned subsidiary and 2) which factors influence which parent (foreign or local) gains control over the venture. Based on a sample of Hungarian joint ventures, we find that only when there is both a power imbalance between the parents and high levels of conflict is the likelihood that the joint venture converts to a wholly owned subsidiary enhanced. The extent to which the joint venture has learned from the foreign parent indirectly determines which parent gains control. Extensive knowledge transfer to the joint venture combined with high levels of conflict increases the likelihood of the foreign parent gaining control. In contrast, when there is extensive knowledge transfer and low conflict between the parents, the local parent is more likely to internalize the venture. (For more information, contact Marjorie A. Lyles, Indiana University, USA, mlyles@iupui.edu)

Session: 3.1.5 - Competitive
Track: Track 3 - Growing Local Roots

Investment Attraction: Global and Local

Presented On: 7/12/2005 - 08:30-10:00

Chair: Caroline Yeoh, Singapore Management University
Discussant: Prescott Ensign, University of Ottawa

Enclaves for Enterprise: An Empirical Study of Singapore’s Industrial Parks in Indonesia, Vietnam and China
Caroline Yeoh, Singapore Management University
Ai Lin Leong, Singapore Management University
David, Singapore Management University

The dynamics of globalization have prompted governments to re-examine accustomed policies, and search for alternative strategies, in order to re-position their economies for the future. The spatial context of state involvement in the new economics of competition is explored in this paper, with the focus on Singapore’s much publicized, and controversial, orchestration of its state enterprise network to encapsulate economic space for Singapore-based firms to expand into the region. This strategic initiative is promulgated on the exportability of Singapore’s ‘state credibility’, systemic and operational efficiencies, and technological competencies, to locations where these attributes are less certain. Evidence from Singapore’s industrial-township projects in Indonesia, Vietnam and China are presented. We conclude that the strategic advantage created for the firms within these privileged investment enclaves, though remarkable, is oft at risk from the administrative complexities, and socio-political milieu, of the host environments. (For more information, contact Caroline Yeoh, Singapore Management University, Singapore, carolineyeoh@smu.edu.sg)

Developing International Firm Capabilities: Globalisation Strategies of Singapore’s Government-Linked Corporations
Mark John Roberts, Melbourne University
Howard Dick, Melbourne University

Neither the strategic management nor the HRM literatures yet satisfactorily explain how domestic firms newly venturing into foreign investment develop international capabilities after the initial choice of entry mode. This paper contends that a vital contextual aspect of the development of international capabilities are systems of corporate control. Using Singapore’s public enterprise sector as a unique case study, the paper explores whether the simulated market for corporate control under ‘Singapore Incorporated’ works when competitive public enterprises expand internationally and if it can be judged to be effective. The paper concludes that effective systems of corporate control are essential to the development of international capabilities and demonstrates the importance of linking corporate and business strategy on the one hand and HRM practices on the other to capability development. (For more information, contact Mark John Roberts, Melbourne University, Australia, mjro@unimelb.edu.au)
Session: 3.1.6 - Competitive  
Track: Track 4 - Economics, Finance and Taxation  

**Accounting Standards**

**Presented On:** 7/12/2005 - 08:30-10:00

**Chair:** Len J. Trevino, Washington State University  
**Discussant:** David Sharp, University of Western Ontario

*The Relationship Between Competition and Business Segment Reporting Decisions under IAS 14 Revised and the Management Approach*

Donna L. Street, University of Dayton  
Nancy B. Nichols, James Madison University

This research addresses the relationship between two measures of industry competition and manager's choice regarding whether to separately disclose a business segment following adoption of the IAS 14R Management Approach. Logistic regression reveals a significant relationship between disclosure and abnormal returns. The relationship between disclosure and level of market concentration was not significant. The findings indicate the Management Approach has hindered manager's ability to aggregate segments in less competitive industries to protect market share. However, the findings also indicate some flexibility persists as managers maintain the ability to aggregate segments to protect abnormal profits. The findings are timely as IASB and its national standard setting partners work to converge segment reporting standards and indicate additional research is needed to determine whether the IAS 14R “risk and rewards qualification” affords companies more discretion in concealing abnormal profits than does the Management Approach specified in the North American standard. (For more information, contact Donna L. Street, University of Dayton, USA, donna.street@notes.udayton.edu)

*Factors Influencing Corporate Transparency: A Comparative Empirical Study of Indonesia and Australia*

Isabelly Susilowati, University of Sydney  
Richard D. Morris, University of New South Wales  
Sidney J. Gray, University of Sydney

We compare transparency levels of companies in a developing economy – Indonesia - with those of a developed economy - Australia - to assess the nature and relative importance of the influential factors involved especially the regulatory environment and corporate governance practices. We examine the levels of corporate transparency using a disclosure checklist that is based on international accounting standards (IASs) given the growing importance of this international benchmark to investors and regulators alike. We hypothesize that firms' transparency levels in these two countries will vary owing to differences in the legal system, culture, corruption levels, and firm characteristics, such as size, leverage, debt restructuring, audit committee, auditor, independent directors, firm complexity, overseas involvement and profitability. We find that Australia firms are overall more transparent than Indonesian firms, attributable to higher compliance with mandatory standards. Australian firms comply with AASB standards more than Indonesian firms comply with PSAK, the Indonesian accounting standards. We find no variation in the levels of voluntary disclosures. Transparency levels are influenced by the presence of independent directors and to a lesser extent, the presence of an audit committee and Big 5 auditor. (For more information, contact Isabelly Susilowati, University of Sydney, Australia, i.susilowati@econ.usyd.edu.au)

*The Lobbying of International Accounting Standards for Special Purpose Entities*

Robert Keith Larson, University of Dayton

The development of solid accounting standards is a key requirement for global capital markets to function properly. In most countries and internationally, the accounting profession is actively involved in the determination of accounting standards. While the accounting profession is charged with serving the public interest, concern exists that its members do not always fulfill that obligation – particularly given recent
corporate and auditing accounting scandals. A good venue to investigate lobbying by the accounting
profession and others occurred when the International Accounting Standards Committee (IASC)'s Standing
Interpretations Committee (SIC) issued Draft Interpretation 12 (DI-12), Consolidation of Special Purpose
Entities (SPEs). SPE accounting is controversial and DI-12 was much stricter than existing US rules. This
paper analyzes all DI-12 comment letters. While most respondents supported DI-12 and its efforts for solid
accounting rules, eight letters adamantly opposed DI-12. Opponents included Arthur Andersen and a bank
associated with Enron. Opposition also came from countries with more flexible rules on the consolidation of
SPEs (including FASB's staff). The SIC ignored the opposition and, if anything, issued an even stronger SPE
standard than proposed in DI-12. (For more information, contact Robert Keith Larson, University of Dayton,
USA, robert.larson@notes.udayton.edu)

Session: 3.1.7 - Competitive
Track: Track 4 - Economics, Finance and Taxation

**Crisis, Contagion and Volatility**

**Presented On:** 7/12/2005 - 08:30-10:00

**Chair:** Peter Koveos, Syracuse University

**Discussant:** Stanley Nollen, Georgetown University

*Psychic Distance and Financial Contagion*

Lili Zhu, George Washington University

Jiawen Yang, George Washington University

We synthesize the financial crisis contagion literature through the gravity model from physics and test the
hypothesis that the severity of contagion relates positively to trade and financial linkages but negatively to
psychic distance between countries, when macroeconomic fundamentals and institutional factors are controlled.
The psychic distance variable, a behavioral predictor constructed along four dimensions including geographic
distance, common language, development level and common membership, is of key interest in this study.
Using data of financial crises originated in Mexico, Asia, Russia, and Brazil in the 1990s, we find empirical
support for the hypothesis, particularly for the importance of psychic distance in analyzing financial crisis
contagion. (For more information, contact Lili Zhu, George Washington University, USA, llzhu@gwu.edu)

*Volatility and Information Flows: Evidence from Hong Kong Stock Exchange*

Priti Verma, University of Texas, Pan American

This paper provides evidence regarding the mixture of distributions hypothesis by examining the relationship
between the trading volume and the time-varying conditional heteroscedasticity of stock returns in the Hong
Kong stock markets. Using daily data from January 5 1999 to February 1 2002, we investigate the GARCH cum
volume models for daily returns. Results show that when trading volume is included in the conditional variance
equation, the volatility persistence substantially decreases in all the 8 stocks. These results are consistent with
the findings of developed markets. (For more information, contact Priti Verma, University of Texas-Pan
American, USA, pverma@utpa.edu)

*Weathering the Storm? Trading Companies and Trade Intermediation in the Gulf Crisis*

Robert J. Weiner, George Washington University

The IB literature has largely ignored international crises, and their effects on the aspects of the global economy
on which we focus - trade and FDI. This paper examines the Gulf Crisis of the early 1990s. The invasions of
Kuwait by Iraqi forces, followed by the huge military build-up in the Gulf region, and eventual war with Iraq was
associated with a spike in oil prices, and worldwide recession. But did it affect the fabric of international trade?
The paper focuses on trade patterns, especially intermediation and the role of trading companies. Trading
companies were the first MNEs and remain important, yet have received limited attention in the IB literature.
This paper exploits a unique transactional database on oil trading before, during, and after the Gulf Crisis, in order to shed light on the role of intermediaries in trade. Crises also provide an opportunity to examine path dependence. Did the end of the crisis and restoration of the status quo ante result in a return to pre-crisis patterns of trade? Or was the fabric of international business torn? Recent IB literature has discussed the role of institutions and path-dependence, but has not examined the phenomenon empirically. (For more information, contact Robert J. Weiner, George Washington University; Université Laval, USA, rweiner@gwu.edu)

Session: 3.1.8 - Competitive
Track: Track 5 - Innovation and Marketing

National Attributes, Innovation and Technology Diffusion

Presented On: 7/12/2005 - 08:30-10:00

Chair: Fernando Robles, George Washington University
Discussant: Gregory James Mahony, University of Canberra

Which Relation Matters When? Interpersonal Relationships and Interorganizational Relationships On Technology Diffusion

Hsin-Mei Lin, National Chiao Tung University
Heng-Chiang Huang, National Taiwan University
Sheng-Ya Tseng, National ChengChi University

Since most social studies focus on the technology diffusion from perspective of individual firm’s adoption behavior, there is an urgent requirement for further study on technology diffusion from perspective of interfirm (dyad) angle, particularly angles at the interfim informal personal connection and formal connections. Therefore, adopting multi-leveled analysis of relation, we define interpersonal relationships (IPRs) and interorganizational relationships (IORs) as distinct constructs and draw on theories of interorganizational relations to derive a model of technology diffusion. This paper explores different contributions of IPRs and IORs to the success of technology diffusion, each of them operating in a particular way to technology diffusion beyond firm boundaries. Incorporating social network perspectives and transaction theory principles (i.e., ex ante search, and ex post negotiation), we argue that IPRs can be appropriated into IORs and the link between technology diffusion and IPRs/IORs is mediated by search and negotiation process, and that IPRs have important influence on searching process, whilst IORs have more influence on negotiation process. (For more information, contact Hsin-Mei Lin, National Chiao Tung University, Taiwan, hmlin@ncnu.edu.tw)

Norms of Collaboration: The Role of the National Polity in Technology Alliance Formation

Gurneeta Vasudeva, George Washington University

In this paper I develop a conceptual model to explain firms’ propensity to engage in technology development alliances as a function of the national institutional environment within which innovation occurs. Hypotheses are based on the premise that alliances emerge in response to societal norms of innovation and collaboration described along the dimensions of location of authority or statism and the degree to which society is organized along communitarian principles or corporatism. I propose that firms in corporatist polities are likely to form dense networks and engage in enduring partnerships. In contrast, strategies of firms in associational or pluralist polities are likely to be characterized by a high degree of individualism, short-term interests and self-determination. Similarly, firms in statist polities characterized by a strong bureaucratic apparatus and separation of the public and private spheres are less likely to collaborate with foreign innovators and are more inclined to follow narrowly defined technological paths. The national institutional dimensions are also expected to moderate firm-level characteristics such as size and technological achievement that are known to influence alliance formation. The paper therefore expects to contribute by developing a framework that links a national institutional typology with distinctive characteristics of firms’ alliance strategies. (For more information, contact Gurneeta Vasudeva, George Washington University, USA, gurneetv@gwu.edu)
Empirical Analysis of National Attributes Effect on Adoption Rate of New Technologies: A Global Study of Wireless Telecommunications Technologies

Saku Juhani Mäkinen, Tampere University of Technology
Hanna-Kaisa Desavelle, Tampere University of Technology
Linnea Peltonen, Tampere University of Technology
Henri Suur-Inkeroinen, Tampere University of Technology

In academic research it has been argued that cultural value differences persist, even if markets continue to globalize and national incomes are converging. This implies that people are able to spend more money on products that correspond to their value patterns, thus rendering cultural value differences more apparent in global markets. Therefore, it can be argued that the national technology adoption dynamics is dependent on various national attributes like economic and cultural attributes. The effect of cultural dimensions, national technology launch timing, and level of national wealth on the speed of national technology adoption is studied in this paper. The paper reports results that confirm that cultural attributes en bloc indeed can explain variation in national technology adoption rates. However, the effect of individual attributes alone on technology adoption rate cannot be verified according to this study. The only independent variable that was found to have statistically significant effect on national technology adoption rate was the positive lead-lag effect, i.e. the later launching nations experience faster adoption rates. Practical and academic conclusions are drawn based on results. (For more information, contact Saku Juhani Mäkinen, Tampere University of Technology, Finland, saku.makinen@tut.fi)

The Effects of Ethnolinguistic Diversity on National Innovation Levels

George M. Puia, Saginaw Valley State University
Joseph Ofori-Dankwa, Saginaw Valley State University

This paper extends the culture - innovation research literature by exploring the link between ethno-linguistic diversity and national innovation levels. Current research suggests a strong relationship between national cultural characteristics and innovation outcomes. The current research has primarily used Hofstede’s constructs (e.g. individualism/collectivism, power distance) to operationalize national culture. Despite conceptual, methodological and empirical justification, measures of diversity, particularly ethno-linguistic diversity, have not been used in investigating the culture-innovation link. Results of a hierarchical regression analysis indicates that ethno-linguistic differences within and across nations have a positive and significant relationship with levels of national innovation as measured by patent and trademarks awarded. Consistent with prior literature, there is a significant relationship as well between individualism and national levels of innovation. The implications of these findings for research and practice are highlighted. (For more information, contact George M. Puia, Saginaw Valley State University, USA, puia@svsu.edu)

Session: 3.1.9 - Competitive
Track: Track 5 - Innovation and Marketing

Internet Marketing and SME Marketing

Presented On: 7/12/2005 - 08:30-10:00

Chair: Janell D. Townsend, Michigan State University
Discussant: Ahmet H. Kirca, George Washington University

Moving Towards an Understanding of Small Business Managers’ Perceptions of the Marketing Concept
John E. Spillan, Penn State University-Dubois
Mike C. H. Chao, Saint Louis University
I Han, National Taiwan University

This paper reports the results of a survey of Taiwanese small business managers’ perceptions of the marketing concept. The focus is on understanding whether small and medium sized businesses understand and use the
market orientation concept as a focus of their marketing strategy. Additionally, the paper examines the relationship between market orientation and the business outcomes. (For more information, contact Mike C. H. Chao, Saint Louis University, USA, chaoc@slu.edu)

Sources of Global Heterogeneity in Internet Advertising
Nir B. Kshetri, The University of North Carolina--Greensboro

With respect to the advertising function, the Internet’s position in the media landscape differs widely across the globe. Using institutional theory as a lens, we drill deeper than obvious economic factors to examine the sources of global heterogeneity in Internet advertising patterns. Major sources of the global variation include regulative institutions related to governments’ orientation towards authoritarianism versus democracy and strictness of privacy laws; cognitive institutions related to surfing habits and meaning made of a website; and normative institutions in the forms of restriction on advertising on the Internet. Superimposed upon these institutions are advertiser specific factors such as business sector and e-commerce experience and consumers’ experience with and nature of Internet access. Managerial and policy implications are discussed and directions for future research have been suggested. (For more information, contact Nir B. Kshetri, University of North Carolina--Greensboro, USA, nbkshetr@uncg.edu)

Cultural Adaptation of Web Site Design: An Experimental Application
Daniel W. Baack, Saint Louis University
Nitish Singh, California State University at Chico

Little to no research has attempted to actively design culturally adapted marketing messages even with strong evidence of consumer preference for such adapted messages. This study addresses this gap in the literature by designing culturally adapted web sites. Fifty-seven American and Taiwanese subjects viewed these adapted web sites. After exposure, subjects filled out a survey measuring their opinion regarding cultural adaptiveness, presentation of information, navigation ease, attitude toward the web site, and purchase intent. The results were that the web site adaptation did not affect the dependent variables. Possible methodological and theoretical reasons for the results are discussed and the paper concludes by providing guidance for future research on this topic. (For more information, contact Daniel W. Baack, Saint Louis University, USA, baackdw@slu.edu)

Session: 3.1.10 - Panel
Track: Track 6 - Internationalization of Services

McKinsey Global Institute Research on the Global Resourcing of Services

Presented On: 7/12/2005 - 08:30-10:00

Panelists:
Sascha Stürze, Fellow, McKinsey Global Institute
Jaeson Rosenfeld, Fellow, McKinsey Global Institute
Fusayo Umezawa, Fellow, McKinsey Global Institute

The McKinsey Global Institute is conducting a large-scale year-long research effort on the effects of the global resourcing (also known as offshoring) phenomenon on services industries.

The current debate often overlooks the fact that global resourcing has been embraced for as long as some sectors have been in existence. Consequently, what we are currently observing is a shift from the centralization of services in developed countries to the true globalization of services as activities start to be "offshored" to low-cost locations. Business and government decisionmakers lack a sufficient fact base to assess the real effects that this trend will have on sectors’ value chains and national labor markets. Therefore, our research seeks to inform the debate using a classic demand and supply perspective:
On the demand side, we perform analyses for eight industry sectors covering 16 percent of worldwide non-agricultural employment. For each of these sectors, we assess worldwide employment, theoretical maximums for global resourcing, and actual share of activities being performed at low-cost locations to extrapolate the insights on the theoretical maximum and pace of adoption to global service employment.

On the supply side, we investigated a total of 16 high-cost and low-cost countries and make extrapolations for an additional 20, thus covering 73 percent of the world's non-agricultural workforce by analyzing the quantity and quality of the labor supply in each of the focus countries, combined with the attractiveness of each location along 50 criteria.

Combining demand and supply on an occupational level allows us to draw powerful implications on potential supply constraints as well as effects on national labor markets and wages. (For more information, contact Rebeca Robboy, External Relations, McKinsey Global Institute, USA, Rebeca_Robboy@mckinsey.com)

**Session: 3.1.11 - Competitive**
**Track: Track 7 - Managing Across Borders**

**Diversification Strategy**

**Presented On:** 7/12/2005 - 08:30-10:00

**Chair:** Kiyohiko Ito, University of Hawaii at Manoa

**Discussant:** Golpira S. Eshghi, Bentley College

**Corporate International Diversification: The Impact of Foreign Competition, Industry Globalization and Product Diversification**

Harry P. Bowen, Vlerick Leuven Gent Management School
Margarethe F. Wiersema, University of California, Irvine

Significant reductions in barriers to international commerce since the mid-1970s have resulted in markets becoming increasingly integrated across nations and industries becoming increasingly global. These processes of globalization have resulted in significant changes in the competitive conditions facing firms that, like any significant economic phenomena that changes a firm's business conditions, can be expected to impact on corporate strategy in general, and corporate international diversification strategy in particular. Despite increasing global economic integration, the impact of industry globalization on corporate strategy is a question that has been largely overlooked in the international business and strategic management literature. This paper examines the role of both environmental and firm specific factors in shaping a firm's international diversification strategy. We develop a theoretical framework for understanding how industry globalization, foreign competition and firm product diversification may influence a firm's choice of international diversification strategy. We then empirically examine these influences in an annual panel data set of U.S. firms from 1987 to 1993. Our study provides the first empirical examination and evidence that industry globalization and foreign based competition are statistically significant factors explaining the increased international diversification by US firms. (For more information, contact Harry P. Bowen, Vlerick Leuven Gent Management School, Belgium, harry.bowen@vlerick.be)

**International Diversification Strategies and Effectiveness: A Study of Global Law Firms**

David M. Brock, Ben-Gurion University
Tal Yaffe, Ben-Gurion University

This paper is an exploration of the internationalization-effectiveness relationship in the context of global law firms in which we investigate strategies, context, consequences, and levers of international diversification strategies. We examine the tradeoffs among various performance measures and three key strategic variables—growth, internationalization, and leverage. After initial theory building, various techniques including structural
equation modeling are used to extend and confirm the findings linking different strategies, use of leverage, and effectiveness. (For more information, contact David M. Brock, Ben-Gurion University, Israel, dmb@bgu.ac.il)

International Diversification and Firm Performance: Effect of Business Group Affiliation in an Emerging Market Context

Ajai Singh Gaur, National University of Singapore
Vikas Kumar, Bocconi University
Deeksha Singh,

We reinvestigate the international diversification – firm performance and business group affiliation – firm performance relationship in the context of an emerging economy. We show that international diversification – firm performance relationship found in developed economies context does not hold in an emerging economy context. Using a sample of Indian firms, we found that firm performance is positively related to the degree of internationalization. Business group affiliation has no impact on firm performance. However business group affiliation reduces the performance of firms with high degree of internationalization. (For more information, contact Ajai Singh Gaur, National University of Singapore, Singapore, ajai@nus.edu.sg)

The Effect of Product Diversification Strategy on the Performance of International Diversification

Shao-Chi Chang, National Cheng Kung University
Chi-Feng Wang, National Cheng Kung University; Cheng Shiu University

Previous evidence on the interaction effect of product and international diversification on firm performance is mixed. Some studies find a positive combined effect of product and international diversification, while others find the influence is not significant. This study re-examines this topic by focusing on investigating the impacts of product diversification on the performance of international diversification. In particular, we distinguish the differential effect of product diversification strategies. We find that related diversification is positively associated with the performance of international diversification. In contrast, unrelated diversification is found to have a negative influence. The evidence is robust to different functional form of international diversification and varied measurements of corporate performance. Our findings provide a potential explanation for prior empirical inconsistency. (For more information, contact Shao-Chi Chang, National Cheng Kung University, Taiwan, schang@mail.ncku.edu.tw)

Session: 3.1.12 - Competitive
Track: Track 7 - Managing Across Borders

MNC Structures and Integration Processes

Presented On: 7/12/2005 - 08:30-10:00

Chair: Julian Birkinshaw, London Business School
Discussant: Eleanor Westney, MIT Sloan School

Is Account Managers’ Decision-Making Autonomy Good or Bad for Global Account Management? Examining the Moderating Role of Communications

Julian Birkinshaw, London Business School
Tiemin Wang, London Business School

In this paper we examine the impact of global account managers’ decision-making autonomy on account performance. We view global account management as an organizational innovation in relationship management, and we argue that account manager autonomy is likely to be harmful to account performance. Building on insights from the social network perspective, we further argue that effective communication of the account managers with contacts within the multinational company and the customer will bring informational and control benefits for account managers and will positively moderate the impact of autonomy on account performance. Statistical analysis base on a questionnaire survey of one hundred and six global accounts of sixteen
multinational suppliers serving multinational customers provides strong support for the hypotheses. Additional analysis based on a separate questionnaire survey of fifty-six national sales managers in the same multinational suppliers further collaborates the key finding. Hence our analysis shed light on the role of social capital in a new organizational setting, i.e. global account management. (For more information, contact Tiemin Wang, London Business School, United Kingdom, twang@london.edu)

**The Best of Both Worlds or Between Two Chairs? Formalizing the Integration-Responsiveness Trade-Off**
Christian Geisler Asmussen, Copenhagen Business School

The trade-off between global integration and local responsiveness is well described in the international strategy literature, but the empirical and managerial implications are arguably elusive. This paper attempts to address this limitation by formalizing the integration-responsiveness framework. First, a general-function model shows that there is a direct trade-off between integration and responsiveness, but that under certain conditions firms can obtain a large proportion of both types of benefits by pursuing a compromise strategy. Second, a parameterized special case of the model shows that such a strategy of dual objectives is most likely to be optimal when both integration and responsiveness benefits are above a certain threshold level; when market heterogeneity is high; when integration benefits are caused by economies of scope rather than economies of scale; and when local tastes rather than national standards are the source of responsiveness benefits. Surprisingly, market heterogeneity reduces the performance of the firm but does not affect the balance between the completely integrated and responsive strategies. This illustrates how the general-function model can be used as a template to build models of integration and responsiveness for other choice variables, providing potential new insights and implications as to the tension between the two forces. (For more information, contact Christian Geisler Asmussen, Copenhagen Business School, Denmark, cga.int@cbs.dk)

**Beyond Heterarchy - Emerging Futures of the Hypermodern MNC**
Ivo Zander, Uppsala University
John Mathews, MGSM, Macquarie University

This paper revisits Hedlund's (1986) seminal paper on the heterarchical MNC to delineate new emerging futures of the hypermodern MNC. It introduces a typology of new forms of multinationals that accounts for their degree of openness of organizational design and ownership of resources. We suggest the existence of four main types of hypermodern firms in the global economy – “consolidating”, “pipeline”, “cellular”, and “instant global network” MNCs – and illustrate how some of the associated organizational designs differ significantly from Hedlund’s heterarchical principles. The conclusions emphasize the need for a more differentiated perspective on the hypermodern MNC, acknowledgement of firms' increasing use of external resources and relationships, and the absence of a distinct end state in the evolution of the MNC. (For more information, contact Ivo Zander, Uppsala University, Sweden, Ivo.Zander@fek.uu.se)
system used previously in Japan. Despite this, companies have been reluctant towards changing the
conventional structure. However, in this adverse environment, the consequences of a large number of long-
tenured, highly paid, permanent employees in a company can appear in the form of an extra financial burden.
A sample analysis of 158 electronics companies in Japan confirmed a disparity between the lifetime employment
structure and the current environmental changes can put a negative effect on the corporate profitability. (For
more information, contact Hamid Hassan, University of Tsukuba, Japan, hamidqau@yahoo.com)

When Are Multinational Employers Exposed to the Risk of Employment Discrimination Lawsuits?
Richard A. Posthuma, UTEP
Mark V. Roehling, Michigan State University
Michael A. Campion, Purdue University

This study tests a model that assesses the risks that Multinational Employers (MNEs) face from U.S.
employment discrimination laws. The data were from N = 101 federal court cases involving multinational
employers operating both inside and outside the U.S. We identified risk factors that predicted the likelihood
foreign employers operating inside the U.S. — and U.S. employers operating outside the U.S. — were subject to
lawsuits under U.S. employment discrimination laws. Cultural distance between employee and employer home
countries using Hofstede measures predicted increased frequency of discrimination claims based on national
origin and reduced frequency of claims based on sex. Culture distance using Globe scores did not predict this
result. Employment lawsuits risk for sex discrimination was the most common risk exposure. Implications for
research and practice are discussed. (For more information, contact Richard A. Posthuma, University of Texas at
El Paso, USA, rposthuma@utep.edu)

Perceived Career Opportunities from Globalization: Influences of Globalization Capabilities and Attitudes towards
Women in Iran and the U.S.
William Newburry, Rutgers Business School - Newark and New Brunswick
Liuba Y. Belkin, Rutgers Business School - Newark and New Brunswick
Pardis Ansari, Johnson & Johnson Health Care Systems Inc.

Multiple capability types are needed in a globalizing world. Some directly concern business operations, while
others concern meeting societal expectations. Accordingly, we examine relationships of globalization capabilities
and attitudes towards women with perceptions of globalization-related career opportunities using samples of 96
Iranian and 187 U.S. employees. Results for Iran suggest company globalization capabilities and recognition of
the growing power of women both positively relate to perceptions of globalization-related career opportunities.
By contrast, comfortability with women negatively relates to career opportunity perceptions. Additionally,
globalization capabilities mediate the relationship between women’s power and career opportunity perceptions.
U.S. results show that recognition of women’s power and individual intercultural competencies positively relate
to globalization-related career opportunity perceptions. Overall, the results suggest both similarities and
differences between the influence of globalization capabilities and attitudes towards women in Western and
non-Western settings. (For more information, contact William Newburry, Rutgers University, USA,
newburry@andromeda.rutgers.edu)

An Examination of Emotional Intelligence in Indian Business Students
Kerri Crowne, Temple University
Arvind Phatak, Temple University

Daniel Goleman’s book Emotional Intelligence has been translated into over 30 languages, since its publication.
Yet, cultural research in this area is limited; even though this topic is critical in global business because previous
research linked emotional intelligence to positive outcomes such as leadership and performance, which are
essential in multinational firms. Thus, this paper is timely because as globalization increases and the desire to
test and train employees on emotional intelligence increases, the two will eventually collide. Therefore, firms
should understand the appropriateness of using current instruments in non-Western cultures. By using the
Mayer-Salovey-Caruso Emotional Intelligence Test (MSCEIT) on a sample of Indian graduate business students,
this exploratory analysis begins to address the gap in the literature. Through a brief literature review, research
questions were developed related to the factor structure, gender, age and performance of the sample. From
factor analysis and structural equation modeling, the four factor model of emotional intelligence was supported. Lastly, regression analysis showed evidence of gender differences, but not of a relationship between age or GPA and emotional intelligence. (For more information, contact Kerri Crowne, Temple University, USA, kcrowne@temple.edu)

Session: 3.1.14 - Competitive
Track: Track 8 - Managing People Across Cultures

Multinational Groups and Teams

Presented On: 7/12/2005 - 08:30-10:00
Chair: Mourad Dakhli, Georgia State University
Discussant: James Nebus, Northeastern University

Leading Multicultural Teams: Beware of the Human Nature
Anne Susann Rohn, Institute of Business Administration, University of Kiel, Germany

Since in many multinational firms teams composed of members with different cultural backgrounds have become one of the basic organizing structures for accomplishing complex global tasks, the leadership of such teams presents a major new management challenge. In the current research the influence of two leadership styles - task-oriented and relationship-oriented leadership - on the relationship between cultural value diversity in teams and team processes - social and task related team processes, and conflict resolution - is examined. Cultural value diversity is treated as a multidimensional construct, containing the differences of team members in the five cultural value orientations based on the work of Kluckhohn and Strodtbeck (1961). Additionally, the results are contrasted with the effects of the interactions between leadership styles and a measure of demographic diversity - team tenure diversity - on team processes. Analyses showed differential moderating effects of leadership styles on the diversity - process relations, with task-oriented and relationship-oriented leadership negatively interacting with one measure of cultural value diversity on social team processes and conflict resolution, but positively interacting with team tenure diversity on task related team processes. Implications of these results are discussed. (For more information, contact Anne Susann Rohn, University of Kiel, Germany, rohn@bwl.uni-kiel.de)

The Strategic Embeddedness of Global Business Teams
Anil K. Gupta, University of Maryland
Qing Cao, University of Maryland

Scholars have treated global business teams (GBTs) largely as a collectivity of individuals separated by cultural and geographic distance. They have overlooked the fact that members of GBTs interact with each other not as free agents but as the representatives of their respective subsidiaries. Thus, literature has essentially ignored the broader strategic context within which teams are embedded. We advance a three-part typology of GBTs and argue that different types of GBTs impose different motivational structures on team members as well as pose different coordination challenges. We also predict that the emergent features of team dynamics as well as the performance effects of key process mechanisms will differ across different types of GBTs. (For more information, contact Qing Cao, University of Maryland, USA, qcao@rhsmith.umd.edu)

Cliques and Bridges in Cross-Cultural Teams: Implications for Information Management
Mourad Dakhli, Georgia State University
Sigrid Khorram, University of Texas at El Paso
Davina Vora, University of Texas at Dallas

In this conceptual paper, we examine the effect of cultural diversity and cultural orientation on the development of the communication network. We argue that this network in turn affects the sharing of information in the group, which ultimately affects group effectiveness. Specifically, we suggest that cultural diversity leads to
subgroup or clique formation which influences group performance in two complementary but opposite ways. Performance is enhanced because culturally homogeneous cliques increase the amount of information pooled. However, performance may also be negatively affected because of a potential reduction in information impact. The existence of multiple bridges may mitigate this adverse outcome. (For more information, contact Sigrid Khorram, University of Texas at El Paso, USA, skhorram@utep.edu)

**Session: 3.2.1 - Competitive**
**Track: Track 1 - Context of Global Business**

**MNCs, Political Hostility and Terrorism**

**Presented On:** 7/12/2005 - 10:30-12:00

**Chair:** Jennifer Oetzel, American University  
**Discussant:** Gabriele G. S. Suder, CERAM Sophia Antipolis

*International Terrorism, Uncertainty and the Firm*

- John Steen, University of Queensland  
- Peter W. Liesch, University of Queensland  
- Gary A. Knight, Florida State University  
- Michael R. Czinkota, Georgetown University

International trade and investment economies are complex networks that can be exploited by organised terrorism. We propose that international terrorism derives its potency through the true uncertainty transmitted via unpredictable interactions within these complex networks. Paradoxically, while these complex networks provide international terrorism with its potency, the thickness of markets in our modern economy provides a mechanism to attenuate some of the manageable risk, and possibly some of the true uncertainty that international terrorism spawns. Implications are drawn for the nature of the organisational forms recommended for the internationalising firm in this uncertain world. (For more information, contact John Steen, University of Queensland, Australia, j.steen@business.uq.edu.au)

**Before You Go, You Should Know: The Impact of War, Economic, Cultural and Religious Animosity on Entry Modes**

- Morris, A. Kalliny, University of Texas-Pan American  
- Jane Lemaster, University of Texas-Pan American

One of the most important strategic decisions managers of multinational corporations have to make is the selection of entry mode into a foreign market. An extensive survey of the literature indicates that an area neglected in strategy research is the impact of animosity (war, economic, cultural and religious) on entry mode. The purpose of this study is to investigate the impact of animosity (war, economic, cultural and religious) of the host country on entry mode. A model is presented providing a theoretical explanation for the impact of animosity on entry mode. Huntington (1993) argues that differences in history, language, culture, tradition and, most importantly, religion will be the driving forces for conflict and history is full of examples of wars that have been fought based on religious and cultural differences. If religious and cultural differences can lead to armed conflict and atrocities, it is plausible that religious and/or cultural animosity toward a nation or culture might also affect how entry of foreign businesses is viewed and evaluated. Propositions: Proposition 1: Other things being equal, in countries where war, economic, religious and cultural animosity is high, country risk will be high and foreign companies will prefer to commit the least amount of resources and therefore exporting or joint venture would be the preferred mode of entry. Proposition 2: Other things being equal, in countries where war, economic, religious and cultural animosity is low, country risk will be low and multinational companies will be more likely to prefer committing a high amount of resources and therefore a subsidiary mode of entry would be preferred. Proposition 3: Other things being equal, the level of cultural and religious animosity will play a role in determining how the foreign product is perceived by foreign customers. Proposition 4: Other things being equal, in countries where war, economic, religious and cultural animosities are
Proposition 5: Other things being equal, licensing may be a preferred entry mode in countries where war, economic, cultural and religious animosity is high provided that the level of trust between the licensor and the licensee is high. Proposition 6: Other things being equal, the impact of war, economic, cultural and religious animosities’ impact on licensing and joint venture choice is moderated by partner trust. This paper presents a model of war, economic, cultural and religious animosities and their impact on foreign entry modes. The literature reveals that the relationship between war, economic, cultural and religious animosities and foreign entry modes has not received adequate attention in the business literature. Because these animosities were found to have an effect on purchasing intentions (Klein, et. al 1998; Kalliny and Hausman 2003), it is expected that these animosities will also have an impact on entry mode choice. The purpose of this paper has been to provide a theoretical model that would fill this gap in the literature. The model includes proposed relationships between war, economic, cultural and religious animosities and entry modes. The discussion was focused on joint venture, wholly owned subsidiary, exporting and licensing, the primary modes of entry into foreign countries. The arguments are based on the level of risk and the trust and resource commitment MNCs are willing to take when considering entry to foreign markets. The importance of this study lies in the fact that cultural and religious animosities are increasing as hypothesized by Huntington 1993. For example, Wild, Wild and Han’s (2003) report of a survey following the terrorists attacks of September 11, 2001 found that most U.S. citizens believed Muslims did not respect Western values, while Muslims felt the same way about Americans. This indicates that the American consumers are likely to harbor both cultural and religious animosity toward the Arabs and Muslims. Based on our model, international firms interested in entering foreign markets should take into consideration the level of animosities between their home country and the country of interest. These animosities should play a critical role in assessing the country risk based on which level of resource commitment should be determined. International firms should also assess the level of trust between them and their foreign partners because that could play a critical role in the level of country risk. (For more information, contact Morris A. Kalliny, University of Texas-Pan American, USA, morris162@juno.com)

The Effects of Knowledge Strategy and International Diversity on MNEs’ Performance after the Shock of Sep 11th Attacks
Sali Li, University of Utah
Stephen Tallman, University of Utah

This paper investigates the impact of Sep 11th terrorist attacks on MNEs’ performance by examining MNEs’ knowledge strategies and international diversity. The empirical tests on a sample of 197 US MNEs indicate that the MNEs pursuing an exploration strategy have higher levels of financial performance, while MNEs’ international diversity is negatively correlated with operational performance but positively correlated with financial performance. A post-hoc analysis suggests that in the special context of post-Sep 11th international business environment, international diversity does not illustrate a curvilinear relationship with MNEs’ performance as prior studies have predicted. These results provide evidence of the importance of an exploration strategy and international diversity for the MNEs’ operations and shed new light on MNE practices in the post-Sep 11th international business environment. (For more information, contact Sali Li, University of Utah, USA, pmgtsl@business.utah.edu)
Institutions, Emerging Markets and Multinationals

Presented On: 7/12/2005 - 10:30-12:00

Chair: Petra Christmann, Rutgers Business School
Discussant: Ana Teresa Tavares, University of Porto

Mehdi Farashahi, Concordia University
Taieb Hafsi, HEC, University of Montreal
Rick Molz, Concordia University

Based on a systematic review of the last twenty years of empirical research grounded in the institutional theory, we identify some of the main norms of conducting research in this literature. The level of institutions, the formal/informal institutional pillars, and the direction of effects are the foundation of these norms addressed by researchers in the last two decades. Our review indicates that empirical research is well behind changes in social realities. This may be related to both the institutionalization process that takes place in any academic research and to the suggested difficulty that scholars find in moving away from widely accepted research models and practices, given the context within which they evolve. It is also concluded that local/national regulative institutions are giving up their position to more global normative and cognitive organizational field institutions. As the business environment become more global, giving more importance to transnational and informal institutions will be more crucial in institutional analysis of organizations. (For more information, contact Mehdi Farashahi, Concordia University, Canada, mfarashahi@jmsb.concordia.ca)

Local-Global Interactions, Changing Organization and Institutions in Developing Economies
Paola Perez-Aleman, McGill University

This paper analyzes organizational and institutional changes as a result of increasing global-local interactions. Since the 1990s, trade liberalization has forced firms to operate in a global market. In addition, a key aspect of globalization has been the growth of foreign direct investment as multinational corporations (MNC) establish subsidiaries, often through acquisition of local firms. The article explores how local firms in developing countries are reorganizing and reconfiguring institutions in the face of increased competition and market uncertainty. The empirical evidence, based on original fieldwork, is the case of an MNC subsidiary reliant on local supply chains, where small firms constitute the main suppliers, in the dairy processing industry in Nicaragua. This case illustrates how the old production system and practices that worked well under protected domestic markets are now being challenged by trade liberalization, more stringent quality standards, and foreign investment strategies. I analyze the process by which local actors create institutions that enable learning through joint goal setting to survive and compete in the global economy. I discuss how local firms actively reconfigure existing institutions; how institution building supports the emergence of group collaboration; and the emerging organizational changes. (For more information, contact Paola Perez-Aleman, McGill University, Canada, paola.perez-aleman@mcgill.ca)

Liability or Asset of Foreignness: The Evidence from Transition Economies
Alexander Krasnikov, University of South Carolina
Tatiana Kostova, University of South Carolina

Institutional theory posits that foreignness is perceived as a disadvantage for the multinational company (MNC) at host markets. This disadvantage was called liability of foreignness (LOF) (Zaheer, 1995). MNCs are lacking local experience, unfamiliar with local environment, and facing cultural differences, which transfer in institutional costs and, consequently in LOF that local firms do not encounter. We are challenging this assumption by arguing that under certain institutional conditions foreignness may be perceived as an asset.
rather than liability during market entry. Specifically, using transition economies of Central and Eastern Europe as our research context we demonstrate that illegitimacy of the local firms results in the advantage of foreignness for Western MNCs. We also demonstrate how changes in the institutional environments and MNCs strategies may cause changes in the advantage or liability of foreignness. (For more information, contact Alexander Krasnikov, University of South Carolina, USA, alexander_krasnikov@moore.sc.edu)

Emerging Market Firms’ Strategic Responses to Radical Environmental Change
Luis A. Pérez-Batres, Texas A&M University
Lorraine Eden, Texas A&M University

Globalization has radically transformed the business landscape as eroding industry and country barriers have contributed to create a new paradigm to achieve competitive advantage. Theory suggests that multinational corporations benefit from liberalization policies, while local corporations suffer. However, there is little research on the performance of domestic firms, once they are forced to compete against multinational corporations in their home market (i.e., as a result of globalization). This paper contributes to the extant international business literature by offering theoretical and empirical insights by identifying the strategies of domestic firms after a radical environmental change takes place and they are force to adapt to the new environment. The results show that domestic firms that followed conglomerate structures outperformed their domestic counterparts that did not. Also, the study suggests that local firms that were aggressively trying to increase their market share, actually underperformed; while firms that adopted FDI strategies had the highest positive relationship to performance (For more information, contact Luis A. Pérez-Batres, Texas A&M University, USA, lperez-batres@cgsb.tamu.edu)

Session: 3.2.3 - Panel
Track: Track 2 - Forging Global Links

North American Forest Products Industry Facing International Competition

Presented On: 7/12/2005 - 10:30-12:00

Chair: Zhan Su, Université Laval

Globalization and the North American Furniture Industry
Urs Buehlmann, North Carolina State University
Al Schuler, USDA Forest Service

Mass Customization as a New Competitive Strategy for North American Wood Furniture Enterprises
Torsten Lihra, Forintek Canada Corp.
Urs Buehlmann, North Carolina State University
Robert Beauregard, CIBISA Université Laval

Taking International Factors into Account in The Design of Multinational Supply Chains: The Case of Canadian Pulp and Paper Companies
Wissem M’Barek, Université Laval
Sophie D’Amours, Université Laval
Alain Martel, Université Laval

Diffusion of Canadian Wood Roof Trusses Technology in China: Understanding the Key Players and Key Factors
Égide Karuranga, Université Laval
Zhan Su, Université Laval
Robert Beauregard, Université Laval

Globalization has brought new international actors in the forest products industry from major emerging markets. A complete shakeup of traditional business models is under way as existing companies are experiencing a
decline in their market shares on the American market, the biggest in the world. Can American and Canadian companies cope with this situation? This panel will present four papers that cover the challenges and possibilities present for the furniture, pulp and paper and engineered products sectors of the North American industry. (For more information, contact Zhan Su, Université Laval, Canada, zhan.su@fsa.ulaval.ca)

Session: 3.2.4 - Competitive
Track: Track 2 - Forging Global Links

**Determinants of Performance in Crisis**

**Presented On:** 7/12/2005 - 10:30-12:00

**Chair:** Hemant Merchant, Simon Fraser University
**Discussant:** Bernard Martin Wolf, York University

**Measures of Performance in Cross-Border Acquisitions**
Richard John Schoenberg, Cranfield School of Management

The choice of performance measure has long been a difficult issue facing international business strategy researchers. This paper empirically investigates the comparability of four common measures of cross-border acquisition performance: cumulative abnormal returns, manager's direct assessments, divestment data and expert informant's assessments. Independently each of these measures indicated a mean acquisition success rate of between 44% -56%. However, with the exception of a positive relationship between managers' and expert informants' subjective assessments, no significant correlation was found between the performance data generated by each of the four alternative metrics. In particular, ex-ante capital market reactions to a cross-border acquisition announcement appear to show little relation to corporate managers' own ex-post assessment. This is seen to reflect the information asymmetry that can exist between external investors and internal company management, particularly regarding implementation aspects. Overall the results suggest the need to adopt multiple performance metrics in order to gain a holistic view of international acquisition outcome. Implications are drawn for both future researchers and practitioners. (For more information, contact Richard John Schoenberg, Cranfield School of Management, United Kingdom, richard.schoenberg@cranfield.ac.uk)

**Does Competition Improve the Economic Performance of Firms?**
Hemant Merchant, Simon Fraser University

This study extends previous work on international joint ventures (IJVs) by investigating the role of industry conditions vis-à-vis shareholder value creation in these ventures' American parents. More importantly, the study argues that although industry membership influences firms' economic performance, it is at least as useful to also focus on firm-level indicators of such membership. This is because firms, even those within the same industry, differ in terms of resources with a potential for creating sustainable competitive advantage. Indeed, the study submits that both levels of factors must be jointly examined to derive a better understanding of shareholder value creation via joint ventures. Using a multi-industry sample of more than 400 equity IJVs, this study demonstrates the inter-relatedness between 'industry structure' and 'resource-based' views. The results of moderated hierarchical regression analysis validate the above-mentioned thesis and partially support the study's hypotheses. This study attempts to explain the seemingly counter-intuitive findings by invoking arguments grounded in the resource-based view as well as by conducting additional analysis. These efforts highlight the crucial role of managers responsible for deployment of corporate resources and call for prudent use of joint ventures as a mechanism for creating shareholder value in American firms. (196 WORDS) (For more information, contact Hemant Merchant, Simon Fraser University, Canada, hmerchan@sfu.ca)
Based on balance sheet data of a sample of Austrian manufacturing firms, this paper examines the causal effect of foreign takeovers on the performance (efficiency and profitability) and the growth rate of the Austrian target firm. Thereby, we consider two cases, i.e. the hypothesis that the acquired firm improves its performance post takeover versus the “cherry picking” view. The latter suggests endogeneity of takeover decisions, and consequently we follow a difference-in-difference approach with endogenous selection using the matching estimator technique. The probit selection model suggests that in general, the risk of being overtaken is very low, and that improvement of market power (below average profitability) and intangible assets (indicated by above average productivity and export orientation) explain the takeover decision. Next, the target firms are split up in overperformers (“cherries”) and underperformers (“lemons”) prior to the takeover. Our results suggest that in general the effects are very low, but growth of labor productivity as well as profitability tend to be significantly higher in “lemons”, while the latter is clearly lower for “cherries”. Firm size (i.e. employment growth) is not significantly affected, independent of the pre-takeover performance. (For more information, contact Michael Wild, WU-Wien, Austria, michael.wild@wu-wien.ac.at)

What Affects the Shareholder Value Creation through International Joint Ventures? An Event Study Approach
Mehmet Berk Talay, Michigan State University

This paper attempts to distinguish the characteristics of international joint ventures, which create shareholder value.. Shareholder value creation is assessed using event study methodology. A dataset, comprising 324 international joint ventures formed by U.S. firms from various industries, is used. The impact of firm-specific, industry-specific and host country specific are tested on abnormal returns of the stock price of the companies. The findings suggest that shareholder value creation is strongly related to the marketing know-how of the company and the political risk in the host-country. (For more information, contact Mehmet Berk Talay, Michigan State University, USA, talaymeh@msu.edu)

Session: 3.2.5 - Competitive
Track: Track 4 - Economics, Finance and Taxation

Trade and Gravity Model

Presented On: 7/12/2005 - 10:30-12:00

Chair: Animesh Ghoshal, DePaul University
Discussant: Ryh-Song Yeh, National Chi Nan University

Factors that have Shaped the Evolution of Bilateral Trade Between Canada and Colombia in the Long Run (1953-2003)
Maria Victoria Cortés Rodriguez, Universidad del Valle, Colombia

The main objective of this article is to model quantitative evolution of bilateral trade between Canada and Colombia using a modified gravity equation with time-series data. Additionally, the evolution of bilateral trade performance and the commodity composition of trade are reviewed. The general thrust of the analysis regarding quantitative evolution is that the import equations of this bilateral trade have been shaped by economic variables income and population. (For more information, contact Maria Victoria Cortés Rodriguez, Universidad del Valle, Colombia, mcortes@univalle.edu.co)
Embodyed and Disembodied International R&D Spillovers: Trade, FDI, and Telephone Traffic
Linghui Tang, The University of Southern Mississippi
Peter Koveos, Syracuse University

This paper compares the effectiveness of R&D spillovers from G7 countries to OECD and non-OECD countries through bilateral trade, FDI, and telephone traffic. We find that disembodied knowledge spillovers through international telephone communications have become more and more important, especially for developed countries. In addition, trade remains an important channel for international knowledge diffusion although our findings for FDI are mixed. Finally, higher education level in a developing country always increases its ability to benefit from innovations developed by G7 countries through all three channels. (For more information, contact Linghui Tang, University of Southern Mississippi, USA, linghui.tang@usm.edu)

Determinants of Recent Trade Flows in OECD Countries: Evidence from Gravity Panel Data Models
Chengang Wang, University of Surrey
Xiaming Liu, University of Surrey
Yingqi Wei, University of Lancaster

This paper aims to identify the main causes of recent trade flows in OECD countries. The specific features of the study include the explicit introduction of R&D and FDI as the two important explanatory variables, unit root tests in the panel data framework and careful treatment of endogeneity. The main findings are that the levels and similarities of market size, domestic R&D stock and inward FDI stock are positively related to the volume of bilateral trade, while the distance between trading countries has a negative impact. These findings lend support to new trade, FDI and economic growth theories. (For more information, contact Chengang Wang, University of Surrey, United Kingdom, chengang.wang@surrey.ac.uk)

Session: 3.2.6 - Competitive
Track: Track 4 - Economics, Finance and Taxation

Firm Valuation

Presented On: 7/12/2005 - 10:30-12:00

Chair: Reid W. Click, George Washington University
Discussant: Sorin A. Tuluca, Fairleigh Dickinson University

Acquisitions of Privatized Divestitures
Mina Glambosky, Florida Atlantic University
Kimberly C. Gleason, Florida Atlantic University
Jeff Madura, Florida Atlantic University

A recent form of privatization involves the government divestment of privatized assets directly to one buyer. We find that the valuation effects of acquirers who acquire privatized assets are positive on average, and significant. The valuation effects are more favorable for acquirers who have experienced high performance recently, and engaged in a relatively large acquisition. In addition, the valuation effects tend to be less favorable for acquirers of assets sold by governments that are perceived to be more corrupt, more bureaucratic, and have weaker financial performance, as proxied by a higher chance of debt repudiation. While systematic risk does not change following the acquisitions of privatized assets, total and unsystematic risk increase, indicating that cash flow volatility offsets diversification benefits. Furthermore, the shift in total risk is positively related to higher levels of the government’s bureaucracy, weakness in enforcing or establishing the rule of law, and corruption. (For more information, contact Mina Glambosky, Florida Atlantic University, USA, mglambosky@yahoo.com)
This paper empirically examines the economic effects of both corporate industrial and geographic diversifications. Using a sample of 28,050 firm year observations from 1990 to 1998, we find that industrial and geographic diversifications are associated with firm value decrease. The costs of corporate diversification may outweigh the benefits of diversification. Differences in firm characteristics might provide possible linkages between industrial and geographic diversification. For the relation between geographic and industrial diversification, we find that geographically diversified firms have higher R&D expenditures, advertising expenses, operating income, ROE and ROA than those of industrially diversified firms. In addition, multi-segment global firms with higher R&D expenditures create a value, but not for single segment global firms. This result implies that there exists an interaction effect between industrial and geographic diversification. Consistent with the agency explanation, firms with high equity-based compensation are associated with higher firm value than firms with low equity-based compensation. (For more information, contact Ike Mathur, Southern Illinois University, USA, imathur@cba.siu.edu)

Cross Border Market Expansion and Firm Value: A Descriptive Analysis of Emerging Market Multinationals
Aysun Ficici, Southern New Hampshire University
Bulent Aybar, Southern New Hampshire University

The primary objective of this study is to examine the impact of cross-border expansion activities of Emerging Market Multinationals (EMMs) on the firm value. We provide a descriptive analysis of the value implications of mergers and acquisitions, by strategic alliances and joint venture activities that took place during the period of 1991-2003 by using an event study framework. We analyze 998 international expansion announcements entailing 464 mergers and acquisitions, 376 joint ventures and 162 strategic alliances associated with 66 Emerging Market Multinationals. Overall, the results of this event study suggest that the market, on average, reacts positively to EMM international expansion activities, as all CARs around the announcements statistically significant. (For more information, contact Bulent Aybar, Southern New Hampshire University, USA, c.aybar@snhu.edu)

Session: 3.2.7 - Competitive
Track: Track 5 - Innovation and Marketing

Alliances, Knowledge and Inter-firm Technology Transfers

Presented On: 7/12/2005 - 10:30-12:00

Chair: Jahan Peerally, University of Mauritius
Discussant: Mo Yamin, University of Manchester

Why Do Firms in IC Industry of Developing Market Embrace Asymmetric Alliances: The Influence of Technological Network Position and Dyad Firm Attributes
Hsin-Mei Lin, National Chinan University
Heng-Chiang Huang, National Taiwan University
Sheng-Ya Tseng, National ChengChi University

In this paper, we expound the network view of interfirm alliances and apply it to a high-technology industry in a developing market, namely Taiwan. We found that most high-technology firms in Taiwan are keenly interested in forming asymmetric strategic alliances instead of symmetric ones to gain complementary strategic resource, and their particular interest, or ability, in forming asymmetric alliances are affected by their technological network position and dyadic firm role of capability. Through alliance with those who are structurally inequivalent in the technology network and complementary in firm attributes, Taiwanese IC firms keep path to new innovation and growth. The result suggests that network factors like technological position and a dyadic
complementary firm attributes provide the best explanation for the existence of asymmetric alliances in the SC industry in developing countries like Taiwan. (For more information, contact Hsin-Mei Lin, National Chinan University, Taiwan, hmlin@ncnu.edu.tw)

**International Alliances, Critical Organizational Events and Emergent Knowledge Strategy**

Sajjad Haider, Napier University  
Francesca Mariotti, University of Stirling

Prior studies on alliances formation patterns have looked at knowledge from many different perspectives such as types, nature, transfer, stickiness, etc., however, a critical review of the literature shows that our understanding of the spillovers of knowledge acquired through alliances and particularly the impact of knowledge acquisition on strategy is limited. This empirical paper explores those issues by identifying and explaining the critical organizational events of two case study companies. The focus of this paper is on establishing a link between organizational knowledge strategy, critical organizational events, and the patterns of alliance formation. The methodology adopted is based on the retrospective processual approach using case studies. Data were collected by conducting 97 in-depth interviews. The findings of this study show that organizational critical events were either a result of knowledge lacking in organizations or the exploitation of existing knowledge. In both cases alliance partners were found to play a pivotal role in meeting knowledge requirements. Furthermore, it was found that knowledge strategy not only changed due to companies' internal knowledge requirements but also due to external factors such as governmental policies and industrial trends which led to a need for new knowledge. (For more information, contact Sajjad Haider, Napier University, United Kingdom, s.haider@napier.ac.uk)

**Do Firms Learn to Create Value in International Strategic Alliance: Interaction with Intellectual Capital**

Jung-Ho Lai, Southern Taiwan University of Technology  
Shao-Chi Chang, National Cheng Kung University

We use a sample of international non-equity alliances to address two questions: (1) do firms learn from experiences, such that prior learning enhances the value of later alliances? (2) what factor influences firm's experience internalization capability which leads to differential learning from alliance experiences? i.e., what factor interacts with prior experience for the achievement of greatest alliance success? Through investigating the wealth gains of 636 international non-equity alliances formed by US firms, we find that firms with greater alliance experience, especially those with higher level of intellectual capital, realize greater success with alliances. More specifically, firms with higher level of intellectual capital elicit greater stock market reactions as they accumulate alliance experiences whereas firms with poorer level of intellectual capital achieve much lower stock market gains even they are experienced in alliance activities. Therefore, without assessing intellectual capital itself, companies can hardly learn from alliance experience. Our results show that though alliance experience is important, its impact seems to work with firm's intellectual capital which leverages that experience more effectively. (For more information, contact Jung-Ho Lai, Southern Taiwan University of Technology, National Cheng Kung University, Taiwan, julialai@mail.stut.edu.tw)
National Identity, Cross-culture and Consumer Contexts

Presented On: 7/12/2005 - 10:30-12:00

Chair: Lyn Suzanne Amine, Saint Louis University
Discussant: Kathleen Brewer Doran, Salem State College

The Effect of National Identity Salience on Consumers' Evaluation of Advertisements and the Associated Products
Sergio Willian Pinho Carvalho, Baruch College / The Graduate Center of The City University of New York
David Luna, Baruch College / CUNY

This paper suggests that salience links national identity to expressions of consumer feelings, attitudes and behavior. It investigates the effect of national identity salience (NI) on consumers' evaluation of advertising and the associated products (a patriotism effect) in two different contexts: 1) NI activated through media-context; 2) NI activated through advertising appeals. The results of an empirical study are consistent with the idea that heightening the salience of individuals' national identity leads them to react more positively to representations of that identity. In other words, the salience manipulations increased respondents' evaluations of ads and their associated products. When national identity was salient, respondents presented more favorable evaluations of ads and their associated products that were embedded with national identity representations as compared to when no such identity was made salient. A more interesting finding is the fact that the activation of individuals' national identity by the report of a tragedy in the home country seem to have an effect on individuals' evaluation of ads and their associated products even when those ads and products are not paired with national symbols/rhetoric. (For more information, contact Sergio Willian Pinho Carvalho, Baruch College - CUNY, USA, scarvalho@gc.cuny.edu)

On Market Mavens and Consumer Self-Confidence: A Cross-Cultural Study
Piotr Chelminski, Providence College
Robin Coulter, University of Connecticut

In this study, we examine the relationships between cultural individualism, general and consumer self-confidence, and market mavenism in the context of two distinct cultural systems, the U.S. and South Korea. We find configural and full or partial metric invariance related to our constructs of interest. Our results indicate cultural individualism is positively related to general self-confidence, general self-confidence is positively related to consumer self-confidence, and consumer self-confidence is positively related to market mavenism. Additionally, we find that the relationships between general self-confidence, consumer self-confidence, and market mavenism hold in both the U.S. and South Korea. The results of this study indicate that market mavenism may be more prevalent in the more individualistic rather than collectivistic cultures. (For more information, contact Piotr Chelminski, Providence College, USA, pchelmin@providence.edu)

Determinants of Online Service Satisfaction and their Impacts on Behavioral Intentions
Zhilin Yang, City University of Hong Kong
Zuohao Hu, Tsinghua University

In seeking customer retention, online firms can benefit considerably by identifying the key antecedents of overall service satisfaction and understanding the impact of the antecedents on behavioral consequences. Derived from a content analysis of reviews produced by online banking users, the authors uncovered five determinants of service satisfaction which was confirmed by a Web-based survey of 235 online service users. The simultaneous structural equation analysis reveals that these five determinants either directly affect customer behavioral consequences or indirectly influence them through overall satisfaction. The theoretical and practical implications of these findings are examined and discussed in depth. (For more information, contact Zuohao Hu, Tsinghua University, China, huzh@em.tsinghua.edu.cn)
The Effects of National Culture on Market Orientation: A Conceptual Framework
Ahmet H. Kirca, George Washington University

A considerable amount of research in strategic marketing literature has been devoted to understand how market orientation can be adopted and developed in organizations. The conceptual framework presented in this paper contributes to the extant literature in market orientation by investigating the role of external organizational environment (i.e., national cultural values) as factors that shape and modify an organization’s market orientation. Specifically, using Schwartz’s cultural value dimensions, the author presents a set of propositions regarding the effects of national culture on the implementation and internalization of market orientation. Based on these propositions, implications for practice and future research are discussed. (For more information, contact Ahmet H. Kirca, George Washington University, USA, kirca@gwu.edu)

Session: 3.2.9 - Competitive
Track: Track 6 - Internationalization of Services

Empirical Tests of IB Theory in Service Industries

Presented On: 7/12/2005 - 10:30-12:00

Chair: David M. Brock, Ben-Gurion University
Discussant: Avi Meshulach, Hebrew University Jerusalem

Cultural Distance and Distribution System Choice in Service Industries: An Empirical Analysis of the International Insurance Market
Ronaldo Parente, Rutgers University
B. Paul Choi, Howard University
Arjen Slangen, Erasmus University Rotterdam
Jian Gu, Salem University

This article develops and tests a conceptual framework of how internationalization in a service industry is related to distribution channel selection by examining the antecedents of the distribution system choice in the context of the international insurance diversification strategy and its implications for performance. This study suggests that the distribution system choice is related to firm performance through a contingency model of environmental, firm-specific, and strategy factors, which determine the choice of distribution system. The results suggest that the optimal choice of distribution system is an important decision in the process of the international diversification strategy of insurers and that firms behaving according to our model may have higher performance. (For more information, contact Ronaldo Parente, Rutgers University, USA, ronaldo@parente.com)

DOI and Performance: What Comes First? An analysis of Canadian Banks
Eric Benjamin Santor, Bank of Canada
Walid Hejazi, Rotman - University of Toronto

International Business theory implies that firms move abroad to exploit firm-specific advantages. The implication is that the move abroad should follow the development of such firm-specific advantages. In other words, internationalization of firm activities is the result of superior productivity (performance), and not its cause. This paper tests this hypothesis using confidential data on Canadian banks over the 1994 to 2002 period. The analysis is extended to allow the riskiness of each Bank’s foreign asset exposure to moderate the performance-DOI relationship. The results clearly establish that the risk profile of Canadian Bank investments abroad are important moderators of the DOI-performance relationship. Furthermore, the results clearly show that it is high initial performance that primarily predicts increased internationalization. The policy implications of the analysis are also discussed. (For more information, contact Eric Benjamin Santor, Bank of Canada, Canada, esantor@bankofcanada.ca)
This paper discusses internationalisation strategies of companies in a globalising service industry. Differences in the internationalisation processes between manufacturing and service companies, and companies in network industries in particular, are analysed. The telecommunication industry’s special characteristics are discussed. Special challenges faced by companies in small and medium size countries in their internationalisation are also covered, as are the impact that globalisation has had on the internationalisation processes of all companies in this sector. A preliminary conceptual framework and broad research questions are presented. The methodology and research procedure are introduced briefly, and the very preliminary pilot case study findings are reported. (For more information, contact Riku Laanti, Adelaide University, Australia, riku.laanti@student.adelaide.edu.au)

Session: 3.2.10 - Competitive
Track: Track 7 - Managing Across Borders

Internationalization of Small and Young Firms

Presented On: 7/12/2005 - 10:30-12:00

Chair: Wade M. Danis, Georgia State University
Discussant: Oliver Gottschalg, INSEAD

New Ventures in Emerging Markets: Comprehensive Review and Future Directions
Haiyang Li, Texas A&M University
Toyah Miller, Texas A&M University

This article comprehensively reviews the development of research on new ventures in emerging markets during the period of 1990-2004. We examine the major theoretical perspectives adopted by researchers during this period. Patterns in research methods are discussed, noting trends in data collection, samples sizes, countries studied, and industries sampled. Based on the extensive review, we offer future research directions. (For more information, contact Toyah Miller, Texas A&M University, USA, tmiller@mays.tamu.edu)

The Influence of Exports on Firm Performance: Analysis of Spanish Manufacturing SMEs in the 1990-2002 Period
Francisco Garcia, Universidad de Oviedo

The aim of this paper is to determine whether small and medium Spanish enterprises (SMEs) that export obtain some type of learning derived from selling their products in foreign markets. In accordance with the focus adopted by most research available on this topic, learning through export is measured through the results obtained by these companies. The information needed to fulfill the proposed aim comes from the Encuesta sobre Estrategias Empresariales (ESEE) –Survey on Business Strategies–. Econometric tests for panel data have been performed on the data provided by the ESEE. The results obtained show a positive influence of exporting activity on firm performance, but this is negative when the international activity is measured by means of export intensity. (For more information, contact Francisco Garcia, Universidad de Oviedo, Spain, fgarciap@uniovi.es)

Determinants of SMEs’ Performance: An Investigation from Newly-Industrialized Economies
Yu-Ching Chiao, National Changhua University of Education
Chwo-Ming Joseph Yu, National Chengchi University
Lien-ti Bei, National Chengchi University

This paper investigates the impact of internationalization and intangible assets on the performance of small and medium-sized enterprises (SMEs) in newly-industrialized economies (NIEs). Examining a sample of 3,194
Taiwanese SMEs, we find that: (1) the relationship between internationalization and performance is characterized by an inverted U-shaped curve; (2) SMEs investing more heavily in research and development achieve greater gains in profitability; and (3) though the hypothesized linear relationship between advertising and profitability is not confirmed, further analysis indicates a U-shaped curvilinearity between the two, suggesting that a minimum level of investment is required if advertising is to be effective. The external validity of our internationalization theories regarding SMEs in NIEs is generally supported, though some modifications allowing for the consideration of SMEs’ particular contexts are necessary. (For more information, contact Yu-Ching Chiao, National Changhua University of Education, Taiwan, chiaoy@cc.ncue.edu.tw)

Session: 3.2.11 - Panel
Track: Track 7 - Managing Across Borders

Research on Multinationality-Performance Relationship: Current Status and New Directions

Presented On: 7/12/2005 - 10:30-12:00

Chair: Anthony Goerzen, University of Victoria
Discussant: Alain Verbeke, University of Calgary

The Search for a General Theory of Multinationality vs. Performance: The Failure of 30 Years of Inductive Reasoning
Farok J. Contractor, Rutgers University

Testing the Three-Stage Theory in an Emerging Market Context: The Case of Indian Firms
Sumit K. Kundu, Florida International University
Vikas Kumar, Bocconi University

The Multinationality-Performance Relationship in Different Contexts: Emerging Economies vs. Developed Economies
Robert. E Hoskisson, Arizona State University
Heechun Kim, Arizona State University
Robert E. White, Arizona State University
Laszlo Tihanyi, Texas A&M University

Some Critical Observations on the Theory and Methodology on the Multinationality and Performance Literature
Jean-Francois Hennart, Tilburg University

Multinationality and Performance: A Reflection on Theories and Empirical Inquiry
Lei Li, University of Portland
Anthony Goerzen, University of Victoria
Alain Verbeke, University of Calgary

In international business, the relationship between a firm’s degree of multinationality and performance (hereinafter referred to as M-P relationship) has been an intensely studied research issue. According to two recent literature reviews, there have been more than 40 published articles over the past three decades that address the overall M-P relationship. Yet the findings of this body of research have not been consistent. In fact, there appears to be little consensus on the theoretical foundations, conceptualizations, and measurement of key constructs such as multinationality. The main objective of this panel, therefore, is to provide a forum to reflect on what has been accomplished and explore the possible frontiers in this core research area of international business. (For more information, contact Lei Li, University of Portland, USA, lil@up.edu)
**Session: 3.2.12**

*Meet the Editors Session 1: Learning to Publish in International Business*

**Presented On:** 7/12/2005 - 10:30-12:00

*Roundtable discussions with the editors of leading international business journals:*
- Jeryl Whitelock, International Marketing Review (Editor)
- Masaaki (Mike) Kotabe, Journal of International Management (Editor)
- Mike Wright, Journal of Management Studies (Editor)
- Seung H. Kim, Multinational Business Review (Editor-in-Chief)
- Karl P. Sauvant, Transnational Corporations (Editor)

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**Session: Poster3 - Poster**

*Poster Session 3 with Light Lunch*

**Presented On:** 7/12/2005 - 12:15-13:30

*Leveraging Subsidiary Knowledge for Corporate Knowledge Development*

Maria E Adenfelt, Uppsala University

It is no longer a question of whether multinational corporations ought to strive to master the challenge of leveraging knowledge, but rather how to manage knowledge processes. Along this line of inquiry, the question explored in this paper is the effect of different organizational means for the leveraging of subsidiary knowledge for corporate knowledge development. The study is based on a sample of 747 foreign-owned subsidiaries in seven different countries. The results show that subsidiary knowledge is negatively related to corporate knowledge development. However, by asserting the subsidiaries a certain level of strategic influence on corporate strategy development, subsidiary knowledge development is positively related to corporate knowledge development. The existence of corporate relationships and intra-MNC trade also proves to be positively related to corporate knowledge development. (For more information, contact Maria E. Adenfelt, Uppsala University, Sweden, maria.adenfelt@fek.uu.se)

*GATS and Services Exports: Opportunities and Barriers*

Raj Agrawal, Institute for Integrated Learning in Management

The Growth of the services sector in India has outpaced aggregate GDP growth from mid 1980s. As a result of this, the share of services in GDP has been rising and is now expected to around 47% to the GDP as against 29% for industry and 24% for agriculture. The World Trade Organization (WTO) Agreements on services is of substantial interest to the world economy as it has the potential to strengthen economic reforms, to stimulate investment and capital mobility worldwide, and to create an institutional framework for services transactions. Members of the WTO that participated in the multinational trade negotiations made some specific market access commitments in services. The major priority must be to expand the number and improve the quality of countries’ commitments on market access and national treatment under the General Agreement on Trade in Services (GATS) on the broad range of traded services. (For more information, contact Raj Agrawal, Institute for Integrated Learning in Management, India, ragrawal@iilm.edu)

*Backward and Forward Linkages of Japanese Firms in Dalian China*

Bernadette Andreosso-O’Callaghan, University of Limerick
John Cassidy, University College Dublin
Elena Sannikova, University College Dublin

The literature on foreign direct investment (FDI) has highlighted the significance of vertical backward and forward linkages in assessing the importance of local embeddedness. Research on Japanese FDI shows that
it has been characterised by low local embeddedness in the form of vertical backward linkages, due to the keiretsu phenomenon. Using data from a survey of Japanese invested enterprises in Dalian, China, as well as data at the pan-China level, this paper examines the extent of backward (inputs) and forward (sales) linkages. The findings, in contrast with previous work, suggest that Japanese invested enterprises are relatively well embedded in Dalian and in China, particularly with respect to backward vertical linkages. Furthermore, China's WTO accession will lead to increased local embeddedness of Japanese firms in China.

Keywords Foreign Direct Investment and China, backward vertical linkages, local embeddedness, keiretsu, Japanese Direct Investment, Dalian. (For more information, contact Bernadette Andreosso-O'Callaghan, University of Limerick, Ireland, bernadette.andreosso@ul.ie)

Assessing Target Countries' Vulnerability to Economic Sanctions
Hossein Askari, The George Washington University
John Forrer, The George Washington University
Jiawen Yang, The George Washington University

Economic sanctions have become an increasingly important instrument of U.S. foreign policy. While politicians look favorably on unilateral economic sanctions as a policy instrument, scholars attribute significant long-term economic costs to the U.S. and have doubts about their effectiveness. In this paper we outline an approach for estimating the potential economic consequences of various forms of sanctions on target countries. The calculation of the economic losses from economic sanctions will illuminate the vulnerability of target countries to sanctions. The results will have a number of applications: support the development of ‘focused sanctions’ by reducing the costs of sanctions to the US; avoid the imposition of sanctions on countries when sanctions are unlikely to have the desired effects; and, determining what other countries must join the U.S. in imposing sanctions if they are to be effective. (For more information, contact Jiawen Yang, George Washington University, USA, jwyang@gwu.edu)

Information Conveyance, Filters, and Institutional Selection
Gordon Hilary Boyce, QUT

This article uses communication theory and evidence from business history to explore how institutional arrangements are shaped by interaction between information technology (IT), social/cultural frameworks, education, and routines. Previous works focus on how just one of these elements, operating on its own, determines the relative advantages of hierarchy, co-operative structures (or intermediate modes), and markets as coordinating mechanisms. The present paper considers how IT, social/cultural constructs, education, and routines operate in combination to convey and filter raw information. Interacting with recognized precedents, a range information-related variables and conceptions of the costs and the benefits associated with possessing different forms of information shape the level of appropriable quasi-rents that can be secured by the use of alternative institutional arrangements. A model and case studies illustrate these propositions. (For more information, contact Gordon Boyce, Queensland University of Technology, Australia, g.boyce@qut.edu.au)

SME Survival and Growth after Entry of a Multinational: A Theory of Implicitly Knowledge-Based Product Strategy Responses
Jack M. Cadeaux, University of New South Wales
Lavanchawee Sujarittanonta, University of New South Wales
Roger Layton, University of New South Wales

The objective of this research is to develop some insights into how traditional small-medium sized retailers in a developing country might survive and grow in the face of the competitive threat posed by the entry of a powerful multinational such as a large retail hypermarket. This paper presents a partial theoretical model containing several research propositions about how different classes of implicitly knowledge-based product strategies might affect SME retailer survival and growth. It argues that survival advantages might lie, perhaps somewhat ironically, in knowledge-based factors rather than advantages associated with scale or experience. This theory also attempts to address questions about whether after the entry of a competing multinational retailer such as a hypermarket, will the knowledge-based product strategies adopted by surviving SME retailers be characterized by efforts to imitate elements of the distinctive knowledge-based strategy of the MNC.
competitor or will the surviving SME itself have developed relatively unique and less-imitable knowledge based product strategies of its own. (For more information, contact Jack M. Cadeaux, University of New South Wales, Australia, j.cadeaux@unsw.edu.au)

The Celebrity Endorser and Brand Performance: Can Hofstede's Measures Provide Explanation?
Brian R. Chabowski, Michigan State University
Shichun Xu, Michigan State University

Answering requests in the literature focusing on celebrity endorsement, brand performance, and cultural context, this study synthesizes these research topics and creates a framework to test Hofstede's cultural dimensions as moderating influences. The evaluation of celebrity endorser influence in a specific market is proposed through the measure of brand performance. Extending the celebrity endorser literature beyond domestic contexts, propositions are forwarded to encourage generalizability of this topic within an international context. (For more information, contact Brian R. Chabowski, Michigan State University, USA, chabowski@bus.msu.edu)

Network Strategies Used by Internationalizing Firms
Sylvie Chetty, Massey University

This paper provides insight into how and why internationalizing firms use network strategies. The study conducts an in-depth analysis of three case studies in three different types of network settings in New Zealand. These case studies include the boat building cluster, a firm in the wine industry and a firm which is a subsidiary of a Swedish multinational company. It compares the various types of network strategies identified in the current literature to what actually happens in these case studies. The main findings are that the key drivers for internationalization in all the case studies were their customers, distributors, suppliers and competitors. It also shows that firms use multiple network strategies rather than a specific one, and that as they internationalize they shift positions in the network. The boat building cluster illustrates that once firms started to internationalize they realized the benefits of collaboration and thus strengthened their networks. These firms learned to use network strategies to overcome the constraints associated with being small to medium sized firms, and frequently collaborated on large projects. (For more information, contact Sylvie Chetty, Massey University, New Zealand, s.chetty@massey.ac.nz)

Local Corporate Governance in a Global Economy: The Case of the Sarbanes-Oxley Act
John Clarry, The College of New Jersey

Corporate scandals have caused corporate governance reforms, but most responses have been fragmented and national in scope. National governance rules are easier to adopt, but harder to enforce without extra-territorial issues. This paper examines the Sarbanes-Oxley Act of 2002 as a U.S. policy with global implications. Despite intentions of disclosure and reform, we predict the Act will have negative effects on U.S. and non-U.S. firms, unless other governments adopt similar laws. Harmonization will be difficult, and any benefits will be delayed. (For more information, contact John Clarry, College of New Jersey, USA, haeusclarry@comcast.net)

Conflicts and Trust Building in Cross-Border Alliances
Claudio De Mattos, ASTON UNIVERSITY
Stuart Sanderson, Bradford University

This article explores contrasts in the expectations of different national groups of executives concerning possible conflicts in strategic alliances. Trust building is discussed as a crucial prerequisite to a successful alliance and the paper suggests that more than operationalising conflict resolution techniques, executives should be aware of different expectations of conflict. (For more information, contact Claudio De Mattos, Aston University, United Kingdom, hacla@aol.com)
Why Do Some Family Firms Succeed in Internationalizing while Others Do Not?
Carolyn Buie Erdener, ITESM
Pedro Gabriel Márquez, ITESM

Based on the analysis of specific organizational, managerial, and contextual factors that have been associated with the international expansion of Chinese family firms, we establish a conceptual foundation for empirical examination of the question as to why some family enterprises evolve into successful international competitors, while others do not. This facilitates the formulation of interesting new directions for future research on the internationalization of family businesses in Latin America, Southeast Asia, and other world regions in addition to North America. (For more information, contact Carolyn Buie Erdener, ITESM, Mexico, cerdener@itesm.mx)

The Effects of Network Relations, Structure Relations, and Units' Informal Interactions on Knowledge Sharing Performance
Cher-Min Fong, National Sun Yat-sen University
Chen-Ying Tu, National Sun Yat-sen University

The main purpose of this study is to examine the effects of network relations, organizational structure relations and units' informal interactions on the performance of knowledge sharing. The LISREL analysis was used to test the hypotheses in a sample of 58 cases. The findings suggest that internal network relations have a positive influence to form organizational structure. The units' informal interactions are positively affected by the interactions of subsidiaries in the network of MNCs. And the informal interactions of subsidiaries have positive effects on knowledge sharing in MNCs. (For more information, contact Chen-Ying Tu, National Sun Yat-sen University, Taiwan, p924010004@student.nsysu.edu.tw)

American Hospital Firms and the Burgeoning Chinese Private Health Market
Blair Demarest Gifford, U. of Colorado, Denver and Health Sciences Center
David Wood, ChinaCare Group Inc., China

Globalization of health care services is becoming an alternative or complementary strategy for some U.S. health care organizations due to increased competition, a stagnant health care market, and nationally imposed cost constraints in the U.S. If an ambitious American health care firm decides to globalize its product or service lines, what might be some of the primary strategies it would use to enter an international market? To investigate this question, this paper considers the strategies of two American firms that have entered the Beijing and Shanghai markets in the last year or two. These firms' market entry strategies range from "greenfield" operations, where the hospital does little to change its corporate and managerial style from what it uses domestically, to a "glocalization" strategy, where the firm is quite sensitive to fitting into the Chinese culture and being accepted by the Chinese government. What we learn from the experiences of enterprising American hospital firms in China may well portend the future for international developments by many other American-based health organizations. (For more information, contact Blair Demarest Gifford, University of Colorado, Denver and Health Sciences Center, USA, blair.gifford@cudenver.edu)

Explaining Foreign Direct Investment Patterns in Big Emerging Markets: Entry Timing, Number of Affiliates, and Export Orientation
I Han, National Taiwan University
Yi-Long Jaw, National Taiwan University

This paper proposes a model of technology gap, cultural distance, and trade dependency to explain the different foreign direct investment (FDI) patterns of multinational enterprises (MNEs) based in different home countries investing in the big emerging market (BEM). We argue that entry timing, number of MNE's entry or foreign affiliates established, and export orientation are associated with technology gap and cultural distance between home country and the BEM as well as the level of trade dependency of the home country. We investigate the FDI patterns of the six home countries (i.e., Hong Kong, Japan, South Korea, Singapore, Taiwan, and the US) investing in China during 1983-2002. Technology gap, cultural distance, and trade dependency are found to explain the FDI patterns of number of foreign affiliates established as well as their export orientation in the BEM. On the other hand, they cannot explain the MNE entry timing in the BEM because
these six home countries exhibit similar trends in the newly opened China market. Despite the mix results, our study makes contributions to both academia and practitioners for its advancing knowledge and implications of the theoretical factors and empirical evidences of FDI patterns in the magnetic China. (For more information, contact I Han, National Taiwan University, Taiwan, yvohan@ms3.hinet.net)

Leadership in Building Organizational Competence  
Sing Keow Hoon-Halbauer, Kristianstad University

The research project focuses on the role of leadership in building organizational competence at Shanghai General Motors (SGM) and Shanghai Volkswagen (SVW). As it is under an on-going process, this paper chooses to present the case of SGM. By any standard, SGM is performing remarkably well, despite its short history and in spite of the intense market competition. According to the "domestic passenger vehicle manufacturers' competitiveness rankings" released by Guangzhou Daily (Dec. 15, 2004), SGM ranks first with 91.5 points, whereas SVW ranks third. The attainment of organizational competence at SGM is mainly a result of visionary leadership that complements institutional leadership. The visionary leadership is supported by modesty. This leadership has proven itself to be creative and imaginative, elevating internal strengths and addressing external competition and creating values for customers. Elevating internal strengths includes: stringent exercising of personal mastery of the leader, building mental models, impelling team learning, empowerment of employees and forstering system or holistic thinking. (For more information, contact Sing Keow Hoon-Halbauer, Kristianstad University, Sweden, skm.halbauer@telia.com)

Exploring Web Language Orientation in Emerging Markets: The Eastern European Case  
William James, Hofstra University  
Gladys M. Torres-Baumgarten, Kean University  
Goran Petkovic, University of Belgrade  
Tetyana Havrylenko, University of Ukraine/Kiev Polytechnic Institute

Internet communications to date have largely been global in nature. However, as firms with an online presence reach out to a more diverse online community, they may need to consider a more localized approach to their digital communications. An empirical study was conducted in Eastern Europe to gauge the global versus local orientation of Ukrainians and Serbians, and how it, in turn, affects preferences for global or local websites. Seven psychographic scales were selected from the literature on the basis of their likelihood in differentiating between types of Internet usage. The study suggests that country by country orientations are likely to vary, even within a region and that these differences must be considered by international firms in devising effective Internet communications. (For more information, contact Gladys M. Torres-Baumgarten, Kean University, USA, gbaumgar@kean.edu)

Sources of Gender Disparity in Internet Adoption: Evidence from Global Country-Level Data  
Nir B. Kshetri, The University of North Carolina--Greensboro

Modern information and communications technologies (ICTs) and gender and social dynamics superimpose in a complex interaction that enables women to derive greater benefits than men. Yet a significant gender bias toward men exists in ICT adoption including the Internet. This paper reports the findings of an empirical study conducted to examine the sources of gender related disparity in the adoption of the Internet. We found that inter-gender difference in risk taking and attitude toward technology as a possible source of the disparity. The analysis of country-level data also indicated that economic factors explain the gender inequity in ICT adoption during the early stages. With the widening reach, skill disparity seems to play a more prominent role thus indicating serious hidden penalties of women illiteracy. (For more information, contact Nir B. Kshetri, University of North Carolina--Greensboro, USA, nbkshetr@uncg.edu)
Internationalization of SMEs and Export Performance: Evidence from the Brazilian Software Industry
Sumit Kundu, Florida International University
Ronaldo Parente, Rutgers University
Victor Almeida, Federal University of Rio de Janeiro

This study examines the international growth of small and medium size Brazilian software companies. It coincides with the recent opening up of the Brazilian economy and the strategic thrust of the government to improve the balance of payments situation. The first phase of the study proposes a theoretical framework to explain the phenomenal international growth of the small and medium sized software firms driven by a combination of entrepreneurial and firm level capabilities. Propositions are developed based on the entrepreneurship, international business, and strategic management literature. Given the growing importance of the service sector in general and information technology industry in particular, this study sheds new light on the increased international competitiveness of firms based in developing countries. A follow up version of this research will collect qualitative and quantitative data through field interviews and survey questionnaire to empirically test the framework. (For more information, contact Ronaldo Parente, Rutgers University, USA, ronaldo@parente.com)

Determinants of the Use of Export Marketing Assistance Programs and their Effects on Export Performance of Korean Firms
Chol Lee, College of Business, Sogang University
Sangyong Kim, Korea University
Jaehee Jung, College of Business, Sogang University

This study empirically analyzes determinants of the use of export marketing assistance programs and effects of such programs on export performance. The study has two objectives: first, identifying the determinants of the use of export assistance programs of Korean government. Second one is to identify effects of use of export assistance programs on the export performance of Korean exporters. We survey 500 Korean exporting companies and empirically analyze hypotheses by using the structural equations model. It is found that the degree of awareness of export assistance programs positively affects the uses of the programs. This result indicates that more exporters should be informed about the assistance programs to use the programs actively. Also it is found that the firms with more experiences in exporting or with less export intensity use the assistance programs more frequently. This implies the needs for the assistance are different according to firm’s level of exporting stage. Also, the finding shows that the export performance is indirectly affected by the use of the export assistance programs via the international marketing competence. This result indicates that policy makers move toward the indirect assistance programs with the goal of enhancing their international marketing competences. (For more information, contact Chol Lee, Sogang University, South Korea, chollee@sogang.ac.kr)

Technological Capability Accumulation in International Joint Ventures in China
Huiping Li, Rutgers Business School
John Cantwell, Rutgers Business School, University of Reading

Taking the perspectives of the competence-based view of the firm and of organizational learning, this study establishes an analytical framework for the examination of technological capability building in international joint ventures (IJVs) in China. The focus of attention is on whether IJVs in China have built local technological capabilities through acquiring and then using the international resources and knowledge to which they have gained access and, if so, the level of the technological capabilities that they have been able to develop as a result. The approach taken also encompasses the organizational mechanisms of the technological capability building process by studying the interaction between the Chinese joint venture and the IJV-partner’s parent company, IJV-peer subsidiaries. Through this framework for the analysis of interactions an empirical research agenda is set out for examining the strategy and structure that IJVs pursue to build technological capabilities, and the determinants of the rate at which they are able to build such technological capabilities. (For more information, contact Huiping Li, Rutgers University, USA, huipingli@hotmail.com)
**Degree of Multinationality: How Does Industry Matter?**

Lei Li, University of Portland

This paper examines multinationality and patterns of U.S manufacturing and service industries from 1982 to 2001. The key findings include: (1) industrial R&D intensity appears to be the most important driver of internationalization for both manufacturing and service industries; (2) higher industrial transnationality (for manufacturing industries) and lower transnational complexity (for services industries) are evidently associated with a higher average multinationality of companies; (3) multinationality of both U.S manufacturing and service industries has consistently increased over the 20-year period; (4) there is a trend of accelerated internationalization. (For more information, contact Lei Li, University of Portland, USA, lil@up.edu)

**The Impacts of International Product Positioning, Bundling Pricing, and Advertising Information Involvement Strategy on Consumer Purchase Behavior**

Tsai-lung Liu, I-Shou University
Chia-chen Kuo, I-Shou University

In an effort to link the gap in literature, this research examines how international product positioning, bundling pricing, and advertising information involvement strategy will have mediating effects among product country image (e.g., appealing or unappealing), consumer perceived pricing (e.g., high or low), and advertising information content (e.g., abundant or usual) and cause impacts on consumer purchase behavior (e.g., perceived sacrifice, perceived value, and purchase intention). This research uses a mixed factorial experimental design and eight experimental sample groups through structural equation modeling to test the hypothesized research model. Results indicate that there is a good overall model fit, such as $X^2/df = 1.829$, GFI = 0.912, RMSEA = 0.046, and all the lambda values are above 0.5 developed in this research. Results also show that if a firm formulates appropriate international marketing strategies, such as product positioning strategy, bundling pricing strategy and advertising information involvement strategy, there would be more positive impacts on consumer purchase behavior. Findings also specify that among the three international marketing strategies, international advertising information involvement strategy is most highly stressed, and the next is international product positioning strategy, and international bundling pricing strategy is least stressed. (For more information, contact Tsai-lung Liu, I-Shou University; Tajen Institute of Technology, Taiwan, jjgroup@giga.net.tw)

**A New Tale of Two Cities: A Comparative Study of Japanese FDIs in Shanghai and Beijing, 1979-2003**

Xufei Ma, National University of Singapore
Andrew Delios, National University of Singapore

We compare the characteristics of Japanese FDIs in China’s two metropolitans – Shanghai, the economic center, and Beijing, the political capital; meanwhile we investigate how the latent institutional features behind the seemingly similar economic-geographic conditions of these two cities have influenced the survival of Japanese FDIs. This study is among the first to directly compare FDIs in two major cities of a single transition economy, and it is also among the first to link the characteristics of the entered industries and location choice to the survival of a foreign subsidiary. Using a sample of 1,610 subsidiaries of Japanese firms established during the 1979-2003 period, our empirical results suggest that to avoid uncertainty and political hazards in China’s transition economy, Japanese MNEs tend to choose economic-oriented rather than political-oriented city as their investment location and may achieve higher survival likelihoods in Shanghai than in Beijing; however, to grow local roots in a transition economy, MNEs may be more likely to choose network-based entry strategies in political-oriented city. Our findings highlight the most fundamental features of institutional environments at sub-national levels that have not been fully accounted for by the existing literature and have implications for future research and practitioners. (For more information, contact Xufei Ma, National University of Singapore, Singapore, g0305934@nus.edu.sg)

**Global Learning and Competition Intensity: A Moderating Effect of Normative Integration**

Shaohua “Carolyn” Mu, Baylor University

Global learning becomes the strategic imperative for MNCs (Multinational Corporations) to develop sustainable competitive advantages. This study focuses on the relationship between competition intensity and global
learning and suggests a moderating effect of normative integration. The model advances the theoretical understanding of the interaction between external environments and organizational characteristics. More importantly, the study clears the inconsistency in the related current literature and makes contribution to measurement issues. This study holds important managerial implications. (For more information, contact Shaohua "Carolyn" Mu, Baylor University, USA, carolyn_mu@baylor.edu)

The Effects of HR Policies and Repatriate Self-Adjustment on Global Competency Transfer
Furuya Norihito, IGB Network Co., Ltd.
Michael J. Stevens, University of Missouri - St. Louis
Oddou Gary, California State University, San Marcos
Allan Bird, University of Missouri - St. Louis

Literature increasingly emphasizes the role of international assignments in creating globally competent managers. Indeed, competencies acquired through international assignments can often be a source of competitive advantage for firms. However, to derive benefits from these newly acquired global competencies, employers must work to ensure their successful transfer to subsequent job assignments. This study examines how a firm's HR policies and practices influence the transfer of global competencies acquired through overseas assignments. We also examine the impact on competency transfer of the repatriate's capacity and desire to adjust to the repatriation job assignment, which has been neglected in this research. The relative predictive effects on competency transfer of both firm's HR policies and employee's self-adjustment were determined via hierarchical regression. Results showed a large incremental change in R2 of .13 when HR policies were entered after employee self-adjustment. Conversely, employee self-adjustment showed minimal incremental change in R2 (.02) when entered after HR policies. A deliberate and proactive consideration of a firm's HR policies and practices, therefore, seems of primary importance in deriving benefits from an employee's overseas assignment, while employee's self-adjustment experiences are important but relatively less so. (For more information, contact Michael J. Stevens, University of Missouri - St. Louis, USA, mstevens@umsl.edu)

Strategic Relevance of Emerging Markets' Subsidiaries: Empirical Findings from Brazil
Moacir De Miranda Oliveira Jr., Pontificia Universidade Catolica de Sao Paulo
Felipe Mendes Borini, Pontificia Universidade Catolica de Sao Paulo
Arnoldo Jose De Hoyos Guevara, Pontificia Universidade Catolica de Sao Paulo

Firms from large emerging markets like China, India, Mexico and Brazil should play a more important role in global competition in coming years. These firms include subsidiaries of multinational corporations. Understand the best way to deal with the subsidiaries located in these emerging markets should help to create value for the multinational corporation, for the subsidiaries located in these countries, and for the governments of these large emerging markets. In this paper we analyze the concept and the variables important for the development of strategically relevant subsidiaries in large emerging markets. For this, an exploratory research was carried out in a sample of 118 of the 1000 largest foreign subsidiaries in Brazil, and some further statistical analysis of the data collected, mainly multiple regressions modeling with predictor variables regarding competencies, autonomy, communication, and entrepreneur orientation. The main results of this research are that the subsidiaries better qualified for corporate value creation depends mostly on (1) competencies in terms of interface with headquarters, (2) communication between subsidiaries and headquarters in terms of how well subsidiary's competencies are understood by headquarters, and that (3) competencies in R&D are very important for adding value to headquarters, global competitiveness and strategic relevance. (For more information, contact Felipe Mendes Borini, Pontificia Universidade Catolica de Sao Paulo, Brazil, fborini@globo.com)
Global Players from Emerging Markets: Evidences from the Internationalization Process of the Largest Brazilian Firms  
Moacir De Miranda Oliveira Jr., Pontifical Catholic University os Sao Paulo  
Alvaro Bruno Cyrino, Dom Cabral Foundation  
Eduardo De Rezende Proenca, Pontifical Catholic University os Sao Paulo

Exploratory and quantitative study carried out on a sample of 109 of the 1.000 largest Brazilian companies presents revealing results relative to several studied variables. Most of the largest Brazilian companies operate only in the internal market (26.6%) or are still in the simple exporting phase (51.4%). The process of internationalization indicates that the experience accumulated in dealing with international business influences the way major Brazilian companies enter new international markets, reinforcing the gradualist hypothesis of business internationalization proposed by the Uppsala School. The main barriers to internationalization come from the Brazilian competitive environment (high tax load for 77.1% of respondents and lack of financing lines for 74.5%), followed by internal/organizational barriers and barriers interposed by foreign countries. Formal internationalization and capacity-development strategies are the main identified actions and results pointed by companies include gains of scale and scope, smaller dependence on fluctuations in the domestic market and better balance in financial results. About 77.4% of the companies consider themselves ready for competition and regard AFTA – America's Free Trade Association as an opportunity. However, great challenges are still to be overcome until the number of Brazilian Global Players becomes compatible with the size and importance of the Brazilian economy. (For more information, contact Eduardo De Rezende Proenca, Pontifical Catholic University os Sao Paulo, Brazil, eduproenca@uol.com.br)

Identifying the Performance Dimensions of Expatriate Supplier Teams on Networked NPD Projects  
Alan O'Sullivan, University of Ottawa  
Sharon Leiba O'Sullivan, University of Ottawa

This paper uses rich description to present the performance requirements of expatriate supplier teams engaged in complex new product development within a networked aerospace transnational. Technical/Contextual performance dimensions are extracted and contrasted with existing theories on performance dimensions from both the domestic and international human resource management literatures. This challenges the paradigm of expatriation as an individual-level phenomenon, and extends existing knowledge in the areas of expatriate and innovation management. (For more information, contact Sharon Leiba O'Sullivan, University of Ottawa, Canada, sosullivan@management.uottawa.ca)

Localizing a Product and the Deleterious Effect of Subsidies  
Stanley J. Paliwoda, University of Strathclyde  
Michel Librowicz, Université du Québec à Montréal (UQAM)

This paper reviews the history of a successful management education project in Poland, successful because of the empathy behind the implementation. An MBA. is viewed as being of value to business regardless of the stage of development of the economy or the political persuasion of the government in power. An MBA may be universally regarded as an international passport but it is the product of Western and particularly American culture, where it was first conceived. Surveys have indicated that the programme has been successful in placing graduates in good, high earning corporate positions in some of the fastest growing, most dynamic sectors of the Polish economy. The program has achieved what it had set out to do viz. create self-sufficiency and its quality has been vindicated by attaining the number two position in a survey of MBA programs across Poland, conducted by Wprost, the Polish edition of ‘Business Week’. Market disruption has emerged with the accession of Poland to the European Union, for, by seeking to finance training of entrepreneurs and develop further skills in the workforce, the European Social Fund is now subsidising local programs to the detriment of those foreign programs that have hitherto proved successful. (For more information, contact Stanley J. Paliwoda, University of Strathclyde, United Kingdom, stan.paliwoda@strath.ac.uk)
Towards an Explanation of Foreign MNE FDI in the City of London Financial Services Cluster
Naresh Pandit, Manchester Business School
Gary Cook, University of Liverpool Management School
Pervez Ghauri, Manchester Business School

This paper contributes to the international business literature concerning the spatial organisation of MNE activity in the face of increased globalisation, deregulation and advances in information and communication technologies. It examines the small but growing literature that suggests motives for MNE location in foreign clusters and relates these motives to the findings of a study which investigated the general advantages of location in the City of London financial services cluster, an agglomeration noted for its extraordinarily large foreign MNE component. The primary conclusion is that foreign MNEs have multiple motives for locating in the cluster and these essentially relate to the complex nature of the production of certain financial services. We also find that firms tend not to locate lock-stock-and-barrel in the cluster but continually assess which activities they need to locate there and which they do not. Insights from economic geography can aid this decision-making process. (For more information, contact Naresh Pandit, University of Manchester, United Kingdom, naresh.pandit@mbs.ac.uk)

New Product Development and Entrepreneurial Intent: A Modular Production Approach
Ronaldo Parente, Rutgers University
Eugene Hahn, Salisbury University

In this study we developed and tested a theoretical framework that examines the direct impact of modular production methods and supply chain integration strategies to innovation performance. In addition, our study contributes to the strategy and operations management research by examining the moderating effect of firm’s entrepreneurial intent to the relationship between supply chain integration and product modular design in the context of the automobile industry of Brazil. We empirically tested our framework using a bivariate negative binomial model. Our findings indicate that product modularity has a significant positive impact on entirely new product development but not on product update development. The supply chain integration variables of supplier involvement, link duration and supplier knowledge of production process all show significant direct effects on product update development. In addition, the evidence suggests that entrepreneurial intent is a key moderating variable for product development. Managerial and theoretical implications are discussed. (For more information, contact Ronaldo Parente, Rutgers University, USA, ronaldo@parente.com)

Corporate Parent Effect on MNE Subsidiary Diversification Strategy
Stephen Rawlinson, The University of Auckland
Siah Hwee Ang, The University of Auckland
Christina Stringer, The University of Auckland

This paper examines the corporate parent effect on the diversification strategies of triad and Asian subsidiaries in the ASEAN region. We find that triad subsidiaries tend to participate in high technology intensive industries, and are more likely to diversify. In addition, we also find that the subsidiary diversification strategy is very much affected by the number of affiliations in the region under the same corporate parent that perform the same or different activities. These results shed light on the importance of the corporate parent on subsidiary-level strategy and the role of the subsidiary within an economic integrated region. Various implications are discussed. (For more information, contact Siah Hwee Ang, University of Auckland, New Zealand, s.ang@auckland.ac.nz)

Subsidiary Role Type and Managerial Attitudes: A Comparative Case Study of Subsidiary Managers in the Indian and Pakistani Operations of a British MNC
Carol Reade, San Jose State University

National subsidiaries are thought to play differentiated roles in achieving the MNC’s overall corporate goals. Drawing from evidence in the social psychology literature on the effects of group type on employee attitudes, this paper investigates the relationship between subsidiary role type and the attitudes of subsidiary managers toward both their local subsidiary and the MNC as a global entity. Bartlett and Ghoshal’s (1986) framework of MNC subsidiary role types is combined with social identity theory to assess attitudinal differences between
subsidiary managers on their psychological attachment to the subsidiary and the wider organization, and the implications for their willingness to cooperate and exert effort for the benefit of the local and global levels of the organization. The analysis is based on questionnaire data collected at the Indian and Pakistani subsidiaries of a British MNC in the consumer products industry. The results indicate that attitudinal differences between subsidiary managers can be at least partially explained by MNC subsidiary role type. (For more information, contact Carol Reade, San Jose State University, USA, reade_c@cob.sjsu.edu)

Cross-Border Acquisitions: A Comparative Analysis
Richard John Schoenberg, Cranfield School of Management

The mixed performance of international acquisitions has been well documented and such transactions are widely perceived by executives to be high risk relative to domestic acquisitions. This study sets out to provide a broadly based empirical comparison of cross-border and domestic acquisitions, in an attempt to explore the performance variance between the two contexts. Similarly stratified samples of cross-border and domestic acquisitions completed within the European Union are compared along the primary antecedents of acquisition performance identified by Larsson and Finkelstein (1999), namely combination potential, integration approach and employee resistance. The results confirm the weak comparative performance of cross-border acquisitions and suggest that the cause of the performance variance lies within detailed contextual differences which compound the implementation task, and beyond simple cross-national effects per se. The findings highlight potentially fruitful avenues for future research. (For more information, contact Richard John Schoenberg, Cranfield School of Management, United Kingdom, richard.schoenberg@cranfield.ac.uk)

Secure Borders and Uncertain Trade: Strategic Management and the Canada-US Border
Coral R. Snodgrass, Canisius College
Guy H. Gessner, Canisius College

The events of September 11, 2001 led to the rethinking of the borders of North America. Under the guidance of the newly established Department of Homeland Security, US agencies tasked with controlling the border between Canada and the United States began to think of the border as a barrier against the influx of terrorism as opposed to a conduit for free trade. This constitutes a dramatic shift in the external environment for Canadian and US strategists making cross-border decisions on the basis of a “borderless” world. This paper first discusses the importance of this shift and the potential impact on the Canada-US trade relationship. Then the results of a research project examining the responses of US managers to this shift are discussed. The paper also indicates strategies that Canadian managers might consider. (For more information, contact Coral R. Snodgrass, Canisius College, USA, snodgras@canisius.edu)

The Impact of National and Organizational Cultural Differences on International Joint Ventures
Rizwan Tahir, University of Auckland
Stephen Rawlinson, University of Auckland

The purpose of this study is to theoretically explore how national cultural differences, organizational cultural differences and trust between partners can influence IJV performance. Findings from previous studies have been mixed, and this study attempts to address the relationship and performance issues by theoretically advancing a model to explain the inconclusive results found to date. Based on previous research, the findings of this study are as follows. Firstly, the differences in the national cultures of IJV partners adversely influence IJV performance. Secondly, the differences in organizational culture between IJV partners create organizational problems that adversely influence IJV performance. Thirdly, the organizational cultural differences represent the visible differences between, as opposed to the latent effects of, cultural differences, and these may cause greater interaction problems between the IJV partners. Fourthly, the partnership trust positively influences partner interaction and venture performance. Finally, in the case of national culture, partnership trust and IJV performance, it is argued that national and organizational cultural differences adversely influence the partnership trust. It is also empirically established that partnership trust significantly influences IJV performance. Therefore, partnership trust mediates the relationship between cultural differences and IJV performance through a chain of interactive processes. (For more information, contact Rizwan Tahir, University of Auckland, New Zealand, r.tahir@auckland.ac.nz)
Locational Choices and Multinational Firm Performance  
Danchi Tan, National Cheng-Chi University (Taipei)

This study investigates the impact of the choices of locations for international expansion on the relationship between foreign subsidiaries and firm profitability. We posit that the choices of locations for overseas subsidiaries can influence the extent to which a multinational firm can benefit from its international expansion. As a result, the relationship between foreign subsidiaries and the firm’s performance may vary across multinational firms that follow different locational strategies. The empirical results indicate that foreign subsidiaries had a positive impact on firm profitability for Japanese firms that expanded into both advanced and emerging economies, and that foreign subsidiaries had no significant relationship to firm profitability for firms that limited their international presence to only one of either advanced or emerging economies. The finding also shows that the sequence of locational choices moderated the relationship between foreign subsidiaries and the profitability of Japanese multinational firms. (For more information, contact Danchi Tan, National ChengChi University, Taiwan, dctan@nccu.edu.tw)

Share Repurchase Decision Under Tax and Capital Consideration  
William Y. C. Tsao, Cheng-Shiu University & I-Shou University, Taiwan  
Wen-Kuei Chen, I-Shou University, Taiwan

The authors combine Modigliani-Miller propositions theory and share repurchase effect to innovate a clear and practical concept for capital usage or even dividend policy consideration. There are two insightful implications: (1) Value added is positive through stock buy-back in loan fund. (2) Stock buy-back will not change the firm’s value in idle fund. We explain the implications of the theoretical results in this study to learn the effects of different capital sources of stock buy-back on firm’s value so as to obtain favorable operating tactics. (For more information, contact William Y. C. Tsao, Cheng-Shiu University & I-Shou University, Taiwan, redchun@ms43.hinet.net)

Cultural Intelligence as a Mechanism of Trust in an Intercultural Context  
Lisa Vargo Williams, The State University of New York at Buffalo

With the passage of time, the global environment continues to gain strength in shaping the organizational environment. While it brings increased opportunity, individuals and organizations are faced with increasingly complex situations that require optimal understanding and navigation. One prevalent context affected by these characteristics is that of interpersonal relationships and the trust that develops between individuals. Trust is considered critical to successful interpersonal interactions and organizational activities and outcomes. When engaging in cross-cultural interactions there is potential for increased complexity and thus threats to trust and the relationships themselves. Therefore it is imperative that mechanisms that facilitate trusting relationships are identified and understood. This paper considers one such mechanism—Cultural Intelligence (CQ). Specifically, it discusses the relationships between CQ, dispositional trust, and the willingness to engage in intercultural trust-based relationships. (For more information, contact Lisa Vargo Williams, State University of New York, Buffalo, USA, lvw@buffalo.edu)

Multinationals from Developing Countries Entering Developed Countries: Achieving Sustainable Competitive Advantage – A Resource-based View  
Huanglin Wang, University of Western Ontario  
Dewey E. Johnson, California State University, Fresno

Multinationals from developing countries attempting to enter developed countries are competing with local firms as well as other multinationals from their host countries, which usually possess more advanced technology, more mature marketing techniques, and well established brands. The paper asserts from a resource-based view that to gain a sustainable competitive advantage, these multinationals from developing countries should take advantage of lower labor cost from home countries and develop other location specific resources including technology knowledge, marketing skills, and brands in host countries. (For more information, contact Huanglin Wang, University of Western Ontario, Canada, hwang@ivey.uwo.ca)
Foreign Trade Offices and International Markets

Timothy Jon Wilkinson, University of Akron
Andrew R Thomas, University of Akron

Foreign Trade Offices (FTOs) are an important, yet little understood element in the export promotion portfolio of U.S. state export promotion organizations. Recently, California closed its FTOs in response to budgetary pressures and claims that these organizations exist primarily to enhance the standing of politicians rather than as effective export development tools. At the same time Washington state opened several new FTOs. Clearly, the effectiveness of these organizations is in dispute. In addition, U.S. exporters operate in both national and subnational economic systems that condition the performance of their exporting efforts. Using network theory we propose and test the hypothesis that foreign trade office network entry activities amplify the impact of state entrepreneurial climate on state exports. Implications for firms and policy makers are discussed. (For more information, contact Timothy Jon Wilkinson, University of Akron, USA, twilkin@uakron.edu)

Religion: Its Influence on National Culture, Gender Roles, and Entrepreneurial Affinity

Steven A. Williamson, University of North Florida
Alexa A. Perryman, Florida State University
Cheryl A. Van Deusen, University of North Florida
Carolyn B. Mueller, Stetson University

Despite the pervasiveness of globalization and fading national borders, few researchers would argue that national culture has lessened in influence, particularly in regards to entrepreneurial behavior. National culture is a highly complex, global, construct variable comprised of many individual, but related components. Of the various components, the national collective religious consciousness, (i.e., religious influence), is believed to strongly influence the propensity of a given populace to embrace entrepreneurial activities. A model is proposed that illustrates the direct and indirect relationships between religious influence and entrepreneurial behavior. To illustrate the influence of religion on culture and culture on gender roles and entrepreneurial behavior, Hofstede’s (1980, 1998, & 2001) cultural dimensions are utilized. Although these dimensions are not universally accepted, they, for the most part, are universally recognized and easily applied here. These dimensions include individualism, masculinity, uncertainty avoidance, power distance, and time orientation. Finally, this review seeks to take the extant literature on national culture and entrepreneurial activities and reframe the elements to provide an alternative perspective that might assist in better understanding developing economies. (For more information, contact Steven A. Williamson, University of North Florida, USA, swilliam@unf.edu)

Multilevel Phenomena and the Implications for Method: An Example of Knowledge Transfer in Sports

April L. Wright, University of Queensland
Peter W. Liesch, University of Queensland

Multilevel theories integrate individual-level processes with those occurring at the level of the firm and above to generate richer and more complete explanations of IB phenomena than the traditional specification of IB relationships as single-level and parsimonious allows. Case study methods permit the timely collection of multiple sources of data, in context, from multiple individuals and multiple organizational units. Further, because the definitions for each level emerge from case data rather than being imposed a priori, case analysis promotes an understanding of deeper structures and cross-level processes. This paper considers the example of sport as an internationalized service to illustrate how the case method might be used to illuminate the multilevel phenomena of knowledge. (For more information, contact April L. Wright, University of Queensland, Australia, april.wright@business.uq.edu.au)

Determinants of the Use of Brand Extension in International Markets: Toward an Integrated Framework

Henry Yu Xie, Saint Louis University

This paper examines firms’ brand extension in international markets. An integrated conceptual framework is developed to illustrate the determinants of brand extension in international context. We propose that the
incremental stages of firms’ internationalization, number of market segment(s) in international marketplace, country-of-origin effect, and standardized product strategy exert significant impact on firms’ use of brand extension in international markets. Firm size moderates the relationship between internationalization stages and brand extension. We also discuss implications and direction for future research. (For more information, contact Henry Yu Xie, Saint Louis University, USA, xiey@slu.edu)

International Technology Diffusion: The Case of Robotics
Yuanyuan Zhou, The Ohio State University

This paper studies how a process technology, namely robotics technology, diffuses differently across countries. Although technology diffusion has been studied widely, there haven’t been many studies focus on how macro level factors affect the technology diffusion process. Understanding how the diffusion process differ from country to country helps us to answer some fundamental questions in International Business, as technology diffusion process can greatly affect one country's productivity and competitiveness. This paper adopts the traditional diffusion perspective to explore what contribute to the different diffusion rate of robotics across countries. Robotics diffusions in 19 countries and regions during a 20 years period have been studied. Results suggest that macro economic factors as well as culture values all contribute to the technology diffusion speed. (For more information, contact Yuanyuan Zhou, Ohio State University, USA, zhou.108@osu.edu)

Internationalization of the Tourism Industry: Valuable Research for Countries in Transition
Srdan Zdravkovic, Saint Louis University

Southeastern European Transitional Economies (SEETE) are currently rebuilding their economies after years of totalitarianism and military conflict. Rebuilding economy and other societal infrastructure is needed in order for SEETE to become members of the European Union. One avenue these countries could take on the path to economic recovery is the avenue of utilizing their natural resources through the full development of their tourism industry. This paper brings forward some important issues (marketing and psychic distance) that affect internationalization of the tourism industry as well as proposals of how these issues can be utilized to maximize a country's output in the tourism industry. This conceptual piece paves the way for future research on this topic because this area of research has great potential to benefit different countries and different branches of the tourism industry. (For more information, contact Srdan Zdravkovic, Saint Louis University, USA, zdravks@slu.edu)

Session: 3.3.1 - Panel
Track: Track 1 - Context of Global Business

The Organizational and Environmental Context Dimension of the Scope-Performance Relationship (or) What NGOs Can Teach (and Learn From) International Business About Diversification

Presented On: 7/12/2005 - 13:30-15:00
Chair: Hildy Teegen, George Washington University
Discussant: Jonathan P. Doh, Villanova University

Scope and Organizational Performance: Multinational Enterprises vs. Nongovernmental Organizations
Hildy Teegen, George Washington University

The Effectiveness of Multiplex vs. Specialized Approaches to International Development
Stephen C. Smith, George Washington University

Information Management and Accountability Implications of NGO Diversification
Alnoor Ebrahim, Virginia Polytechnic Institute and State University
Hildy Teegen, George Washington University
Scope and Environmental Hostility for NGO Partnership Within and Across Sectors
Jennifer M. Brinkerhoff, The George Washington University

This panel is organized to explore how the debate in international business concerning the impact of firm diversification (international, vertical, horizontal and/or intertemporal) can be informed by examining similar scope questions for nongovernmental organizations (NGOs). The empirical record for profit-seeking firms like MNCs is mixed; we still are uncertain as to whether (or when) diversification creates or destroys value. As a point of departure from the extant literature in IB, the papers in this panel all share NGOs as their principal focus. The collection of papers provides conceptual and empirical evidence that the organizational and environmental contexts facing organizations seeking value creation dictate the relevant contingencies that impact performance. Responding to the call by Teegen, Doh and Vachani (2004) to extend the IB research scope beyond the organizational confines of the multinational corporation, this panel demonstrates that important advances in theory and practice in international business, and some resolution of persistent conundrums in our field perhaps can only be made by examining and learning from other organizations that directly and indirectly engage in value creation around the world. (For more information, contact Hildy Teegen, George Washington University, USA, teegen@gwu.edu)

Session: 3.3.2 - Competitive
Track: Track 1 - Context of Global Business

Emerging Market Environment

Presented On: 7/12/2005 - 13:30-15:00

Chair: Patricia A. Nelson, University of Edinburgh; Hitotsubashi University
Discussant: Michael A. Witt, INSEAD

The Informal Economy in the Developing World: How the Base of the Economic Pyramid Behaves
Hamid Hosseini, King's College

In a JIBS paper, London and Hart argued the developed world markets are becoming increasingly saturated, thus MNCs have turned to emerging economies. They criticize MNCs for focusing on the wealthy elite in those countries. In doing so, MNCs bypass a huge base of potential customers by ignoring the bottom of the economic pyramid in those countries. I argue that the base of the economic pyramid is the neglected informal sector in those countries which does not follow the logic of the formal sector, and has no direct connections to the government through which and with its permission the MNCs enter those markets. In other words, the informal sector is not accessible to the MNCs. I analyze the informal sector in the developing world, discuss its nature and causes, its relationship with government, its benefits to society, its functions, its costs, and the sorts of policies that, if implemented, could improve the problems of informality. I demonstrate informality is an obstacle to development and is a large share of the GDP in the developing world, obviously LDC governments must do something about it. It is in LDC governments' attempt to alliviate the problem of informality that MNCs can help. With their help, they will also get access to those markets. (For more information, contact Hamid Hosseini, King's College, USA, hshossei@kings.edu)

A Longitudinal Study of Entrepreneurs in a Transition Economy: When does Competitive Strategy Matter Most?
Wade M. Danis, Georgia State University
Dan S. Chiaburu, Penn State University
Marjorie A. Lyles, Indiana University

This study identifies factors associated with entrepreneurial growth and performance in the context of a transition economy and provides a fuller understanding of whether and how the strategies of small and medium sized enterprises (SMEs) evolve. In a longitudinal study of Hungarian SMEs, we examined the relative explanatory power of social network versus competitive strategy variables on two facets of performance over
time. Our results generally support our premise that, as transition progresses so do determinants of SME performance. While managerial networking behavior appears to be a stronger predictor of firm performance early in transition, this influence wanes over time as competitive methods based on traditional conceptualizations of firm strategy (e.g., Miles & Snow, 1978; Porter, 1980) become increasingly important. Our findings thus reconcile the social networks and strategic management perspectives by suggesting that the predictive power of each approach may vary as transition progresses. (For more information, contact Wade M. Danis, Georgia State University, USA, wdanis@gsu.edu)

Social Entrepreneurship in a Transition Economy: A Critical Assessment of Rural Chinese Entrepreneurial Firms
Tsang-Sing Chan, Lingnan University, Hong Kong
Lianxi Zhou, Lingnan University, Hong Kong
Patrick Poon, Lingnan University, Hong Kong

This paper addresses the institutional and social determinants and consequences of social entrepreneurship with respect to China’s rural enterprises. It highlights the significance of social entrepreneurship within the confines of local state corporatism, local community culture and market-enhancing mechanisms. As China’s rural enterprises are widely regarded as a phenomenon related to the core nature of a “socialist market economy”, an ideology embraced since the beginning of Chinese social-economic reforms, a study of institutional and entrepreneurial nature of this kind serves as a stepping stone for understanding the emerging phenomenon of the country’s social entrepreneurship, which is characterized by open market mechanisms and socialist legacies. (For more information, contact Patrick Poon, Lingnan University, Hong Kong, patpoon@ln.edu.hk)

US Cross-Listing and Evidence of the Bonding Hypothesis in Industrialized, Emerging-Market and Less Developed Countries
Burkhard N. Schrage, Singapore Management University
Paul Martin Vaaler, Tufts University

The “bonding” hypothesis holds that foreign firms cross-list their securities on US markets to signal adherence to higher corporate governance standards than required domestically, thereby raising capital at lower cost. We examine empirical support for this hypothesis using a sample of 74 countries, measures of US cross-listing by their domestic firms, and measures of their home country governance quality (“HCGQ”) observed in 1996, 1998, 2000 and 2002. The negative relationship between US cross-listing levels and HCGQ implied by the bonding hypothesis is not observed generally, nor is it observed for firms from industrialized or less-developed countries. It is observed, however, for a sub-sample of emerging-market countries with “mid-level” HCGQ. Our results suggest that the bonding hypothesis has limited but still important application to understanding the US cross-listing behavior of foreign firms from emerging-market countries. We conjecture that at this mid-range HCGQ, top managers and other firm insiders perceive wealth gains from US cross-listing and bonding to US corporate governance practices greater than costs imposed by more rigorous US corporate governance practices adding constraints on the ability of insiders to appropriate firm wealth. (For more information, contact Burkhard N. Schrage, Singapore Management University, Singapore, bschrage@smu.edu.sg)

Session: 3.3.3 - Panel
Track: Track 1 - Context of Global Business

The Resource Curse Revisited: Managing Mineral-Resource Revenues for Sustainable Development

Presented On: 7/12/2005 - 13:30-15:00

Chair: Cesar E. Baena, Bordeaux Business School

The Resource Curse Reconsidered
Jesse Czelusta, Stanford University

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Countries having large quantities of natural (mineral) resources tend to perform worse economically than resource-poor ones. Wrong policies have usually accompanied the reception of revenues resulting from mineral resource exploitation. Many countries decide to invest heavily in the non-tradable sectors that offer low investment returns. Investments in the public sector and in infrastructure are usually lavish, encouraging rent-seeking and regime entrenchment. As windfall revenues diminish, governments turn to foreign markets for further sources of revenues, acquiring as a result an unsustainable level of debt. In the specialized literature this set of features is known as “resource curse”. The challenge posed to policy makers is how to turn the resource curse into a resource blessing. This panel consists of four scholars working in the area of resource economics and management in contexts rich in mineral resources. Their findings, both empirical and theoretical, will be used as significant input to discuss the challenges of managing mineral resource wealth. The panel will offer an interdisciplinary and comparative perspective on this issue, not only across countries, but also across key historical periods, providing thus a major contribution to the IB research agenda. (For more information, contact Cesar E. Baena, Bordeaux Business School, France, cesar.baena@bordeaux-bs.edu)

**Session: 3.3.4 - Competitive**  
**Track: Track 2 - Forging Global Links**

**Network Strategies**

**Presented On:** 7/12/2005 - 13:30-15:00  
**Chair:** Bernard Martin Wolf, York University  
**Discussant:** Rakesh Sambharya, Rutgers University - Camden

*Internationalization and Network Strategies: Taiwanese Firms’ Foreign Direct Investment in China and the U.S.A.*  
Chi-Hsing Tseng, National Pingtung Institute of Commerce  
Hsin-chih Kuo, I-Shou University

Applying network theory, this study explores the relationships between internationalization models and the adoption of network strategies. Based on the time period between foundation and the first year of investing abroad, this study compares firms with two different types of internationalization process: “Born Global” and “Incremental.” Along with the concepts of strategy linkage and social network, this study proposes two kinds of network strategies: business cooperation linkages and social relationship linkages. After investigating the foreign direct investment (FDI) cases of 138 Taiwanese firms in China or the U.S.A., we find that there is no significant relationship between types of internationalization and network strategies. However, there is a strong relationship between outward investment country and network strategies. Compared to firms with FDI in the U.S.A., firms investing in China rely more on production cooperation systems and are more likely to utilize social relationships with local community and government authorities. (For more information, contact Chi-Hsing Tseng, National Pingtung Institute of Commerce, Taiwan, tseng@npic.edu.tw)

*Building International Business Networks: Environmental Context and Proactivity*  
Maureen Benson-Rea, University of Auckland  
Susan S. S. Wong, University of Auckland
This empirical qualitative study explores interfirm network formation in two different environmental settings. Faced with dynamic global environmental forces, firms are becoming reliant on building networks of relationships to compete successfully in international markets. Furthermore, network relationships are increasingly recognized as a value-creating strategic resource or capability. This study investigates how the environmental context for firms impacts on the formation of networks and how firms can obtain maximum benefits from their network relationships to enhance their value-creating capabilities. A theory-building comparative case study comprising eight entrepreneurial designer fashion firms from New Zealand and Hong Kong was conducted. Three major findings from the study were: 1) a firm's proactiveness in developing international business networks was positively related to the degree of environmental turbulence it perceived; 2) the breadth and depth of acquired value increased as the firm's proactiveness in developing distant links with overseas business partners increased; 3) in order to gain the most benefit from their relational investment, firms opted for a network structure consisting of few redundant links and relatively more non-redundant links. These findings contribute to international strategy and network theory by developing a theoretical framework showing the critical interacting variables for the development of value-creating networks. (For more information, contact Susan S. S. Wong, University of Auckland, New Zealand, swon142@ec.auckland.ac.nz)

Spanning the Global Network: Cross-Border Acquisitions, the MNE, and Knowledge Spillovers
J. Muir Macpherson, Georgetown University

Learning about and exploiting opportunities in distant markets is one of the basic challenges of international business. Recent research shows that international transactions of all sorts are inhibited by a lack of information about distant exchange partners. If learning about distant markets is costly and an understanding of them is scarce then actors able to bridge these gaps may be able to profit from their position. This opens an opportunity for entrepreneurial actors capable of spanning weak ties in the network. By virtue of its existing network of subsidiaries, the MNE is in the position to use knowledge spillovers from the global network to span weak ties in that network more easily than other actors. I examine these issues by using a sample of cross-border mergers and acquisitions. Cross-border M&A provides a good empirical context because events are readily observable and the returns to them can be estimated in a straightforward fashion. I employ a multinational sample of 584 acquiring firms from 26 countries and 2,221 target firms from 61 countries. (For more information, contact J. Muir Macpherson, Georgetown University, USA, muir.macpherson@mccombs.utexas.edu)
venture survival, experiential learning has very limited impact in the case of the partner’s overall experience, and may even have negative impact in the case of the experience with terminated joint ventures. (For more information, contact Pierre-Xavier Meschi, Euromed Marseille School of Management, France, pxmeschi@univ-aix.fr)

**Measuring International Logistics Partnerships Performance: A Dyadic Perspective Analysis**

Joan Jane, Hewlett-Packard EMEA, Spain
Alejandro Lago, University of Navarra
Africa Ariño, University of Navarra

This paper analyzes the validity of measures of performance in international logistics alliances, using a survey on 95 alliances where information has been collected from both parties. Five different measures of performance are proposed based on previous literature: overall satisfaction, global fulfilment of initial expectations, strategic goal fulfilment, process performance and net spill-over effects. Our empirical analysis shows that the satisfaction of each party can be explained by a single construct that underlies all the measures considered, but that such underlying construct may not be common to both parties (i.e., performance may be perceived differently by partners). We, hence, examine the perception of each party on the satisfaction of the other party and show that these inter-party perceptions are a poor reliable measure of the true actual satisfaction. We conclude that a valid assessment of performance of logistics strategic alliances can only be obtained using direct information from both parties. (For more information, contact Africa Ariño, University of Navarra, Spain, afarino@iese.edu)

**Alliances and Performance in the Airline Industry, 1998-2002: A Network Perspective**

Albert Chu-Ying Teo, National University of Singapore
Arthur Kian-Chong Leong, Accenture, Singapore

This study uses a network approach to examine the impact of strategic alliances on organizational performance in the airline industry. The analyses are based on alliance and performance data drawn from the whole population of international airlines over the five-year period, 1998-2002. Results indicate that when an airline’s alliance network is excessively dense, its performance may be adversely affected. Also, excessively deep and intensive alliances may have a negative impact on the partner airlines’ performance. (For more information, contact Albert Chu-Ying Teo, National University of Singapore, Singapore, albertteo@nus.edu.sg)

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**Session: 3.3.6 - Competitive**
**Track: Track 4 - Economics, Finance and Taxation**

**Theoretical Contributions on Internationalization**

**Presented On:** 7/12/2005 - 13:30-15:00

**Chair:** Joan Mileski, Texas A & M University
**Discussant:** Colm Kearney, Trinity College Dublin

**How well do Institutional Theories Explain Firms’ Perceptions of Property Rights?**
Meghana Ayyagari, George Washington University
Vojislav Maksimovic, University of Maryland
Asli Demirguc-Kunt, The World Bank

We examine how well institutional and firm factors proposed in the literature and their interactions explain firms’ perceptions of property rights protection. Our variance decomposition methodology circumvents the debate on direction of causality while highlighting scaling issues arising in commonly used proxies. Firm level characteristics such as legal organization and ownership structure, are comparable to institutional factors in explaining variation in property rights protection. A country’s legal tradition and formalism index helps predict property rights variation better than its openness to international trade, its religion, its ethnic diversity, natural
endowments or its political system. However, when we exclude transition economies, we find that the Legal Origin view loses its primacy to the Openness to Trade and Endowments view on property rights. (For more information, contact Meghana Ayyagari, George Washington University, USA, ayyagari@gwu.edu)

The Economics of the Internationalisation Process
Peter J. Buckley, Leeds University
Niron Hashai, Hebrew University

We present a theoretical framework which captures the dynamics in the location and control configurations of internationalising firms on the basis of two major triggers: the ratio of fixed to variable costs of operation and knowledge flow cost. The framework predicts how changes in operation and knowledge flow costs as a function of foreign sales growth determine the location of and control over R&D, production and marketing activities in a world consisting of a home country, a destination country and a labour abundant country. We offer an alternative reasoning to that of behavioural stages models of internationalisation and demonstrate how high knowledge intensive firms and low knowledge intensive firms are expected to differ in their internationalisation process. (For more information, contact Peter J. Buckley, University of Leeds, United Kingdom, pjb@lubs.leeds.ac.uk)

Managing MNC through Compensation: The Elasticity of Work Contract Solution
Amir Shoham, Ben-Gurion University

In this paper, I developed a principal-agent, game-theoretic model of an MNC, intended to add to the understanding of how smart choices between incentives and monitoring structures are linked to an effective intra-firm flow of knowledge. The equilibrium depends on: the efficiency of substituting incentives for monitoring; culture differences between HQ home country and the Sub host country; and the culture of the HQ home country regarding centralization of the decision making. The study sheds new light on arguments within the International Management field about monitoring, incentives for managers, and managing knowledge transfer between Subs. (For more information, contact Amir Shoham, Ben-Gurion University, Israel, amirsho@bgu.ac.il)

Session: 3.3.7 - Competitive
Track: Track 4 - Economics, Finance and Taxation
Emerging Markets

Presented On: 7/12/2005 - 13:30-15:00
Chair: Sarkis Joseph Khoury, University of California, Riverside
Discussant: Chuck C.Y. Kwok, University of South Carolina

Do Foreign Investors Destabilize Emerging Stock Markets? Evidence from the BSE, Mumbai
Ronny Manos, The College of Management

Allowing foreign portfolio investors to participate in local stock exchanges of emerging markets may have a number of benefits for the local economy. A source of needed capital, increased liquidity, and a reduction in the cost of capital, are some of the benefits that may accrue to the local economy. Nonetheless, moving towards liberalization of local stock markets is often associated with concerns over the impact of such a move on stock returns volatility. Assessing whether these concerns are justified is important, and, given adequate evidence to the contrary, should encourage further liberalisation. Thus this paper seeks to explore the impact of foreign investors’ trading activity on the volatility of the Indian stock exchange. For testing the assertion, a Threshold GARCH-in-mean model is fitted to the daily stock returns of the Sensex Index from 2001 to 2004. The results indicate that, controlling for overall trading volume, foreign portfolio activity increases volatility. Although one possible explanation is that foreigners may have information locals do not have, results from more tests, using contingency tables, support the assertion that foreigners follow domestic traders. These findings
indicate that foreign investors are not better informed and that their trading may therefore be destabilising. (For more information, contact Ronny Manos, The College of Management, Israel, rmanos@colman.ac.il)

*Large Share Purchase as a Process: Evidence from Listed Firms in China*
Dean Xu, Peking University
Changhui Zhou, Peking University

We examine a sequential takeover process – purchases of large shares in two or more steps, as opposed to a one-time transaction. We discuss the information implications of such a process in the context of an emerging market, and relate it to some characteristics of the acquiring and target firms. Statistical analysis of 129 block-share purchases of listed Chinese firms shows that a sequential takeover process is more likely to be employed when ownership concentration of the target firm is high, when the target firm is not state-controlled, and when the acquirer is a private firm. (For more information, contact Dean Xu, Peking University, China, dxu@gsm.pku.edu.cn)

*Do Emerging Equity Markets Respond Symmetrically to the U.S. Upturn and Downturn? Evidence from Latin America*
Rahul Verma, University of Houston-Downtown
Priti Verma, University of Texas Pan American

We investigate the existence of asymmetries in Latin American equity markets to upturn and downturn in the U.S. market. We find the magnitude and the duration of time in which the upturn in the U.S. market is fully reflected in equity markets of Latin America is significantly different from that of the downturn in the U.S. market. The results are consistent with the view that international investors react to downturns more heavily than rewarding such upturns in the U.S. market. We conclude that if portfolios are formed based on average co-movements, which assume symmetry, the performance of the investment could be worse than expected in the down markets. (For more information, contact Rahul Verma, University of Houston-Downtown, USA, vermar@uhd.edu)

**Session: 3.3.8 - Competitive**
**Track: Track 5 - Innovation and Marketing**

*Developing Country Firms, First Movers and Diversification in Asia*

**Presented On:** 7/12/2005 - 13:30-15:00

**Chair:** Chol Lee, College of Business, Sogang University
**Discussant:** Helena Barnard, Rutgers University

*Creating First-Mover Advantages: The Case of Samsung Electronics*
Jang-Sup Shin, National University of Singapore
Sung-Won Jang, Samsung Economic Research Institute

This paper analyzes the sources of first-mover advantages by examining the case of Samsung Electronics, a firm which has maintained and strengthened the technological leadership in the DRAM industry since 1992. The focus is on endogeneity of first-mover advantages under changing technological and competitive environments, part of which are also shaped by the technology leader. It discusses general implications for firm growth, and strategy and organization for innovation. (For more information, contact Jang-Sup Shin, National University of Singapore, Singapore, eccsjs@nus.edu.sg)
Can Developing Country Firms Overcome Negative Country of Origin Stereotypes?
Lance E. Brouthers, University of Texas at El Paso
John W. Story, University of Texas - San Antonio
John Hadjimarcou, University of Texas at El Paso
Keith D. Brouthers, Temple University

Using signaling theory we tested (through a series of experiments) three strategies developing country firms might use to reduce negative COO influences in advanced industrialized nation markets: (1) reducing the noise caused by negative COO (through multiple country-of-origin labels), (2) boosting the signal (through using known brands) or (3) doing both (using known brands and multiple COO labels). All three strategies appeared to reduce negative COO effects and improve consumer product evaluations, with the most effective strategy being using both multiple COO labels and well known brand associations. (For more information, contact Lance Eliot Brouthers, University of Texas at El Paso, USA, lbrouthers@utep.edu)

The Diversification and R&D Relationship: A Re-examination Across Institutional Environments in Asia
Abhirup Chakrabarti, Duke University
Weiting Zheng, National University of Singapore
Kulwant Singh, National University of Singapore

We examine diversification and R&D intensity across different country environments, to clarify how firm and institutional heterogeneity influence the diversification-R&D relationship. We consider (1) that firm growth and business scope expansion may be outcomes of successful R&D; (2) that firm heterogeneity, such as firm size and business group affiliation, may confound the diversification-R&D relationship; (3) that the institutional environments, particularly the property rights regime, may affect propensity to invest in R&D; and (4) that institutional environments may moderate the relationship between diversification and R&D. In general, we find an inverted-U relationship between diversification and R&D intensity. We also find that firm size affects R&D intensity in a nonlinear fashion – both small firms and large firms have relatively higher R&D intensities than moderate sized firms. Firms had higher R&D intensities in favorable institutional environments, particularly in respect of the property rights regime. We found limited evidence of moderation with regards to R&D-diversification, no evidence that diversification was endogenous in the model, and no indication that omitted factors significantly affected our analysis. In general, our results support the need to pay closer attention to how specific firm and environmental contingencies affect the diversification-R&D relationship, particularly in international contexts. (For more information, contact Weiting Zheng, National University of Singapore, Singapore, weiting.zheng@nus.edu.sg)

Session: 3.3.9 - Competitive
Track: Track 5 - Innovation and Marketing

Franchising, and the International Supply Chain

Presented On: 7/12/2005 - 13:30-15:00

Chair: Serdar S. Durmusoglu, Michigan State University
Discussant: Daniel Baack, Saint Louis University

Master Franchising and Classifications of International Franchisors
James P. Johnson, Rollins College
Ilan Alon, Rollins College

Drawing upon Castrogiovanni & Justis's (1998) organizational configurations of franchising firms and the literature on master franchising, this empirical study examines the typologies of internationally-minded franchisors at the system level and the mode of entry they are likely to use when expanding overseas. Applying cluster analysis to a sample of 261 US-based franchisors, we found evidence of three types of franchisors, corresponding to Castrogiovanni and Justis's entrepreneurial, confederation, and carbon-copy forms. We also
found that master-franchising was the preferred expansion mode for the confederation form of franchisors, followed by carbon-copy and entrepreneurial franchisors. This research extends the study of franchise configurations to internationally-bound franchisors. The findings support the view that franchise groupings exist and that the characteristics of each may help explain variance in franchising strategies. (For more information, contact James Patrick Johnson, Rollins College, USA, jphjohnson@rollins.edu)

**Market versus Relational Exchange in the International Supply Chain**
Peter G. P. Walters, Hong Kong Polytechnic University
Saeed Samiee, University of Tulsa

Despite much interest in the relational exchange paradigm, market exchange may be preferable in many situations. This research focuses on these two forms of channel governance in the international supply chain context, drawing upon data gathered from Hong Kong intermediaries. The findings show that in interaction with customers and suppliers, relational exchange is dominant. This was unexpected since it was anticipated that electronic communication, through media such as the internet and world wide web, would facilitate the efficiency of international markets. Although this seems to be occurring, problems in "authenticating" potential customers and suppliers constrains international market exchange. It also appears that electronic communication provides opportunities for incremental value creation in international relational exchange. Another important finding is that the direction of business transactions has a significant impact, with relational exchange more likely with customers as compared to suppliers. Consideration of cultural, communication, investment and reputational variables did not provide an explanation for the impact of channel direction. (For more information, contact Peter G.P. Walters, Hong Kong Polytechnic University, Hong Kong, mspgpwal@polyu.edu.hk)

**Explaining the Level and Rate of Franchise Internationalization**
Ramdas Chandra, Concordia University

Franchising represents one of the fastest growing forms of international expansion, particularly among service firms. This study synthesizes several mainstream theories of international business, including agency theory, resource based view of the firm and internationalization process theory to develop and test hypotheses on the extent or degree or franchise internationalization and the speed or rate of internationalization. Using empirical data from U.S. franchisors between 1999 to 2004, the study finds strong justification for the use of these theories in explaining franchise system internationalization. The nature of the franchise contract, both franchise fees as well as royalty rates, and the strategic choice of contract mixing, in terms of company owned versus franchised outlets are strongly correlated with the rate and degree of internationalization. Some interesting results are also derived for other franchise characteristics such as age of the franchisor and length of franchising experience. The study concludes with some implications and suggestions for future research. (For more information, contact Ramdas Chandra, Concordia University, Canada, rchandra@jmsb.concordia.ca)

**Session: 3.3.10 - Panel**
**Track: Track 6 - Internationalization of Services**

**Globalization of Business Education: Strategic Approaches, Opportunities, and Challenges**

Presented On: 7/12/2005 - 13:30-15:00

Chair: Tatiana S. Manolova, Suffolk University
Discussant: C. Gopinath, Suffolk University

Focusing the School Around the Global Business Theme: The Experience of Suffolk University's Sawyer School of Management
Shahriar Khaksari, Suffolk University
Business Program Globalization at Bryant University
Alphonso O. Ogbuehi, Bryant University

Role of the CIBER Funding in Enhancing the International Business Programs of the School of Business,
University of Connecticut
Subhash C. Jain, University of Connecticut

Following the general trend in an increasingly service-based economy, education has seen a rapid rise in the
degree of its globalization. Globalization is identified as one of the major drivers for change of business
education and geographic reach is believed to be a critical success factor for business education in the 21st
century. The proposed roundtable will focus on the drivers for globalization of business education and the
strategic approaches taken towards globalization. Special emphasis will be placed on the opportunities and
challenges faced by business educators and administrators in smaller-sized schools and the role of CIBERs in
promoting the globalization of business education. (For more information, contact Tatiana S. Manolova, Suffolk
University, USA, tmanolov@suffolk.edu)

Faculty Collaboration in Teaching Global Business, MBA Teaching Process
Jane Ross, University of Maryland University College
Wilf Backhaus, University of Maryland University College
Monica Bolesta, University of Maryland University College
Andrew Creed, Deakin University, Australia
James Stewart, University of Maryland University College
Maurice Hladik, Iogen Corporation, Ottawa

This presentation stems from global business teaching and ongoing research of an interactive group of
professors working together in the service delivery of online MBA education at University of Maryland University
College. A model for collaborative teaching by delocated professors who literally span the globe - from
Australia to Canada, including the United Kingdom, both coasts of the USA, China and Dubai - is offered,
underscoring the enormous mobility of knowledge and knowledge workers. Working together as a collaborating
team, it was found that the "whole is greater than the sum of the parts". The teachers became more than a
teaching team, they became a collaborating operation as they worked together in the sharing and development
of materials, insights and knowledge. The model demonstrates how the teaching of global business in an MBA
environment is really an exercise in the management of global service operations. (For more information,
contact Jane Ross, University of Maryland, University College, USA, jross@umuc.edu)

Session: 3.3.11 - Competitive
Track: Track 7 - Managing Across Borders

Joint Ventures and Alliances

Presented On: 7/12/2005 - 13:30-15:00

Chair: John Clarry, The College of New Jersey
Discussant: Jing Li, Simon Fraser University

Alliance Network Diversity and Alliance Capability: Gaining Performance Benefits from International Strategic
Alliances
Dan Li, Texas A&M University
Jamie D. Collins, Texas A&M University

This paper argues that the composition of a firm’s alliance network (in terms of activity diversity, industry
diversity, and international diversity) affects its innovation performance. Additionally, the firm’s alliance
capabilities affect performance through structuring its alliance network with various diversity patterns. Results
indicate that heterogeneous alliance networks are more likely to be associated with better performance than
homogeneous alliance networks. Activity and industry diversities of an alliance network partially mediate the relationship between a firm's alliance capability and its performance; international diversity fully mediates the relationship between the firm's alliance capability and its performance. (For more information, contact Dan Li, Texas A&M University, USA, dli@cgsb.tamu.edu)

An Empirical Analysis of Moderating Effects of Parent Control on International Joint Ventures Performance
Jeryl Whitelock, University of Bradford
Hui Yang, University of Salford

This study explores the moderating effects of parent control on the strategic objectives of foreign firms entering international joint ventures (IJVs) in China and performance in relation to these objectives. The findings suggest that different strategic objectives of foreign partners have different performance outcomes based upon the degree of control exercised by the partner and the focus on different IJV activities. (For more information, contact Hui Yang, University of Salford, United Kingdom, h.yang@pgr.salford.ac.uk)

Patterns of Equity Ownership in Southeast Asian Joint Ventures
Malika Richards, Penn State University - Berks
Daniel C. Indro, Penn State University - Great Valley

Using a sample of 375 equity joint venture agreements between two partners in six Southeast Asian countries, we analyze the relationship between the foreign partner's equity ownership and the types of joint venture activities, operational alignment, partner uncertainty, and the frequency of transactions between the joint venture partners. In addition, we examine whether the relationship between the types of joint venture activities and the foreign partner's equity ownership depends on the relative bargaining power of the two partners. We also investigate whether the relationship between operational alignment and the foreign partner's equity ownership depends on the degree of control exercised by the partner. Our results suggest that the relationship between the types of joint venture activities and the foreign partner's equity ownership depends on cultural dissimilarity. In addition, a higher frequency of transactions between the joint venture partners is associated with a greater equity ownership by the foreign partner. However, there is no evidence that the relative bargaining power between the foreign and local partners moderates the relationship between the foreign partner's equity ownership and operational alignment. (For more information, contact Malika Richards, Penn State University - Berks, USA, mur12@psu.edu)

Partners' Common and Private Interests as Determinants of Use of Performance Related Compensation in International Joint Ventures
Yasheng Chen, Simon Fraser University
David Sharp, University of Western Ontario

This study investigates the impact of partners' common and private interests on the use of performance-related compensation in international joint ventures (IJVs). Using a sample of 3,495 IJVs in China, we found that the use of performance-related compensation in IJVs is affected by both the common and private interests of partners. The results also suggest that more powerful partners are able to influence the compensation design in favor of their private interests. Specifically, we found that IJVs with both partners sharing highest priority on short-term profits, and IJVs with larger percentage of foreign equity ownership put more weight on accounting performance measures. In contrast, older IJVs and IJVs with long-term commitment from both partners put less weight on accounting performance measures. (For more information, contact Yasheng Chen, Simon Fraser University, Canada, ychen@ivey.uwo.ca)
Leadership, its Effects and Effectiveness

Presented On: 7/12/2005 - 13:30-15:00

Chair: Joyce S. Osland, San Jose State University
Discussant: Allan Bird, University of Missouri - St. Louis

CEO Leader Values and Effectiveness in China: The Mediating Role of Constructive Controversy between Departments

Guoquan Chen, Tsinghua University, Beijing, China
Dean Tjosvold, Lingnan University
Liyan Wang, Lingnan University

The open-minded discussion of opposing views may characterize effective inter-departmental relations. Working in organizations in Shanghai, China, CEOs indicated their participation, people, and productivity values and Vice-Presidents indicated their constructive controversy and their CEO’s leader effectiveness. Structural equation analysis suggested that participation and people values affect constructive controversy that in turn results in leader effectiveness. However, productivity values were not predictive. The study’s findings and previous research were interpreted as suggesting that participation and people values coupled with constructive controversy provide a foundation for effective CEO leadership. (For more information, contact Liyan Wang, Lingnan University, Hong Kong, lwang@ln.edu.hk)

Effect of Interplay of National and Organizational Cultures on Subordinate Information Inquiry in Uncertain Times: A Transformational Leadership Perspective

Svjetlana Madzar, Gustavus Adolphus College/ University of Minnesota

This field study takes interest in subordinates' information seeking from their superiors through inquiry, in a complex organizational setting. Information inquiry is investigated via typology, in the context of upward communication, in which organizational hierarchy and corresponding communication norms and procedures play an important role. Data were collected amid high levels of uncertainty, also capturing cultural influences by including in the study multi-country operations of a large U.S.-based MNC. The countries involved in the study are France, Italy, Spain, U.K. and U.S. Survey data (N=2213) show significant influence of perceived transformational leadership style on the frequency of subordinates' information inquiry, across all five countries. A series of hierarchical multiple regressions reveal weak moderating effects of vertical individualism, power distance, tolerance for ambiguity, and an employee's level in the hierarchy, on this relationship. (For more information, contact Svjetlana Madzar, University of Minnesota, USA, smadzar@csom.umn.edu)

Literature Review of Global Leadership and Global Mindset

Joyce S. Osland, San Jose State University
Mark Mendenhall, University of Tennessee-Chattanooga
Asbjorn Osland, San Jose State University

This is the most extensive review to date of the empirical research on the combined topics of global leadership and global mindset -- two related and relatively young fields of study. Their significance lies in the assumption that they influence the performance of global firms. The paper begins by describing the context of global leadership. We summarize and critique the extant research and specify where future research is needed to advance these fields. We present the research findings and hypotheses about how global leadership and global mindset are developed. We propose a non-linear framework to describe the process of global leadership development. (For more information, contact Joyce S. Osland, San Jose State University, USA, osland_j@cob.sjsu.edu)
Minimizing Inconsistencies between Intended and Implemented HRM: The First Step towards Developing HR Systems that Contribute to Higher Organizational Performance

Shaista E. Khilji, American University
Xiaoyun Wang, Asper School of Management, University of Manitoba

The present study evaluates the relationship between HRM and organizational performance in Pakistani organizations by addressing a primary limitation in the existing body of literature. Rather than using a single respondent per organization as has been done in previous studies, we contrast reports of both managers and non-managers from inside and outside HR departments to highlight differences between ‘intended’ and ‘implemented’ HRM. The findings, arrived at with the help of 195 interviews, 508 questionnaire responses and several company documents, reveal inconsistencies in HRM implementation in the chosen sample. We argue a mere imitation of HRM in the hopes of improving organizational performance cannot be expected to create value. Based upon our quantitative analysis, which proves a significant relationship between employee satisfaction with HRM and organizational performance, we contend managers need to take up the roles of change makers and exhibit commitment to effective implementation of HRM in order to achieve higher levels of employee satisfaction. Since there is a clear evidence of organizations adopting HR systems similar to those adopted by organizations in United States, Canada and England, we conclude by arguing HRM in Pakistan is not distant from the Western models. (For more information, contact Shaista E. Khilji, American University, UAE, skhilji@american.edu)

The Perceived Role of Reward: Achieving Performance Priorities in Organizations

Flora F T Cheung, Chinese University of Hong Kong
Irene Hau-siu Chow, Chinese University of Hong Kong
Thomas A. Birtch, University of Cambridge

This study investigates the perceived reward influence on achieving performance priorities. Using a sample of over 1000 respondents drawn from a four country sample, the UK, Canada, Finland, and China, we examined the perceived performance implications of the popular set of reward instruments. Findings reveal that both financial and non-financial rewards exhibited differential impacts on performance priorities. The results extend our understanding of employee perceptions of reward-performance relationship. Salient country differences emerged, underscoring the unique features of the reward-performance relationship in the cross-border context. Nevertheless, caution must be exercised when interpreting the results, as other contextual factors may also influence perceived linkages, thus paving the way for future research. (For more information, contact Flora F. T. Cheung, Chinese University of Hong Kong, Hong Kong, florab@baf.msmail.cuhk.edu.hk)

Nation, Gender, Event Type, Sources Used and Values Predicting E-mail Use

Mark F. Peterson, Florida Atlantic University
Stephanie P. Thomason, Florida Atlantic University
Norm Althouse, University of Calgary
Gudrun Curri, Dalhousie University
Julie Rowney, University of Calgary

E-mail has considerable utility for handling a range of daily work situations throughout the world, although the choice about how much and for what situations to use it is likely to be affected by characteristics of the user. The present paper contributes to the literature about e-mail use in international business by considering the
implications of a user’s nationality, demographic identity, and organizational setting for the use of e-mail to handle three types of situations. The three types of situations are those involving subordinates’ performance and replacement, those involving issues within the user’s department, and those involving other departments. The results have implications for training individuals to consider the appropriateness of e-mail as a communication medium based on their nationality and other personal and contextual characteristics as well as on the type of situation. (For more information, contact Mark F. Peterson, Florida Atlantic University, USA, mpeterso@fau.edu)

*The Impact of Expatriates’ Internal Motivation, Boundaryless Career, and Perceptual Discrepancy on Satisfaction*

Hsi-an Shih, National Cheng Kung University
Pei-fen Lin, National Cheng Kung University

In this study, we employed SEM statistics technique to examine the relationships among expatriates’ internal motivation, boundaryless career, perceptual discrepancy of IHRM policies and practices, and the satisfaction of foreign assignment. After analyzing 120 expatriates in Chinese area, we found that expatriates’ internal motivation, boundaryless career, and perceptual discrepancy have effects on the satisfaction of their overseas posting. Furthermore, their perceptual discrepancy between expected and actual IHRM policies and practices plays an important role as a mediating variable in our model. (For more information, contact Hsi-an Shih, National Cheng Kung University, Taiwan, hashih@mail.ncku.edu.tw)

**Session: 3.3.14**

**Meet the Editors Session 2: Learning to Publish in International Business**

**Presented On:** 7/12/2005 - 13:30-15:00

Roundtable discussions with the editors of leading international business journals:
- Andrew Delios, Asia Pacific Journal of Management (Chief Editor)
- Pervez Ghaour, International Business Review (Editor)
- Bodo B. Schlegelmilch, Journal of International Marketing (Editorial Board Member, Ex-Editor 2000-2003) and European Business Forum (Academic Editor)
- Rosalie Tung, Journal of World Business (Editor-International HRM)
- Yahia H. Zoubir, Thunderbird International Business Review (Editor-in-Chief)

**Session: Fellows2**

**AIB Fellows Panel: China’s Future Role in International Business**

**Presented On:** 7/12/2005 - 15:30-17:00

**Chair:** Danny Van Den Bulcke, University of Antwerp

**Discussant:** Donald R. Lessard, M.I.T

**China’s Multinational Enterprises**
- Danny Van Den Bulcke, University of Antwerp

**China’s Challenge to International Business Theory and Practice**
- Oded Shenkar, Ohio State University

**Management Education in China**
- Paul Beamish, University of Western Ontario
Human Resource Aspects of China’s Internationalization  
Rosalie Tung, Simon Fraser University

(For more information, contact Danny G. Van Den Bulcke, University of Antwerp, Belgium, daniel.vandenbulcke@ua.ac.be)
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