Proceedings of the

49th Annual Meeting

of the

Academy of International Business

"Bringing the Country Back In: The Importance of Local Knowledge in a Global Economy"

Indianapolis, Indiana, USA
June 25-28, 2007

Editors
Oded Shenkar, Program Chair
Tunga Kiyak, AIB Managing Director

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# TABLE OF CONTENTS

Program Acknowledgements ........................................ 5  
Program Overview .................................................. 6  
Summary Program ................................................... 8  
Abstracts ........................................................................ 19  
  Monday Abstracts ................................................... 21  
  Tuesday Abstracts .................................................. 23  
  Wednesday Abstracts ............................................ 78  
  Thursday Abstracts ............................................... 143  
Index of Participants ................................................ 195  
Meeting Sponsors ..................................................... 215
2007 Program Acknowledgements

PROGRAM CHAIR
Oded Shenkar - The Ohio State University

PROGRAM ASSISTANT
Stephen Stenner - The Ohio State University

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Karl Moore - McGill University
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Tatiana Kostova - University of South Carolina
Carla Sturdivant - Duke University CIBER
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Alan Rugman
Bruce Jaffee
Carol Brown

Roberto Garcia
Cathy Bonser-Neal
Patricia McDougall
Roger Schmenner
## AIB 2007 Program Overview

**Indianapolis, IN, USA - June 25-28, 2007**

### Sunday, June 24
- **AIB Executive Board Meeting 8:00-1700**
- **AIB Doctoral Consortium 8:00-16:00**
- **AIB Senior Fellows Plenary 8:10-9:25**
- **AIB Presidential Reception Grand 1-3 1900-2000**

### Monday, June 25
- **AIB Doctoral Consortium 8:00-16:00**
- **AIB Junior Faculty Consortium 8:00-16:00**
- **AIB/JIBS Paper Development Workshop 8:00-16:00**
- **AIB Chapter Chairs Luncheon 8:00-12:00**

### Tuesday, June 26
- **1 AIB Fellows Plenary 8:10-9:25**
- **COFFEE BREAK 9:25-9:50**
- **1.2 Concurrent Sessions 9:50-11:05**
- **BREAK 11:05-11:15**
- **1.3 Concurrent Sessions 11:15-12:30**
- **1.4 Interactive Sessions with Light Lunch 12:30-13:45**
- **COFFEE BREAK 15:00-15:30**
- **1.6 Keynote Speaker: James T. Morris 15:30-1700**

### Welcome Remarks and AIB Fellows' Opening Plenary 17:00-1900

### COBRE Center for Leadership Excellence Reception 17:00-18:30

### Tobias Center for Leadership Excellence Reception 17:00-18:30

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**AIB 2007 Conference Proceedings**

Page 6
### AIB 2007 Program Overview

**Indianapolis, IN, USA - June 25-28, 2007**

<table>
<thead>
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**COFFEE BREAK 9:25-9:50**

**BREAK 11:05-11:15**

**COFFEE BREAK 15:00-15:30**

**BREAK 11:05-11:15**

**COFFEE BREAK 15:00-15:30**

**JIBS Decade Award Plenary 13:45-15:00**

**JIBS Decade Award Reception / Farewell Party 17:00-18:30**
2007 AIB Summary Program
Indianapolis, USA
June 25-28, 2007

Registration
Grand 4 Foyer (in front of Grand 4 & 5)
Hours: 7:30-19:00 - Mon, June 25
8:00-17:15 - Tue, June 26
8:00-16:30 - Wed, June 27 - Thu, June 28

Placement Center
Room: Capitol I
Hours: 8:30-17:00 - Tue, June 26 & Wed, June 27
8:30-15:30 - Thu, June 28

Exhibits
Room: Grand 4-5
Hours: 9:00-18:00 (Tue, June 26)
9:00-17:30 (Wed, June 27)
9:00-15:30 (Thu, June 28)

SUNDAY, JUNE 24

AJBS Annual Conference
SUNDAY, JUNE 24 - 08:00-18:00
   Time: 08:00-18:00

AIB Board Meeting
SUNDAY, JUNE 24 - 08:30-17:00
   Time: 08:30-17:00
   Room: Boardroom

Doctoral Student Consortium Reception
SUNDAY, JUNE 24 - 17:00-19:00
   Time: 17:00-19:00
   Room: State

MONDAY, JUNE 25

AJBS Annual Conference
MONDAY, JUNE 25 - 08:00-12:00
   Time: 08:00-12:00

Session: 0.1 - Pre-Conference Workshop
   Time: 08:00-16:00

Doctoral Student Consortium
Session: 0.2 - Pre-Conference Workshop
   Time: 08:00-16:00

Junior Faculty Consortium
Session: 0.3 - Pre-Conference Workshop
   Time: 08:00-16:00

JIBS/AIB Paper Development Workshop
MONDAY, JUNE 25 - 08:30-12:30
Time: 08:30-12:30
Room: Boardroom
AIB Board Meeting

MONDAY, JUNE 25 - 12:30-14:00
Time: 12:30-14:00
Room: Boardroom
AIB Chapter Chairs Luncheon

MONDAY, JUNE 25 - 17:00-19:00
Session: 0.4 - Plenary
Time: 17:00-19:00
Room: Capitol II-III
Opening Plenary: Welcome Remarks and AIB Fellows’ Opening Plenary Honoring Douglass C. North

MONDAY, JUNE 25 - 19:00-22:00
Time: 19:00-22:00
Room: Grand 1-3
Presidential Reception

TUESDAY, JUNE 26 - 07:00-08:10
Time: 07:00-08:10
Room: State
AIB Track Chairs’ Breakfast

TUESDAY, JUNE 26 - 08:10-09:25
Session: 1.1 - Plenary
Time: 08:10-09:25
Room: Capitol II-III
The Value of Local Knowledge in International Business (AIB Fellows Plenary)

TUESDAY, JUNE 26 - 09:25-09:50
Coffee Break

TUESDAY, JUNE 26 - 09:50-11:05
Session: 1.2.1 - Panel
Time: 09:50-11:05
Track 8-Marketing
Room: Grand 1
Publishing International Marketing Scholarship in the Leading International Business Journals: Editorial Insights (Showcase Session)

Session: 1.2.2 - Panel
Time: 09:50-11:05
Track 2-Theory Dev. and Empirical Modeling
Room: Grand 2
The Obsolescing Bargain Model: Enduring Insights and New Directions

Session: 1.2.3 - Competitive
Time: 09:50-11:05
Track 3-International Finance and Accounting
Room: Grand 3
Project and Political Risk

Session: 1.2.4 - Competitive
Time: 09:50-11:05
Track 1-The Historical Dimension in IB
Room: Council
Issues and Trends in International Business – A Historical Perspective

Session: 1.2.5 - Competitive
Time: 09:50-11:05
Track 5-Global Strategy
Room: Chamber
Post-entry Action in Local Markets

Session: 1.2.6 - Competitive
Time: 09:50-11:05
Track 9-Global versus Local Knowledge
Room: Caucus
The Nature of Local Knowledge

Session: 1.2.7 - Competitive
Time: 09:50-11:05
Track 7-Managing People across Cultures
Room: Cabinet
Management of Expatriates

Session: 1.2.8 - Competitive
Time: 09:50-11:05
Track 5-Global Strategy
Room: Cameral
Capabilities, Innovation and Strategic Response
<table>
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<tr>
<th><strong>Session:</strong> 1.2.9 - Competitive</th>
<th><strong>Time:</strong> 09:50-11:05</th>
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<td><strong>Track 5-Global Strategy</strong></td>
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**Drivers of International Diversification**

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<td><strong>Track 4-Emerging Markets (EM) and MNEs</strong></td>
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**Finance and Emerging Markets**

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<td><strong>Track 5-Global Strategy</strong></td>
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**Semiglobalization and International Business**

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<th><strong>Time:</strong> 11:15-12:30</th>
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**Gender, Geography, and Leadership in International Business (WAIB Special Session)**

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<th><strong>Time:</strong> 11:15-12:30</th>
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**Perspectives on Japanese Business: AJBS Best Paper Finalists (AJBS Special Session)**

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<th><strong>Time:</strong> 11:15-12:30</th>
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<td><strong>Track 9-Global versus Local Knowledge</strong></td>
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**Liability of Foreignness**

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**Governance Strategies and Emerging Markets**

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**Econometric Modeling**

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**Subsidiary Roles in the Multinational Firm**

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**Outsourcing, Offshoring, and the Role of Location**

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<td><strong>Track 7-Managing People across Cultures</strong></td>
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**Communication and Negotiations across Borders**

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**Global Branding and Segmentation Issues**

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**Interactive Sessions with Light Lunch (I)**

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**Culture and Alternative Models**

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**Cross-National Influences on Corporate Governance**

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**Internationalization and Emerging Markets**

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**New Horizons for Emerging Markets**

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**Perspectives in Global Strategy (I)**

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**Networks or Alliances**

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<td><strong>Track 5-Global Strategy</strong></td>
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**Offshoring or National Advantage**

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<th><strong>Session:</strong> 1.4.8 - Interactive</th>
<th><strong>Time:</strong> 12:30-13:45</th>
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<td><strong>Track 5-Global Strategy</strong></td>
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TUESDAY, JUNE 26

Session: 1.4.8 - Interactive
Track 6-International Entrepreneurship
Cognitive and Institutional Forces Shaping International Entrepreneurship

Session: 1.4.9 - Interactive
Track 7-Managing People across Cultures
Managing People across the Asia Pacific Region

Session: 1.4.10 - Interactive
Track 7-Managing People across Cultures
International Negotiations and Strategy

Session: 1.4.11 - Interactive
Track 9-Global versus Local Knowledge
International Marketing Issues

Session: 1.4.12 - Interactive
Track 5-Global Strategy
Knowledge Transfer and Learning in Alliances and Networks

AIB Fellows’ Business Meeting

TUESDAY, JUNE 26 - 13:45-15:00

Session: 1.5.1 - Special Session
Women Leaders In International Business Education: Four Deans Tell It Like It Is (WAIB Special Session)

Session: 1.5.2 - Panel
International Entrepreneurship: Current Debates and Future Directions (Showcase Panel)

Session: 1.5.3 - Competitive
Track 3-International Finance and Accounting
Determinants of Multinationality

Session: 1.5.4 - Competitive
Track 8-Marketing
Global Supply Chains

Session: 1.5.5 - Competitive
Track 5-Global Strategy
Joint Ventures, Technology, and Entry Strategies

Session: 1.5.6 - Competitive
Track 6-International Entrepreneurship
Networks & Global Venturing

Session: 1.5.7 - Competitive
Track 7-Managing People across Cultures
Managing People across the Asia Pacific Region

Session: 1.5.8 - Competitive
Track 4-Emerging Markets (EM) and MNEs
Internationalization and Entrepreneurship In Emerging Markets

Session: 1.5.9 - Competitive
Track 5-Global Strategy
Alliance Strategies and Performance

Session: 1.5.10 - Competitive
Track 7-Managing People across Cultures
Probing the Culture Concept

Session: 1.5.11 - Competitive
Track 9-Global versus Local Knowledge
Knowledge Processes for Innovation (I)

Coffee Break

TUESDAY, JUNE 26 - 15:00-15:30

Session: 1.6 - Plenary
Keynote Address: “Leadership on Important Global Issues”
TUESDAY, JUNE 26 - 17:00-18:00

Time: 17:00-18:00
Room: Grand 4-5

Tobias Center for Leadership Excellence Reception

TUESDAY, JUNE 26 - 19:00-22:00

Time: 19:00-22:00

AIB Fellows’ Dinner

WEDNESDAY, JUNE 27

WEDNESDAY, JUNE 27 - 08:10-09:25

Session: 2.1.1 - Panel
Track 5-Global Strategy
Time: 08:10-09:25
Room: Grand 1

Debate: Is There a General Theory of Internationalization and Performance?

Session: 2.1.2 - Panel
Track 4-Emerging Markets (EM) and MNEs
Time: 08:10-09:25
Room: Grand 2

New Country Risks and Perspectives

Session: 2.1.3 - Panel
Track 6-International Entrepreneurship
Time: 08:10-09:25
Room: Grand 3

The Use of Ex-Host Country Nationals or Returnees: The Importance of Local Knowledge in a Global Economy

Session: 2.1.4 - Competitive
Track 9-Global versus Local Knowledge
Time: 08:10-09:25
Room: Council

Exploration and Exploitation

Session: 2.1.5 - Competitive
Track 1-The Historical Dimension in IB
Time: 08:10-09:25
Room: Chamber

The Evolution of International Business

Session: 2.1.6 - Competitive
Track 4-Emerging Markets (EM) and MNEs
Time: 08:10-09:25
Room: Caucus

Institutions, Institutional Effects, and Emerging Markets

TUESDAY, JUNE 26

Session: 2.1.7 - Competitive
Track 5-Global Strategy
Time: 08:10-09:25
Room: Cabinet

Japan in IB: Home and Away

Session: 2.1.8 - Competitive
Track 3-International Finance and Accounting
Time: 08:10-09:25
Room: Cameral

International Accounting

Session: 2.1.9 - Competitive
Track 6-International Entrepreneurship
Time: 08:10-09:25
Room: Congress

Process of International Venturing

Session: 2.1.10 - Competitive
Track 5-Global Strategy
Time: 08:10-09:25
Room: Senate 1

Acquisition Strategies and Performance

Session: 2.1.11 - Competitive
Track 7-Managing People across Cultures
Time: 08:10-09:25
Room: Senate 2

Management of People in the East Asian Context

WEDNESDAY, JUNE 27 - 09:25-09:50

Time: 09:25-09:50
Room: Grand 4-5

Coffee Break

WEDNESDAY, JUNE 27 - 09:50-11:05

Session: 2.2.1 - Panel
Track 7-Managing People across Cultures
Time: 09:50-11:05
Room: Grand 1

Future of Cross Cultural and Comparative Research in International Business (Showcase Panel)

Session: 2.2.2 - Panel
Track 9-Global versus Local Knowledge
Time: 09:50-11:05
Room: Grand 2

Corporate Governance in International Business: Local Requirements versus Global Expectations

Session: 2.2.3 - Competitive
Track 2-Theory Dev. and Empirical Modeling
Time: 09:50-11:05
Room: Grand 3

Modeling Inter-Firm Relationships

Session: 2.2.4 - Competitive
Track 8-Marketing
Time: 09:50-11:05
Room: Council

International Marketing of Services (I)
WEDNESDAY, JUNE 27

Organizational Learning and Alliances
Session: 2.2.5 - Competitive
Track 5 - Global Strategy
Time: 09:50-11:05
Room: Chamber

Foreign Direct Investment
Session: 2.4.2 - Interactive
Track 2 - Theory Dev. and Empirical Modeling
Time: 12:30-13:45
Room: Grand 4-5

Headquarters-Subsidiary Relationships
Session: 2.2.6 - Competitive
Track 5 - Global Strategy
Time: 09:50-11:05
Room: Caucus

Models and Theories of the MNE
Session: 2.4.3 - Interactive
Track 2 - Theory Dev. and Empirical Modeling
Time: 12:30-13:45
Room: Grand 4-5

Effect of International Entrepreneurship
Session: 2.2.7 - Competitive
Track 6 - International Entrepreneurship
Time: 09:50-11:05
Room: Cabinet

International Financial Strategies
Session: 2.4.4 - Interactive
Track 3 - International Finance and Accounting
Time: 12:30-13:45
Room: Grand 4-5

Control & Coordination Mechanisms in Knowledge Transfer (I)
Session: 2.2.8 - Competitive
Track 9 - Global versus Local Knowledge
Time: 09:50-11:05
Room: Cameral

International Influences on Asset Pricing
Session: 2.4.5 - Interactive
Track 3 - International Finance and Accounting
Time: 12:30-13:45
Room: Grand 4-5

Strategy, Capabilities, and Performance
Session: 2.2.9 - Competitive
Track 5 - Global Strategy
Time: 09:50-11:05
Room: Congress

Agglomeration and Emerging Markets
Session: 2.4.6 - Interactive
Track 4 - Emerging Markets (EM) and MNEs
Time: 12:30-13:45
Room: Grand 4-5

The Sociology of Emerging Markets’ Firms
Session: 2.2.10 - Competitive
Track 4 - Emerging Markets (EM) and MNEs
Time: 09:50-11:05
Room: Senate 1

Emerging Markets and Local Institutions
Session: 2.4.7 - Interactive
Track 4 - Emerging Markets (EM) and MNEs
Time: 12:30-13:45
Room: Grand 4-5

Entry Issues
Session: 2.4.8 - Interactive
Track 5 - Global Strategy
Time: 12:30-13:45
Room: Grand 4-5

National Culture and International Entrepreneurship
Session: 2.4.9 - Interactive
Track 6 - International Entrepreneurship
Time: 12:30-13:45
Room: Grand 4-5

Interactive Sessions with Light Lunch (II)
Session: 2.4.1 - Interactive
Track 1 - The Historical Dimension in IB
Time: 12:30-13:45
Room: Grand 4-5

International Organizational Behavior Processes
Session: 2.4.10 - Interactive
Track 7 - Managing People across Cultures
Time: 12:30-13:45
Room: Grand 4-5

Globalization in Perspective
Session: 2.4.11 - Interactive
Track 8 - Marketing
Time: 12:30-13:45
Room: Grand 4-5

Knowledge Transfer within Organizations
Session: 2.4.12 - Interactive
Track 9 - Global versus Local Knowledge
Time: 12:30-13:45
Room: Grand 4-5

WEDNESDAY, JUNE 27 - 11:05-11:15
Break

WEDNESDAY, JUNE 27 - 11:15-12:30
Session: 2.3 - Plenary
Time: 11:15-12:30
Room: Capitol II-III

AIB Fellows’ International Executive of the Year Award - Tim Solso, Cummins Inc.

WEDNESDAY, JUNE 27 - 12:30-13:45
Session: 2.4 - Interactive
Time: 12:30-13:45
Room: Grand 4-5

Interactive Sessions with Light Lunch (II)
Session: 2.4.1 - Interactive
Track 1 - The Historical Dimension in IB
Time: 12:30-13:45
Room: Grand 4-5
**WEDNESDAY, JUNE 27 - 13:45-15:00**

**Session: 2.5.1 - Panel**
Track 5-Global Strategy
Room: Grand 1

**Sport Business and Sport: Facing the Challenges of Internationalization**

**Session: 2.5.2 - Panel**
Track 2-Theory Dev. and Empirical Modeling
Room: Grand 2

**Methodological Issues in International Business: Location Choice, Knowledge Flows, and MNE Activity**

**Session: 2.5.3 - Competitive**
Track 4-Emerging Markets (EM) and MNEs
Room: Grand 3

**Impact of Ownership Preferences for Emerging Markets**

**Session: 2.5.4 - Competitive**
Track 5-Global Strategy
Room: Council

**Is It Global or Is It Regional?**

**Session: 2.5.5 - Special Session**
Room: Chamber

**Emerging Scholars in Australia and New Zealand (ANZIBA Special Session)**

**Session: 2.5.6 - Competitive**
Track 8-Marketing
Room: Caucus

**Marketing Capabilities**

**Session: 2.5.7 - Competitive**
Track 3-International Finance and Accounting
Room: Cabinet

**International Financial Markets and Ownership**

**Session: 2.5.8 - Competitive**
Track 7-Managing People across Cultures
Room: Camera

**International Organizational Behavior**

**Session: 2.5.9 - Competitive**
Track 9-Global versus Local Knowledge
Room: Congress

**MNC Subsidiary and Local Knowledge**

**WEDNESDAY, JUNE 27 - 15:00-15:30**

**Coffee Break**

**WEDNESDAY, JUNE 27 - 15:30-16:45**

**Session: 2.6.1 - Special Session**
Room: Grand 1

**Priming for M&A Success in a Foreign Market - China (Deloitte Special Session)**

**Session: 2.6.2 - Competitive**
Track 4-Emerging Markets (EM) and MNEs
Room: Grand 2

**Shaping Industry Trajectories in Emerging Markets**

**Session: 2.6.3 - Competitive**
Track 5-Global Strategy
Room: Grand 3

**Entry Mode Choices**

**Session: 2.6.4 - Competitive**
Track 2-Theory Dev. and Empirical Modeling
Room: Council

**Modeling Institutional and Political Risk**

**Session: 2.6.5 - Competitive**
Track 7-Managing People across Cultures
Room: Chamber

**Leadership in the International Context**

**Session: 2.6.6 - Competitive**
Track 4-Emerging Markets (EM) and MNEs
Room: Caucus

**Business Groups’ Performance in Emerging Markets**

**Session: 2.6.7 - Competitive**
Track 9-Global versus Local Knowledge
Room: Cabinet

**Networks and Intra-Firm Knowledge Transfer (I)**
WEDNESDAY, JUNE 27

Session: 2.6.8 - Competitive
Track 5-Global Strategy
Room: Cameral
Liability of Foreignness in International Strategy

Session: 2.6.9 - Competitive
Track 8-Marketing
Room: Congress
Standardization/Adaptation Strategies

Session: 2.6.10 - Panel
Track 6-International Entrepreneurship
Room: Senate 1
Global Business Research and Teaching Tools: The Case of the Global Marketing Management System Online (GMMSO) ©

WEDNESDAY, JUNE 27 - 17:00-18:00

Time: 17:00-18:00
Room: Grand 1
WAIB Business Meeting

WEDNESDAY, JUNE 27 - 19:00-22:00

Time: 19:00-22:00
Gala Event at the Eiteljorg Museum

THURSDAY, JUNE 28

THURSDAY, JUNE 28 - 08:10-09:25

Session: 3.1.1 - Special Session
Time: 08:10-09:25
Room: Grand 1
Farmer Dissertation Award Presentations

Session: 3.1.2 - Competitive
Track 3-International Finance and Accounting
Room: Grand 2
Cross Listing Effects

Session: 3.1.3 - Competitive
Track 2-Theory Dev. and Empirical Modeling
Room: Grand 3
Alternative Modeling Techniques in IB

Session: 3.1.4 - Competitive
Track 5-Global Strategy
Room: Council
International Strategies and Export Trade

Session: 3.1.5 - Competitive
Track 7-Managing People across Cultures
Room: Chamber
International Joint Ventures & Acquisitions

Session: 3.1.6 - Competitive
Track 5-Global Strategy
Room: Caucus
Local Market Factors in Market Entry Decisions

Session: 3.1.7 - Competitive
Track 6-International Entrepreneurship
Room: Cabinet
New Ventures in the Knowledge Economy

Session: 3.1.8 - Competitive
Track 4-Emerging Markets (EM) and MNEs
Room: Cameral
Knowledge Management in Emerging Markets

Session: 3.1.9 - Competitive
Track 9-Global versus Local Knowledge
Room: Congress
Control & Coordination Mechanisms in Knowledge Transfer (II)

Session: 3.1.10 - Competitive
Track 8-Marketing
Room: Senate 1
Cross-Cultural Consumer Behavior

THURSDAY, JUNE 28 - 09:25-09:50

Time: 09:25-09:50
Room: Grand 4-5
Coffee Break

THURSDAY, JUNE 28 - 09:50-11:05

Session: 3.2.1 - Special Session
Time: 09:50-11:05
Room: Grand 1
The UNCTAD World Investment Report (WIR): Emergent Trends in International Business and Development

Session: 3.2.2 - Panel
Time: 09:50-11:05
Room: Grand 2
International Business Negotiations Research: Past, Present and Future Perspectives
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**How and When to Offshore**

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**Debating Theoretical Perspectives in IB**

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**International Marketing of Services (II)**

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**International Merger and Acquisition Activity**

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<td>Track 9-Global versus Local Knowledge</td>
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**Networks and Intra-Firm Knowledge Transfer (II)**

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**Virtual Teams in International Context**

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**Cultural Variations in Work and Non-Work Contexts**

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**Networking, Capabilities and Complementarity**

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**THURSDAY, JUNE 28 - 11:05-11:15**

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**Market Entry and Local Institutions**

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<td>Track 9-Global versus Local Knowledge</td>
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**Study Abroad Programs in International Business in a Post-9/11 Environment: Is the Book Being Re-written on Overseas Educational Opportunities?**

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**Performance of Emerging Market Firms**

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**Choosing Locations for R & D**

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**Entrepreneurial Venturing in Different Global Contexts**

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**Buyer-Seller Relationships**

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**Knowledge Processes for Innovation (II)**

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**Legitimacy and Control of International Operations**

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**Societal Effects of Corporate Investment in Emerging Markets**

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**THURSDAY, JUNE 28 - 11:15-12:30**

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**Interactive Sessions with Light Lunch (III)**

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**THURSDAY, JUNE 28 - 12:30-13:45**

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**Multi-Level Issues in International Business Research**

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**Real Options: Real or Imagined?**

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**Political Risk and Productivity**

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<td>Track 3-International Finance and Accounting</td>
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**Societal Impacts on Accounting Compliance**

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**Governance Structures and Emerging Markets**

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**Knowledge Management in Emerging Markets**

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**Various Issues Concerning China**

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**Small Countries and Internationalizing**

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**Perspectives in Global Strategy (II)**

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<th>Session: 3.4.9 - Interactive</th>
<th>Time: 12:30-13:45</th>
<th>Room: Grand 4-5</th>
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<tr>
<td>Track 6-International Entrepreneurship</td>
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**Unleashing the Powers of International Entrepreneurship**

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<th>Session: 3.4.10 - Interactive</th>
<th>Time: 12:30-13:45</th>
<th>Room: Grand 4-5</th>
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<td>Track 7-Managing People across Cultures</td>
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**Expatriate Management**

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<th>Session: 3.4.11 - Interactive</th>
<th>Time: 12:30-13:45</th>
<th>Room: Grand 4-5</th>
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<td>Track 7-Managing People across Cultures</td>
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**Role of Culture in Organizational Processes**

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<th>Session: 3.4.12 - Interactive</th>
<th>Time: 12:30-13:45</th>
<th>Room: Grand 4-5</th>
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<td>Track 8-Marketing</td>
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**Cross-Cultural Promotion**

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**THURSDAY, JUNE 28**

**JIBS Decade Award Presentation**

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<tr>
<th>Session: 3.5 - Plenary</th>
<th>Time: 13:45-15:00</th>
<th>Room: Capitol II-III</th>
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**Coffee Break**

**THURSDAY, JUNE 28**

**JIBS Decade Award Reception / Farewell Party**

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**THURSDAY, JUNE 28 - 13:45-15:00**

**Cultural Influences on Knowledge Transfer**

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<tr>
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<th>Time: 12:30-13:45</th>
<th>Room: Grand 4-5</th>
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<td>Track 9-Global versus Local Knowledge</td>
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**THURSDAY, JUNE 28 - 15:00-15:30**

**Coffee Break**

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**THURSDAY, JUNE 28 - 15:30-17:00**

**AIB Awards Ceremony and Business Meeting**

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**THURSDAY, JUNE 28 - 17:00-18:30**

**JIBS Decade Award Reception / Farewell Party**
ABSTRACTS
Session: 0.1 - Pre-Conference Workshop

**Doctoral Student Consortium**

**Presented On:** June 25, 2007 - 08:00-16:00

**Chair:** Lena Zander, Stockholm School of Economics

**Facilitators:**
- Henry W. Lane, Northeastern University
- Jane W. Lu, Singapore Management University
- Klaus E. Meyer, University of Reading
- William Newburry, Florida International University
- Elizabeth L. Rose, Victoria University of Wellington
- Alain Verbeke, University of Calgary
- Eleanor Westney, Massachusetts Institute of Technology
- Lena Zander, Stockholm School of Economics
- Xavier Martin, Tilburg University

(For more information, please contact: Lena Zander, Stockholm School of Economics, Sweden: lena.zander@hhs.se)

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Session: 0.2 - Pre-Conference Workshop

**Junior Faculty Consortium**

**Presented On:** June 25, 2007 - 08:00-16:00

**Chair:** Srilata A. Zaheer, University of Minnesota

**Faculty Panel:**
- Farok J. Contractor, Rutgers University
- Jean-François Hennart, Tilburg University
- Sumit Kumar Kundu, Florida International University
- Torben Pedersen, Copenhagen Business School
- Hemant Merchant, Simon Fraser University
- Jane Salk, University of Texas at Dallas
- Shaker Zahra, University of Minnesota
- Africa Arino, IESE
- Srilata A. Zaheer, University of Minnesota

(For more information, please contact: Srilata A. Zaheer, University of Minnesota, USA: szaheer@csom.umn.edu)
Opening Plenary: Welcome Remarks and AIB Fellows’ Opening Plenary Honoring Douglass C. North

Presented On: June 25, 2007 - 17:00-19:00

Chair: John H. Dunning, University of Reading and Rutgers University

Welcome Remarks - AIB President
Stefanie Lenway, University of Illinois at Chicago

Welcome Remarks - Local Arrangements Committee Chair
Marjorie Lyles, Indiana University

Welcome Remarks - Dean of Host School
Dan Smith, Indiana University

Presentation of the AIB Fellows’ International Dean of the Year Award
Jean J. Boddewyn, Baruch College, CUNY
James D. Goodnow, Bradley University

AIB Fellows’ Opening Plenary Honoring Douglass C. North
Douglass North, Washington University in St. Louis
Jean-François Hennart, Tilburg University
Eleanor Westney, Massachusetts Institute of Technology
Mira Wilkins, Florida International University
ABSTRACTS FOR TUESDAY, JUNE 26, 2007

Session: 1.1 - Plenary

The Value of Local Knowledge in International Business (AIB Fellows Plenary)

Presented On: June 26, 2007 - 08:10-09:25

Chair: Oded Shenkar, Ohio State University

Panelists:
- Mary Ann Von Glinow, Florida International University
- Rosalie L. Tung, Simon Fraser University
- Alan M. Rugman, Indiana University
- John Cantwell, Rutgers University
- Masaaki Kotabe, Temple University

(For more information, please contact: Oded Shenkar, Ohio State University, USA: shenkar.1@osu.edu)

Session: 1.2.1 - Panel
Track: Track 8-Marketing

Publishing International Marketing Scholarship in the Leading International Business Journals: Editorial Insights (Showcase Session)

Presented On: June 26, 2007 - 09:50-11:05

Chair: David A. Griffith, Michigan State University

Journal of International Business Studies, Marketing Area Editor
Daniel C. Bello, Georgia State University

Journal of World Business, Co-Editor
John W. Slocum, Southern Methodist University

Journal of International Marketing, Editor
David A. Griffith, Michigan State University

International Marketing Review, Editorial Advisory Board Member
Stan Paliwoda, University of Strathclyde

The field of international marketing is advanced through scholarly contributions. Most notably, the impact of these contributions is strongly related to the publication outlets in which they appear. A citation analysis and a survey of perceived quality conducted by Dubois and Reeb (2000) identified leading journals in the field of international business. Of the five leading international business journals, four either focus specifically on the area of international marketing or have specialized editors for international marketing. In this session editors from these four journals will provide a brief overview of their journals and then provide specific guidance to international marketing academics on publishing in these journals (inclusive of emerging themes, research standards, etc.). (For more information, please contact: David A. Griffith, Michigan State University, USA: griffith@bus.msu.edu)
The Obsolescing Bargain Model: Enduring Insights and New Directions

Presented On: June 26, 2007 - 09:50-11:05

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

Panelists:
- Lorraine Eden, Texas A&M University
- Stephen Kobrin, University of Pennsylvania
- Jonathan Doh, Villanova University
- Bennet Zelner, Duke University
- Dale Murphy, Georgetown University

Steve Kobrin's empirical test of the obsolescing bargain model, published in International Organization (1987), will be 20 years old this year. An AIB panel looking at key insights from the obsolescing bargain model, and new directions in research on the model, therefore appears very appropriate. The four papers in this session look back at the MNE-state bargaining model and forward in terms of new directions in research. Given the worsening relations between multinationals and nation states in many parts of the world (e.g., Venezuela, Russia), this panel is timely also from a public policy viewpoint. (For more information, please contact: Lorraine Eden, Texas A&M University, USA: leden@tamu.edu)

Analyzing State-MNC Bargaining and the OB Model: Enduring Insights and New Directions
Stephen Kobrin, University of Pennsylvania

Raymond Vernon (1971) described relationships between investors in the extractive sector and host country governments in terms of an obsolescing bargain. He argued that given very capital intensive and immobile investments the investor's bargaining power began to decline "the moment the ink dried" and after that point, there was an inexorable shift in bargain power from the firm to the host government. Kobrin (1987), among others, extended Vernon's model to the manufacturing sector, arguing that while the terms of the initial contract still reflected relative bargaining power, that the flexibility inherent in the manufacturing sector raised the possibility of limiting the shift of bargaining power to the host state. That is, manufacturing investors have options that resource investors do not in terms of structuring the investment with retention of bargaining power in mind and/or providing additional "chips" of value to host governments. In this paper I argue that while the bargaining model remains relevant, significant changes in the nature of the global economy, developing countries attitudes towards FDI and the nature of political risk need to be taken into account in its application. (For more information, please contact: Stephen Kobrin, University of Pennsylvania, USA: kobrins@wharton.upenn.edu)

Responsible Framing of MNC-LDC Bargaining Models
Dale Murphy, Georgetown University

Much literature on the alleged "obsolescing bargain" (since 1971) framed hypotheses either in terms of (1) helpless and benevolent MNCs being abused by misguided developing country governments, or -- less often, given funding sources -- (2) MNCs exploiting weak host governments. Steven Kobrin's nuanced work has challenged both cognitive frames. He analyzes which circumstances have resulted in different outcomes for firm-state bargaining. Equally if not more important, he analyzes changes over time in this negotiating dynamic,
implicitly acknowledging that the structure of political economy is dynamic, strategic, and intentional (like a chess-game). His work was an early challenge to the Washington Consensus, while still receiving accolades from within the Beltway and boardrooms across the country. Anticipating critiques of plutocracy that emerged a dozen years later, Kobrin (1987) observed: "In many of the most important industries that are characterized by innovative and intensive technology or global integration, changes in bargaining power may be almost completely out of the developing host countries' control." His work is thus an exemplar and rich source of discussion about policy and responsible scholarship. (For more information, please contact: Dale Murphy, Georgetown University, USA: murphydd@georgetown.edu)

**Back to the Future: The Relevance of the Obsolescing Bargain Model in the 21st Century**

Jonathan Doh, Villanova University

The obsolescing bargaining (OB) model as proposed by Vernon (1971) and further explicated by Kobrin (1987) remains a powerful perspective for understanding the dynamics of multinational (MNE) - host country relations. In this presentation, I will reflect on the relevance of the OB model in the current IB environment. I will discuss overall trends in MNE-host government bargaining and report on aggregate recontracting data as well as specific case studies in which the OB model appears to be alive and well. I will then explore two developments that potentially diminish the relevance and significance of the OB model and call for its respecification: (1) the emergence of NGOs as powerful counterpoints to MNEs that influence the dynamics of MNE-host government bargaining, and (2) the increasing incidence of offshore outsourcing of services for which the OB model has less direct salience. I'll conclude with suggestions for how the model might be modified to account for these developments. (For more information, please contact: Jonathan Doh, Villanova University, USA: jonathan.doh@villanova.edu)

**Institutions, Interests and the Obsolescing Bargain Model**

Witold J. Henisz, University of Pennsylvania
Bennet Zelner, Duke University

The central insight of the canonical obsolescing bargain model is that the balance of "resources controlled by one party and demanded by the other" (Kobrin, 1987: 617) influences the division of profits between investors and the government. We further expand the obsolescing bargain model by highlighting the potential dynamics of "societal risk" over the course of an investment’s lifecycle. We present anecdotal and quantitative empirical evidence on the effects of both checks and balances and societal risk on investment outcomes. Consistent with the theoretical predictions, institutions that create checks and balances in the policymaking process serve to attenuate the traditional dynamics of the obsolescing bargain model. Moreover, pressures exerted by key interest group opposed to (foreign) investor interests--which we measure using novel methods--as well as foreign investors’ responses to such pressures influence investment outcomes as well. Future empirical tests of the obsolescing bargain model should take these influences into account. (For more information, please contact: Bennet Zelner, Duke University, USA: bzelner@duke.edu)

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**Session: 1.2.3 - Competitive**

**Track: Track 3-International Finance and Accounting**

**Project and Political Risk**

**Presented On:** June 26, 2007 - 09:50-11:05

**Chair:** Chuck C.Y. Kwok, University of South Carolina
Political Connections of Newly Privatized Firms
Narjess Boubakri, HEC Montreal
Jean-Claude Cosset, HEC Montreal
Walid Saffar, HEC Montreal

We investigate the extent of political connections in newly privatized firms. Using a sample of 245 privatized firms headquartered in 27 developing and 14 developed countries over the period 1980 to 2002, we find that 87 firms have a politician or an ex-politician on their board of directors. Politically-connected firms are generally incorporated in major cities, are highly leveraged and operate in regulated sectors. The likelihood of observing political connections in these firms is positively related to government residual ownership, and negatively related to foreign ownership. Political fractionalization and tenure, as well as judicial independence are also key explanatory variables. Finally, politically-connected firms exhibit a poor accounting performance compared to their non-connected counterparts, suggesting that politically-dependent boards are costly. (For more information, please contact: Jean-Claude Cosset, HEC Montreal, Canada: jean-claude.cosset@hec.ca)

Understanding Project Finance Risks and Capital Structure in Asia
Paul Martin Vaaler, University of Illinois at Urbana-Champaign
Barclay James, University of Illinois at Urbana-Champaign
Ruth Aguilera, University of Illinois at Urbana-Champaign

We develop and test a multi-level theoretical framework for understanding country-, industry-, syndicate-, firm- and project-specific factors shaping the capital structure and broader risk profile of an historically popular form of foreign direct investment (“FDI”) in Asia called project finance. Empirical analyses of 238 projects announced for 13 Asian countries from 1995-2004 support hypotheses derived from our framework, and suggest that country-level institutional factors such as a Common Law legal system, syndicate-level factors such as the concentration of equity among syndicate sponsors, and project-level factors such as the US dollar cost of the project all substantially affect project capital structure and risk. (For more information, please contact: Paul Martin Vaaler, University of Illinois at Urbana-Champaign, USA: pvaaler@uiuc.edu)

Ex Ante Equity Premia in European Countries: New Earnings-Based Estimates?
Raj Aggarwal, University of Akron
John Goodell, Baldwin-Wallace College

The equity premium is an important estimate for investors, money managers, foundation-, endowment- and pension-fund managers, and governments. Indeed, it is an important estimate for anybody concerned with funding long term obligations and setting spending limits for perpetual pools of assets. In spite of its importance, there seems to be little agreement on the empirical estimates of the equity premium or on the methods most appropriate for estimating the equity premium. Further, there is relatively little research on equity premia estimates for non-US equity markets. Using improved and consistent methodologies for a sample of 15 European countries covering a recent eight-year period, this paper provides equity premia for each country and for each year over the sample period. This paper documents that while equity premia in Europe differ across countries and change over time, countries not only retain the same order in estimated equity premia but the equity premia for each country also follow fairly similar patterns of change over time. These results should be of much interest to investors, managers, and policy makers in European countries (For more information, please contact: John Goodell, Baldwin-Wallace College, USA: jgoodell@bw.edu)
Cultural Typologies, Thick Description, and Cultural Change in Triad Countries
Frank Benjamin Tipton, University of Sydney

This paper attempts to respond to recent calls for more historically oriented approaches to the study of culture. It argues that static typologies of culture are inadequate on both theoretical and empirical grounds. In the triad regions culture has in fact changed over time, passing through stages of national consolidation in the nineteenth century, to division and violent confrontation in the early twentieth century, to a postmodern diversity since the Second World War. Individuals now choose their culture from a broad range of models, and the final section outlines the implications of this view of culture for international business studies. (For more information, please contact: Frank Benjamin Tipton, University of Sydney, Australia: b.tipton@econ.usyd.edu.au)

Patent Systems and Dominance Loops: Toward a Model of Biotech Dominance
Amanda E.K. Budde, University of Hawai‘i at Manoa

This paper develops a model of country-level dominance in the biotechnology industry through a review of global patent systems. The U.S. is found to have the most liberal system of patents in the world which has conferred a first-mover advantage in the development of the American biotechnology industry. Europe and Japan’s patent laws are more restrictive, a situation that has created a more hostile environment for biotechnology than exists in the U.S. America’s more welcoming environment for biotech in its legal system of patents has helped the U.S. achieve dominance in global biotechnology. (For more information, please contact: Amanda E.K. Budde, University of Hawai‘i at Manoa, USA: budde@hawaii.edu)

The Effectiveness of Laws against Bribery Abroad
Alvaro Cuervo-Cazurra, University of South Carolina

We analyze the effectiveness of laws against bribery abroad. To reduce the supply of bribes, countries have issued using laws against bribery abroad. Such laws effectively increase the cost of engaging in bribery to foreign investors. As a result, foreign investors become more sensitive to corruption and reduce their investments in host countries with high corruption. However, this is only the case when the laws are implemented in several countries. We empirically analyze bilateral FDI flows and find that whereas the US Foreign Corrupt Practices Act does not appear to have changed the attitude of US investors to corruption abroad, the OECD Convention on Combating Bribery of Foreign Public Officials in International Business Transaction has resulted in investors from OECD countries becoming more sensitive to corruption abroad. (For more information, please contact: Alvaro Cuervo-Cazurra, University of South Carolina, USA: acuervo@moore.sc.edu)
Post-entry Action in Local Markets

Presented On: June 26, 2007 - 09:50-11:05

The Institutionalization of Legitimacy: Newmont Mining and Community Health Assessments for Sustainable Development in Peru

Blair Demarest Gifford, University of Colorado Denver and Health Sciences Center
Andrew Kestler, University of Colorado Denver and Health Sciences Center

This paper describes a current initiative by Newmont Mining Corporation (Newmont) to develop sustainable community benefit in communities around its mining operations in Peru in response to heightened criticism of Newmont by non-government organizations and the media. Using anthropologically oriented methods, a community health assessment project in an area of projected mining is described in detail in this paper. The case study provides further support for London and Hart’s social embeddedness strategy for multi-national enterprises (MNEs) working in developing nations. What is unique about this case study is that Newmont has also introduced a locally-based community interaction model, which we describe as a local legitimacy strategy, in an effort to bring about sustainable development in the villages surrounding its mining areas. Overall, this paper contributes to global strategy and international business research by showing how MNEs balance global and local strategies, and how these differing levels of an MNE’s strategy are dependent on one another for success in a developing economy. Additionally, this paper considers the relationship between an MNE and a community when the community serves as a source of workers rather than consumers. To a greater extent, the developing world is now able to monitor and publicize the work of MNEs, and it will be increasingly necessary for MNEs, like Newmont, to add local sustainable benefit into their strategic mix to gain the social license and legitimacy that is needed to operate in poorer communities. (For more information, please contact: Blair Demarest Gifford, University of Colorado Denver and Health Sciences Center, USA: blair.gifford@cudenver.edu)

Ex Post Local Partner Buyout and Foreign Partner Mortality in International Joint Ventures: Explanation by Real Options Theory

Akie Iriyama, University of Pittsburgh

This paper examines how a foreign partner’s subsequent buyout of its local equity partner affects its mortality rate. Based on real options theory, I develop four hypotheses and test them with longitudinal data for international joint ventures invested in by Japanese firms. The results of this study support my main argument: a foreign partner which buys out its local equity partner has a lower mortality rate. Also, this effect is moderated by the joint venture’s size and market volatility. The initial ownership structure does not have a significant moderating effect, however. (For more information, please contact: Akie Iriyama, University of Pittsburgh, USA: airiyama@katz.pitt.edu)

Business Service Firms' Foreign Market Network Development at the Early Post-entry Stage

Yang Yu, Victoria University of Wellington
Valerie J. Lindsay, Victoria University of Wellington

This conceptual paper concerns the network development of business service firms in a foreign market at the early post-entry stage. It focuses on the interactional features of networks and pays attention to three dyadic level evolutionary primitives, i.e. tie creation, tie strengthening, and tie deletion. From this basis, the paper conceptualises how individual firms are engaged in networking behaviour within a particular time-frame.
The theoretical foundation of the paper builds on the service internationalisation literature and network development literature. Internationalised service firms can be categorised as client-following and market-seeking, subject to their strategic motivations. These are further interpreted as exploitative and explorative, respectively. In network development analysis, both a firm’s current network situation and its strategic context need to be taken into account.

Propositions are developed, along with discussion centred on business service firms’ characteristics, firms’ initial local network, and network development issues. It is argued that client-following and market-seeking firms may go through two distinct network developmental processes associated with different dynamics. Specifically, we suggest that firms’ original internationalisation strategic intents that determine them as either explorative or exploitative, impact their local network development with the particular time-frame. Tentative conclusions and implications for further research are presented.

(For more information, please contact: Yang Yu, Victoria University of Wellington, New Zealand: cruise.yu@vuw.ac.nz)

Can Early FDI Failures Benefit Later Entrants?

Jingyu Yang, Sydney University
Jiatao Li, Hong Kong University of Science & Technology
Andrew Delios, National University of Singapore

This study demonstrates that later foreign entrants enjoy a reduced risk of failure by benefiting from the spillovers and inferential learning induced by observed FDI failures that had occurred before their entry. It thus advances a form of congenital failure-induced learning model, and provides evidence that this learning model can account for an important organizational outcome (survival). We further introduced three sets of contingency factors, i.e. causal ambiguity of FDI failures, environmental volatility, and characteristics of observing firms, to systematically reflect the conditions that may largely complicate the learning model. The results show that the first two factors, pointing to the attribute of the information received and the unpredictability of the environment to which the information is applied, significantly weakened the failure-performance relationship, highlighting their importance in affecting the spillover and inferential processes in the learning model. As to firm-level differences in accessing and understanding the observed failure information, we found that the failure-induced spillover and inferential learning process with a positive effect on a later entrant’s survival, stands stronger as its parent firm holding ownership ties with other experienced investors in the host market.

(For more information, please contact: Jingyu Yang, Sydney University, Australia: g.yang@econ.usyd.edu.au)

Session: 1.2.6 - Competitive
Track: Track 9-Global versus Local Knowledge

The Nature of Local Knowledge

Presented On: June 26, 2007 - 09:50-11:05

Chair: Jordan Siegel, Harvard Business School

Local Knowledge Going Global: Singapore’s Exported Expertise in Indonesia, Vietnam and China

Caroline Yeoh, Singapore Management University
Wilfred How, Singapore Management University

The hallmark of Singapore’s ‘success story’, state-led, market-driven interventions and their efficacy have often been a matter of academic contention. This paper, continuing our series on this topic, revisits Singapore’s state-enterprise strategy in the context of its determined efforts at internationalization, in order to objectively re-
examine the purported transferability of this strategy in the framework of Regionalization21, a series of transborder industrialization experiments in Indonesia, Vietnam and China. These state-engineered projects, orchestrated to encapsulate economic space for Singapore-based firms to expand into the region, remain controversial; being premised on the exportability of Singapore’s state credibility, systemic efficiencies, and such ‘local’ advantages into distinctly non-local arenas. To shed some light on this, we present the latest evidence culled from surveys and interviews conducted in these Singapore-styled industrial townships. Our results show that the strategic advantage created in the industrial enclave in Indonesia remains uncertain; that the performance of the Vietnam enclave is stable, if unspectacular; whilst the China ‘experiment’ is arguably a measured success, following the realignment of interests. At the same time, however, additional complications relating to individual socio-political environments continue to plague the parks, even as they adapt to economic challenges; highlighting, arguably, the importance of truly local knowledge. (For more information, please contact: Caroline Yeoh, Singapore Management University, Singapore: carolineyeoh@smu.edu.sg)

¿Como Se Dice ‘Deliverables’? Cross-Linguistic Knowledge Transfer in Multinationals
Margaret Spring Schomaker, University of Kansas
Srilata A. Zaheer, University of Minnesota

Language is one foundation on which the knowledge transferring advantage of the firm is built. Having a language common to the organizational community makes it easier to communicate functional expertise. What if, however, the language used to transfer knowledge is not common to source and recipient units? This study addresses how language affects the ability of the multinational firm to transfer knowledge across borders. We develop a model of cross-linguistic knowledge transfer based on the construct of linguistic distance (the degree of non-overlap in linguistic resources between any pair of languages). Hypotheses generated from this model are then tested via survey. Results are mixed with regard to the direct effects of linguistic distance on knowledge transfer. While distance shows the expected negative effect on ease of knowledge communication, it is positively correlated with knowledge understanding, suggesting that more salient linguistic differences may lead to greater communicative attention and effort. Further, we find support for our argument that linguistic distance lessens the normative integration of the subsidiary with headquarters. The positive relationship between normative integration and knowledge transfer outcomes is unequivocally strong. (For more information, please contact: Margaret Spring Schomaker, University of Kansas, USA: mscho@ku.edu)

What Is Local Knowledge?
Eric C. Kaldor, SUNY Brockport

International business studies have recognized the significance of local knowledge for foreign firms entering new markets. The nature of local knowledge, however, remains too simplistic in the literature. This paper offers a richer approach to local knowledge based on cultural anthropologist Clifford Geertz’s use of the term. Local knowledge becomes less a resource and more a capability from this perspective. Using examples from Hungary, I demonstrate how Geertz’s conception of local knowledge enhances our understanding of the challenges foreign firms face in unfamiliar host economies and the value local managers can bring. This approach also suggests that local knowledge contributes to innovation in business strategies and practices. (For more information, please contact: Eric C. Kaldor, SUNY Brockport, USA: ekaldor@brockport.edu)

Global Integration and Local Capability as Determinants of Intra-MNE Knowledge Flows
Bjoern Jindra, Halle Institute of Economic Research

We assume knowledge inflows endogenous to subsidiary roles. Integrating organisational and knowledge-based views we propose a new subsidiary typology based on MNE integration-subsidiary capability. We hypothesise that both dimensions are positively associated with knowledge inflows into the focal subsidiary. This prediction is tested with data for 425 subsidiaries. The key findings were: (a) the extent for knowledge inflows differs
significantly across all subsidiary roles; (b) both MNE integration and subsidiary capability drive knowledge inflows, although, the balance shifts more towards integration. (For more information, please contact: Bjoern Jindra, Halle Institute of Economic Research, Germany: bja@iwh-halle.de)

Session: 1.2.7 - Competitive
Track: Track 7-Managing People across Cultures

Management of Expatriates

Presented On: June 26, 2007 - 09:50-11:05

Extending Holland's RIASEC Vocational Theory to Include International Job Choice
Laura Guerrero, University of Western Ontario
Mitchell G. Rothstein, University of Western Ontario
Alison M. Konrad, University of Western Ontario

Although career and vocational choice research have been done for over 100 years, in many disciplines and within many perspectives, most of the research into international job choice has been exploratory and has not used the career theories that are available. In this paper, we develop a model for international job choice which uses Holland's RIASEC job choice theory which is the most influential vocational choice theory. The amount of international job content is defined as a continuum rather than a dichotomous variable. The international content of a job can be measured by a combination of sales ratio (foreign to total), assets ratio (foreign to total), employee ratio (foreign individuals to total individuals) in the company, and the ratio of interactions with foreign individuals to total interactions required for a specific job. The model proposes that individuals with certain vocational types are more likely to choose jobs with higher international content. This relationship is moderated by career, financial, country, and personal factors when the job choice involves frequent travel or international relocation. Contributions and suggestions for future research are also discussed. (For more information, please contact: Laura Guerrero, University of Western Ontario, Canada: lguerrero@ivey.uwo.ca)

The Management of New Zealand Expatriates in China
Peter Enderwick, Auckland University of Technology
Nareid Seak, Auckland University of Technology

The rapid rise of the Chinese economy in the past two decades has led many multinational enterprises (MNEs) to enter China or integrate Chinese operations into their global strategies. However, China’s cultural complexities and distinct living conditions create challenges for cross-cultural adaptation and the management of expatriates and their families. This study, designed to assess the management of expatriates, was conducted on 40 New Zealand expatriate managers in China. Analysis of responses to an electronic mail questionnaire reveals that cultural factors are influential in all aspects of life in China, including business practice and management.

Expatriate responses indicate that training, support, care, and provision for expatriates and their families’ needs to be improved. Pre-departure training and incumbent support offered are seen as inadequate. The personal needs of expatriates are not well supported by the parent organisation, with much of the limited support provided targeting relevant business functions in China. Despite its obvious importance, parent organisations do not appear to place much value on the de-brief process and continuous communication with their expatriate managers. (For more information, please contact: Peter Enderwick, Auckland University of Technology, New Zealand: peter.enderwick@aut.ac.nz)
The Development of the Expatriate Performance Scale Based on Campbell's Performance Model
Leanda Lee, Monash University

The article documents the initial stages from theory through item generation to reliability testing in the process of the development of the Expatriate Performance Scale. It raises concerns about the lack of agreement regarding performance definitions. Through comparison with other expatriate performance models and initial support of the scale through reliability analysis, it is argued that as the basis for a definitive conceptualisation of individual job performance, Campbell's (1990) multi-factorial model of performance is appropriate to the expatriate context. (For more information, please contact: Leanda Lee, Monash University, Australia: leanda.lee@buseco.monash.edu.au)

Session: 1.2.8 - Competitive
Track: Track 5-Global Strategy

Capabilities, Innovation and Strategic Response

Presented On: June 26, 2007 - 09:50-11:05

Chair: K. Scott Swan, College of William & Mary

Technology Sourcing and SBU Performance: The Interaction between Process Technology, Sourcing Strategy and Innovation Context
Brent B. Allred, College of William & Mary
Frank T. Rothaermel, Georgia Institute of Technology
K. Scott Swan, College of William & Mary

We draw on transaction cost economics and the technology innovation management literature to advance a contingency model of the link between technology sourcing governance and SBU performance. We hypothesize that the relationship between process technology sourcing and performance is moderated by the innovation context. Here, we consider the innovation context to be external factors reflected in the appropriability regime and whether the industry is characterized by a dominant design. Moreover, we suggest that, contingent upon the innovation context, SBUs prefer internal development to secure a positional advantage. We test our predictions on two multi-industry samples of 185 and 105 SBUs drawn in 1995 and 2005, respectively. Across both samples, and thus across time, we find broad support for a contextual model linking process technology sourcing strategy to SBU performance. We also find some tentative evidence for a “pecking order” of technology sourcing beginning with internal development and ending with market sourcing, in particular, when the appropriability regime is weak. (For more information, please contact: Brent B. Allred, College of William & Mary, USA: allred@mason.wm.edu)

Utilization of Foreign Knowledge by Chinese Firms: Effects of Relationship-Specific Investment and Institutional Externalities
Kathleen YiJia Low, City University of Hong Kong
James A. Robins, Singapore Management University

 Emerging economy firms have become increasingly reliant on foreign sources of knowledge to upgrade capabilities, as previously closed societies have opened to international competition. Utilization of knowledge from foreign sources can be difficult for these companies, and risky relationship-specific investments may be required. This paper explores the conditions for utilization of foreign-source knowledge by Chinese firms using data from a sample of technology-intensive companies in the PRC. We find that relationship-specific investment is important to knowledge utilization and that it is more likely when relationships provide additional externalities.
Managing Innovation and Learning in Dynamic Environments: The Role of Rapid Response Capabilities
Christoph Grimpe, Centre for European Economic Research (ZEW)
Wolfgang Sofka, Centre for European Economic Research (ZEW)

To create competitive advantage, a strategy that leverages firm resources is often not enough. In fact, gaining a head-start over competitors in a global business context requires timely responsiveness as well as rapid and flexible product innovation for international markets. Some firms have dealt with this situation by building up rapid response capabilities that serve to constantly update organizational routines. We investigate the antecedents of such capabilities to discover whether they qualify as dynamic capabilities. Our analysis is based on a survey of 3,360 firms. Results indicate that rapid response capabilities either stem from efficiency gains through improved learning mechanisms or from deliberate dealing with environmental uncertainties. We conclude with implications for management on the build-up of such capabilities. (For more information, please contact: Christoph Grimpe, Centre for European Economic Research (ZEW), Germany: grimpe@zew.de)

Understanding Organizational Memory, Routines, and Real Options
David J. Maslach, University of Western Ontario

How does an organization learn from drastic environmental changes? Organizational learning theorists believe that organizations learn by converting experiences into processes, routines, and structures, thereby converting experiences into organizational memory for future use. Real options theorists posit that multinationals create flexible options in an uncertain environment. Taking the concept of real options and organizational memory, I combine these theories to further our understanding of the organization. Tests of this theory, using data gathered from the annual reports and the COMPUSTAT database on the two largest multinational banks in the United States, confirm that multinationals treat subsidiaries as options for success in future shocks to the organization. (For more information, please contact: David J. Maslach, University of Western Ontario, Canada: dmaslach@ivey.ca)

Session: 1.2.9 - Competitive
Track: Track 5-Global Strategy

Drivers of International Diversification

Presented On: June 26, 2007 - 09:50-11:05

Chair: David Brock, Ben Gurion University

Geographic and Product Diversification of Japanese MNCs - Complementary or Substitute Strategies?
Niron Hashai, Hebrew University
Jonathan Brookfield, Tufts University

This paper investigates the relationships between geographic and product diversification undertaken by leading Japanese MNCs in the period 1990-2003. We find that up to a certain threshold, higher levels of geographic diversification lead to greater product diversification. Once the threshold is passed, increasingly high levels of geographic diversification lead to a reduction in product diversification, suggesting an inverted U-shape relationship between levels of geographic diversification and product diversification. However higher levels of product diversification neither led to greater geographic diversification nor to its reduction once a certain level of product diversification is passed. The partial complementarity finding is explained by the fact that a large
variety of host country markets and resources creates slack assets and reduces the risks of utilizing explicit and fungible resources across product lines, while a larger variety of product lines is less beneficial for creating the tacit country specific resources that are required for increased geographic diversification and such variety does not reduce risks associated with international expansion. The partial substitution finding of product and geographic diversification can be explained by the idea that a firm’s resources are relatively more overstretched when pursuing high levels of geographic diversification than at high levels of product diversification. (For more information, please contact: Niron Hashai, Hebrew University, Israel: nironh@huji.ac.il)

Corporate Elite Characteristics and Firms’ Internationalization: CEO-Level and TMT-Level Roles
Wen-Ting Lin, National Taiwan University

This study attempts resolution of certain ambiguities of corporate elite - Chief Executive Officer (CEO) and Top Management Team (TMT) - affect on corporate internationalization strategy. This work hypothesized that curvilinear relationship exists between CEO tenure, TMT size, and TMT tenure heterogeneity and a firms’ internationalization, by combining previous upper-echelon theories and processing international business school perspectives.
Our detailed empirical findings indicate that CEO and TMT characteristics show a nonlinear relationship, based on 165 samples of Taiwanese firms operating in a technologically intensive industry. An inverted U-shaped relationship exists between CEO tenure and TMT size regarding a firms’ degree of internationalization. These associations are an inverted U-shape, when internationalization level facing TMT tenure heterogeneity is accounted for. Theory and managerial practice perspective findings and implications are discussed, along with possible directions for future research. (For more information, please contact: Wen-Ting Lin, National Taiwan University, Taiwan: d93724010@ntu.edu.tw)

Global and Regional Strategies of Multinational Enterprises: A Comparison between an Integrated Global Industry and a Multidomestic Industry
Lei Li, University of Portland
Dan Li, Indiana University

This study compares U.S. firm international strategies between two starkly different industries. We find that firms are more inclined to adopt global strategies in the integrated global industry than in the multidomestic industry. The global strategy does not seem to be effective unless a firm possesses substantial intangible assets. R&D-based intangible assets play a more significant role than marketing-based intangible assets in both the integrated global industry and (to a lesser extent) the multidomestic industry. Additionally, internationalization pace has a positive direct impact, and a negative interaction effect with the global strategy on firm performance in the integrated global industry. (For more information, please contact: Lei Li, University of Portland, USA: lili@up.edu)

Corporate Diversification and Firm Performance: The Moderating Role of Contractual Manufacturing Model
Chia-Wen Hsu, National Taiwan University
Heng-Yih Liu, Yuan Ze University

Corporate diversification has been a central issue of research concern in strategic management. Previous research basically suggests that a managed diversification may enhance corporate performance. However, the research result is not consistent concerning whether differential approaches to diversify a firm’s value-added activities could increase business performance. By taking this weakness into research consideration, the features of diversification and its impacts on economic performance are examined in detail. Using a longitudinal data containing firm-level operation information during 1997-2002, the empirical investigation found that product diversity and customer diversity positively associated with firm performance, whereas geographic diversity is negatively associated with firm performance. However, contractual manufacturing model is not only
positively associated with firm performance, but also acts as a moderator between product diversity and firm performance. Implications of this result and suggestions for future research are discussed. (For more information, please contact: Chia-Wen Hsu, National Taiwan University, Taiwan: kevinjubi@yahoo.com.tw)

Session: 1.2.10 - Competitive
Track: Track 4-Emerging Markets (EM) and MNEs

Finance and Emerging Markets

Presented On: June 26, 2007 - 09:50-11:05

Chair: Robert Grosse, Standard Bank

Acquisition of Strategic Assets through M&A: An Institutional Perspective
Ping Deng, Maryville University of St. Louis

According to the asset exploration perspective, multinational enterprises (MNEs) can use foreign direct investment (FDI) and particularly merger and acquisition (M&A) as a means to access and acquire strategic assets in host countries. As a latecomer, Chinese companies appear to more urgently engage in such resource-driven FDI so as to address their competitive disadvantage. As there is lack of research on the determinants of cross-border M&A strategies from Chinese firms, this paper intends to address this issue from the institutional perspective. Building on institutional theories, we propose a theoretical model of the resource-driven motivations of Chinese M&A. Guided by the framework, we have made several hypotheses related to different institutional factors in the Chinese context which stimulate and/or push Chinese companies to use M&A as strategic choice to acquire strategic assets located in advanced countries. To validate the hypotheses, we use a qualitative, multiple-case study research method, with three leading Chinese firms – TCL, BOE and Lenovo – as case firms. By arguing that cross-border M&A from Chinese MNEs represents a means to acquire strategic assets in the logic of Chinese unique institutional environment, this study is of importance not only to stimulate possible international business theoretical extensions but also to draw strategic implications to other emerging market firms. (For more information, please contact: Ping Deng, Maryville University of St. Louis, USA: pdeng@maryville.edu)

Trading Activities of Foreign Investors in the Korean Stock Market
Jaemin Kim, San Diego State University
James A. Landi, Temple University
Sean Sehyun Yoo, San Diego State University

This paper provides inter-temporal examination of the trading effects of foreign investors on the stock market return, market volatility, and exchange rate return for the Korean stock market from 1995 to 2006. VAR and GARCH analyses show that foreign investors do not affect either the market return or market volatility for all periods including the post-crisis period when foreign equity ownership reached as high as 40% of the total stock market capitalization. For the postcrisis period, an increase in foreign net buy is followed by Won appreciation relative to the US dollar, reflecting the increased presence of foreign investors. (For more information, please contact: Jaemin Kim, San Diego State University, USA: jkim@mail.sdsu.edu)

Restructuring as an Image Rebuilding Strategy after Financial Fraud Punishment
Pengji Wang, National University of Singapore

This study examined the effect of restructuring as a signal to rebuild image after the firm is punished for financial fraud. Frauds were categorized into three types according to the target of offense and antecedents.
Adopting a contingency perspective, we proposed that restructurings should be matched to the fraud types based on the antecedents of fraud. Using the sample of Chinese listed firms, we found that organizational restructurings are more effective for the firms punished for embezzlement and manipulating stock market. Business restructurings are more effective for the firms punished for financial reporting fraud. (For more information, please contact: Pengji Wang, National University of Singapore, Singapore: g0403302@nus.edu.sg)

IPOs in Emerging Markets: A Comparison of Brazil, India and China
Jairo Laser Prociánayo, EA/UFRGS
Gilles Chemale Cigerza, EA/UFRGS

IPOs are, up to now, one of the unresolved questions in Finance. Emerging markets new environment and different legal and financial markets characteristics may add new lights to understand this phenomenon. We found that in some points Brazilian, Indian and Chinese IPOs have the same features as other but the experiment different results in their amounts for short term performance and different signal for long term performance. (For more information, please contact: Jairo Laser Prociánayo, EA/UFRGS, Brazil: jlprieanoy@ea.ufrgs.br)

Session: 1.3.1 - Panel
Track: Track 5-Global Strategy

Semiglobalization and International Business

Presented On: June 26, 2007 - 11:15-12:30

Chair: Jordan Siegel, Harvard Business School

Panelists:
Jordan Siegel, Harvard Business School
Pankaj Ghemawat, Iese and Harvard Business School
Wilbur Chung, University of Maryland
Juan Alcacer, New York University
Susan Perkins, Northwestern University

If markets were either completely isolated by or integrated across borders, there would be little room for international business strategy to have content distinctive from “mainstream” strategy. But a review of the economic evidence about the international integration of markets indicates that we fall in between these extremes, into a state of incomplete cross-border integration that Ghemawat refers to as semiglobalization. More specifically, most measures of market integration have scaled new heights in the last few decades, but still fall far short of economic theory’s ideal of perfect integration. The diagnosis of semiglobalization does more than just supply a relatively stable frame of reference for thinking about the environment of cross-border operations. It also calls attention to the critical role of location-specificity in the prospects of distinctive content for international business strategy relative to mainstream business and corporate strategy. In addition, it flags factors/products subject to location-specificity as being salient from the perspective of international business. Finally, it highlights the scope for strategies that strive to capitalize on the (large) residual barriers to cross-border integration, as well as those that simply try to cope with them. The papers in this session each discuss strategies through which firms seek to cope with, exploit, or overcome these real barriers to cross-border integration. (For more information, please contact: Jordan Siegel, Harvard Business School, USA: jsiegel@hbs.edu)
Semiglobalization and Business: The Functional Agenda
Pankaj Ghemawat, IESE and Harvard Business School

There is by now a substantial body of evidence that instead of focusing on the polar extremes of localization and complete global integration, businesses and business researchers would do better to focus on conditions of intermediate integration or semiglobalization. In other work, I have sought to clarify the implications of semiglobalization for business strategy (Ghemawat, 2003; and Ghemawat, 2007). In my contribution to the proposed panel, I would focus on reviewing what interviews with experts--academics and practitioners--in a variety of functional areas suggest as key challenges associated with the adoption of an international perspective, and semiglobalization as an integrative theme that ties them together. Here, let me simply cite some illustrative examples
- In finance, either complete segmentation or complete integration across countries would imply the continued applicability of the Capital Asset Pricing Model. But as the work of Mihir Desai and others indicates, a semiglobalized world requires significant adaptation of existing theory--as well as opening up possibilities of tax arbitrage, et cetera
- In cultural studies, the extreme positions of complete segmentation and complete integration tend to lead to a focus on particular values and universal values respectively. But a focus on semiglobalization implies attention to the kinds of conceptions of cultural intelligence developed by Christopher Earley and others.
- In marketing, a number of important phenomena--country of origin effects and mixed portfolios of brands, to cite just two examples--are best apprehended through the lens of semiglobalization.
In other words, the intent of my contribution to the panel session would be to try to unify otherwise disparate strands of interest to scholars, educators and practitioners and linke them to some common assumptions about the nature of the international business landscape. (For more information, please contact: Pankaj Ghemawat, IESE and Harvard Business School, Spain: pghemawat@iese.edu)

Labor Market Institutions and Global Strategic Adaptation: Evidence from Lincoln Electric
Jordan Siegel, Harvard Business School
Barbara Zepp Larson, Harvard Business School

Although one of the central questions in the international business field is how multinational firms successfully navigate multiple and often conflicting institutional environments, we know relatively little about the effect of conflicting labor market institutions on multinational firms’ strategic choice and operating performance. With its decision to invest in manufacturing operations in nearly every one of the world’s largest welding markets, Lincoln Electric offers us a unique quasi-natural experiment. We leverage a unique data set covering 1996-2005 that combines data on each host country’s labor market institutions with data on each subsidiary’s strategic choices and historical operating performance. We find that Lincoln Electric performed significantly better in countries with labor laws and regulations supporting manufacturers’ interests and that Lincoln Electric performed significantly better in countries that allowed unconstrained use of incentive-pay-for-performance. Furthermore, we find that in countries with labor market institutions unfriendly to manufacturers, the company was still able to enhance its performance moderately by what we term flexible intermediate adaptation. (For more information, please contact: Jordan Siegel, Harvard Business School, USA: jsiegel@hbs.edu)

International Knowledge Sourcing: Evidence from U.S. Firms Expanding Abroad
Wilbur Chung, University of Maryland
Stephen Yeaple, University of Pennsylvania

Recent research demonstrates that firms, motivated by national differences in technical activity, expand abroad to source unique knowledge. Extant research suggests that firms use knowledge sourcing to “catch up” with competitors and to obtain “technical diversity”. We widen the investigation by applying an idea from the technology strategy literature of firms combining R&D efforts to compete in next generation technologies. In an international setting, we suggesting that firms also use knowledge sourcing as a springboard to reduce their
next generation R&D costs – that firms would seek out R&D activity similar to their own to build upon. Using unique data that encompasses the multitude of countries where US firms invest, we test the importance of these explanations. Measuring knowledge using patent stocks, we find that country-industries with larger stocks and greater technical similarity to the US are more attractive. These findings suggest that an important explanation for firms investing abroad is not catching up or technologically diversifying, but is using the similar R&D efforts of others to surmount one’s own R&D costs. (For more information, please contact: Wilbur Chung, University of Maryland, USA: wchung@rhsmith.umd.edu)

Global Competitors as Next-Door Neighbors: Competition and Geographic Co-location in the Semiconductor Industry
Juan Alcacer, New York University
Minyuan Zhao, University of Michigan

Despite the many advantages offered by technology clusters, firms located in them face the risk of losing valuable knowledge to nearby competitors. In this study, we argue that firms organize their R&D strategically to appropriate the value of innovations generated in clusters where competitors abound through three mechanisms: technological distance, value internalization, and control. Empirical analysis of the global semiconductor industry provides supportive evidence of such mechanisms. In clusters where competitors are present, leading firms generate innovations that are technologically distant from their competitors, have more internal value and involve inventors from other geographic locations to increase control. Interestingly, the strategies seem to be much more sensitive to neighboring firms competing in the same marketplace than those sharing the same technological space. The findings offer important insights into the interaction between firms’ internal organization and their external environments. (For more information, please contact: Juan Alcacer, New York University, USA: jalcacer@stern.nyu.edu)

Innocents Abroad: Failure of the International Joint Venture with Pyramidal Group Firms
Susan Perkins, Northwestern University
Randall Morck, University of Alberta
Bernard Yeung, New York University

We build upon the theoretical underpinnings of Perkins (2006b) which demonstrates that misapplying dissimilar prior institutional experience increases the likelihood of firm failures abroad. We conjecture that the managers of multinationals, who lack experience with pyramidal groups are blindsided by the strategies of their joint venture co-investors when the latter belong to pyramidal groups. As a result, this adversely affects their firms’ ex post returns from those joint ventures resulting from unforeseen exposure to expropriation by a joint venture partner from a pyramidal group. Once these risks become clear, the multinational’s optimal strategy is to abandon the joint venture. Joint venture failures result from the managerial blind spots to the aforementioned critical differences between partnering firms joint venture structures. This argument provides a new explanation, heretofore insufficiently explored in the strategy and international business literatures, for joint ventures remarkably high failure rates. (For more information, please contact: Susan Perkins, Northwestern University, USA: s-perkins@kellogg.northwestern.edu)

Session: 1.3.2 - Special Session

Gender, Geography, and Leadership in International Business (WAIB Special Session)

Presented On: June 26, 2007 - 11:15-12:30

Chair: Susan Trussler, University of Scranton
Women’s Leadership within the Firm
Lena Zander, Stockholm School of Economics

Gender and Leadership in the External Environment of the Firm
Susan Trussler, University of Scranton

Top Women Researchers in International Business
Janet Y. Murray, University of Missouri-St. Louis

This panel will explore the roles and status of women in three contexts of leadership that affect the study of and practice of international business activity. We will explore these issues at different geographic scales and locations identifying any relationships that exist. Lena Zander’s focus is on women’s leadership within the firm. If the role of global managers and expatriate managers is to conduct business internationally, what then is it like to be a woman in these roles? Will increased globalization and international business activity enhance or hinder women to take leadership roles in MNCs? She explores whether women and men differ in their leadership preferences in 18 countries across the globe. Susan Trussler explores the evidence concerning the role of women in leadership in the external environment of the firm on the degree of international business activity, firm behavior, and the status of women within the business world. She focuses in particular on the status of women in leadership positions within government, politics, and ngo’s across the globe. Janet Murray’s focus is on the role of gender in the world of international business scholarship and education. She examines the productivity of women researchers who have published in the top international business journals. Among the issues she will address are the distribution of top women researchers by region, types of institutions, and sub-areas in international business. (For more information, please contact: Susan Trussler, University of Scranton, USA: trussler@scranton.edu)

Session: 1.3.3 - Special Session

Perspectives on Japanese Business: AJBS Best Paper Finalists (AJBS Special Session)

Presented On: June 26, 2007 - 11:15-12:30

Chair: Tom Roehl, Western Washington University

Different Kinds of Control Mechanisms in Headquarters-Subsidiary Relations
Markus Pudelko, University of Edinburgh

Relational Assets and Foreign Expansion: Japanese Automotive Investments in the US and Canada
Xavier Martin, Tilburg University

Absorptive Capacity of MNCs: Balance between Autonomy and Control of Foreign R&D Subsidiaries
Seiko Arai, University of Oxford

High Commitment Human Resource Practices in Japan: How do they Affect Employee Behaviors?
Norihiko Takeuchi, Tokyo University of Science
Tomokazu Takeuchi, Kawaguchi Junior College
Yutaka Toshima, Nihon University
Liability of Foreignness

Presented On: June 26, 2007 - 11:15-12:30

Chair: Arpita Joardar, University of Texas, Pan American

Innovation Activities Abroad and the Effects of Liability of Foreignness: Where It Hurts
Wolfgang Sofka, Centre for European Economic Research (ZEW)

The innovation activities of foreign subsidiaries have been identified as an important source of competitive advantage for multinational corporations. The success of these engagements depends heavily on tapping host country pools of localized expertise. To achieve this, foreign subsidiaries have to overcome cultural and social barriers (liability of foreignness). We derive potential stumbling blocks in the innovation process theoretically and argue that these materialize as neglected projects, cancellations or budget overruns. We test these hypotheses empirically for more than 1,000 firms with innovation activities in Germany from various sectors. We find that foreign-controlled firms are not challenged by liability of foreignness at the project mobilization stage. The lack of local embeddedness becomes more binding as projects have to be prioritized and managed which we identify as more frequent mistakes and delays. We argue that this is the result of shared practices within the multinational firm that do not readily fit into the local context. Finally, we derive management recommendations how foreign innovation engagements can achieve similar levels of effectiveness and efficiency as host country competitors. (For more information, please contact: Wolfgang Sofka, Centre for European Economic Research (ZEW), Germany: sofka@zew.de)

The International Dimensions of "Nonmarket"
Jean J. Boddewyn, Baruch College, CUNY
Peter Buckley, Leeds University

The market failures that give rise to the multinational enterprise (MNE) are well known. However, all of the countries where MNEs operate are also subject to nonmarket failures at once political, social, cultural and interorganizational. If they knew what these failures are, MNEs would know how to operate and perform in particular countries by arbitraging and leveraging these nonmarket positive and negative externalities. (For more information, please contact: Jean J. Boddewyn, Baruch College, CUNY, USA: jean_boddewyn@baruch.cuny.edu)

Executive Points of View on Globalization: Implications to Hospitality and Tourism Management in the Philippines
Joseph Mark S. Munoz, Millikin University

Research on globalization determines travel executives’ perceptions on the convergence of business evolution, ease of international investments, and technological conveniences that is taking place in the contemporary, tightly integrated global environment. Utilizing the concepts of Thomas L. Friedman on the features of globalization as a framework, the study offers strategic approaches in which the travel and tourism industry in the Philippines can implement in their quest for success in the New Economy. Organizations are no longer bound by geographic borders. Consumers are accorded the freedom to access and acquire a multitude of products, services, and information worldwide. Price and quality comparisons are within the reach of individuals and companies. Within this changing landscape, new organizational approaches are likely being pursued as mechanisms for adaptation. In the advent of heightened competitive pressures and business efficiencies, companies in the Philippines are likely affected and are forced to face new and mounting
challenges head on. (For more information, please contact: Joseph Mark S. Munoz, Millikin University, USA: jmunoz@mail.millikin.edu)

**Session: 1.3.5 - Competitive  
Track: Track 4-Emerging Markets (EM) and MNEs**

**Governance Strategies and Emerging Markets**

**Presented On:** June 26, 2007 - 11:15-12:30

**Chair:** Jing Li, Simon Fraser University

*Institutional Explanations of Cross-border Alliance Modes: The Case of Emerging Economies Firms*

Siah Hwee Ang, University of Auckland  
Snejina Michailova, University of Auckland

Using a sample of 628 cross-border alliances established by emerging economies firms across 25 manufacturing and service industries in 64 host countries in the period 1995-2004, we find support to institutional explanations of the adoption of equity alliance mode. We also find that these effects are contingent on the alliance location, i.e. the relative importance of regulatory, normative and cognitive institutional pillars depends on whether the alliance location is a developed or emerging country. These findings contribute to empirical research in institutional theory, institutional explanations for cross-border alliances and strategic behaviour of emerging economies firms. (For more information, please contact: Siah Hwee Ang, University of Auckland, New Zealand: s.ang@auckland.ac.nz)

*Technology Transfer vs. Market Competition: How International Joint Ventures and Wholly Owned Subsidiaries Affect Chinese Firms Differently?*

Jing Li, Simon Fraser University  
Changhui Zhou, Peking University

This study theoretically and empirically examines the following question: Since there is a recent trend that MNCs are increasingly adopting wholly owned subsidiaries (WOSs) instead of international joint ventures (IJVs) as market entry modes to developing countries, would the presence of WOSs affect capability building of indigenous firms differently from the presence of IJVs? Theoretically, we argue that IJVs provide more technology transfer benefits to indigenous firms than WOSs, whereas WOSs offer more benefits associated with market competition. We further propose that technology development stage moderates the relative importance of the presence of IJVs and WOSs in an industry. That is, when indigenous firms’ technology gap from foreign firms is high, IJV presence has a higher impact than WOS presence on indigenous capability building, whereas WOS presence has a higher impact when gap is low. Empirically, we examine these hypotheses using a longitudinal dataset on 474 industries in China from 1998–2002. We find strong support for the moderating effect of technology gap and discuss the implications of our study for research and government policy. (For more information, please contact: Jing Li, Simon Fraser University, Canada: jingli@sfu.ca)

*The Impact of Horizontal and Vertical FDI on Economic Growth*

Sjoerd Beugelsdijk, University of Nijmegen  
Roger Smeets, University of Nijmegen  
Remco Zwinkels, University of Nijmegen

Foreign Direct Investment (FDI) has been argued to positively affect the rate of technological progress in the host country through contagion effects resulting from the more advanced technology and management...
practices of multinational enterprises (MNEs). Despite methodological advances, empirical FDI-growth studies have generally come up with rather diverse findings, suggesting a positive effect in developed countries and yielding mixed results for developing countries. In this paper, we distinguish between the growth effects of horizontal versus vertical FDI. Due to its higher level of embeddedness in the local host economy, we hypothesize that the growth effect of horizontal FDI is larger than that of vertical FDI. Using a new database allowing us to empirically distinguish between these two types of FDI, we empirically estimate the growth effects of vertical and horizontal US MNE activity into 44 host countries over the period 1983-2003, also using traditional FDI figures as a benchmark. In addition to confirming previous findings, we find broad confirmation for our hypothesis suggesting a superior growth effect of horizontal FDI. Extensive robustness tests do not change our findings and conclusion. (For more information, please contact: Sjoerd Beugelsdijk, University of Nijmegen, Netherlands: s.beugelsdijk@fm.ru.nl)

Partial Acquisitions as an Entry Mode in Transition Economies
Kristian Jakobsen, Copenhagen Business School
Klaus E. Meyer, University of Reading

Multinational enterprises often acquire stakes in an existing enterprise when entering emerging economies. This paper examines the determinants of entry mode choices with a special focus on these partial acquisitions, which have received little attention in the scholarly literature. We show that partial acquisitions have features that are distinct from other modes with respect to the transfer of resources to the subsidiary and the determinants of entry mode choice.

Recent research suggests that a buyer prefers partial acquisitions, when a seller possesses asymmetric information advantages. However, other studies have suggested that partial acquisition result from sellers' preference for partial divestment. We propose a different perspective that is grounded in the influence of stakeholders on the transfer of ownership rights and find that partial acquisitions are preferred when negotiations are subject to significant stakeholder interference. (For more information, please contact: Kristian Jakobsen, Copenhagen Business School, Denmark: kj.int@cbs.dk)

Session: 1.3.6 - Competitive
Track: Track 2-Theory Dev. and Empirical Modeling

Econometric Modeling

Presented On: June 26, 2007 - 11:15-12:30
Chair: Timothy Michael Devinney, Australian Graduate School of Management

Domestic Rivalry and Export Performance: Theory and Evidence from International Airline Markets
Joseph Clougherty, Wissenschaftszentrum Berlin (WZB) and CEPR-London
Anming Zhang, University of British Columbia

The much-studied relationship between domestic rivalry and export performance consists of those supporting a national-champion rationale, and those supporting a rivalry rationale. While the empirical literature generally supports the positive effects of domestic rivalry, the national-champion rationale actually rests on firmer theoretical ground. We address this inconsistency by providing formal theoretical backing to the rivalry rationale that illustrates three paths via which domestic rivalry translates into enhanced international exports. Furthermore, empirical tests on the world airline industry elicit the existence of one particular path – an enhanced firm performance effect – that connects domestic rivalry with improved international exports. (For more information, please contact: Joseph Clougherty, Wissenschaftszentrum Berlin (WZB) and CEPR-London, Germany: clougherty@wz-berlin.de)
How Do US Economic Sanctions Affect EU’s Trade with Target Countries?
Jiawen Yang, George Washington University
Hossein Askari, George Washington University
John Forrer, George Washington University
Lili Zhu, Gallaudet University

Using longitudinal trade data, we investigate the impact of US economic sanctions on EU’s trade through hierarchical linear regression. Multilateral sanctions involving the US and the EU have a negative impact on EU trade (total, imports, and exports). US unilateral sanctions also have a negative impact on EU trade. We argue that unilateral sanctions, if they are extensive in nature, would have a depressing impact on target countries’ trade, especially at the initial stage of sanctions. Over time, both multilateral and unilateral sanctions lead to an increase of target countries’ exports to the EU, supporting the third-country effects of sanctions. (For more information, please contact: Lili Zhu, Gallaudet University, USA: llzhu@gwu.edu)

Reevaluating Regional Effects in International Business
Ricardo Flores, University of Illinois at Urbana-Champaign
Ruth Aguilera, University of Illinois at Urbana-Champaign

Over the past decade regionalism, regionalization, ‘regional multinationals’, or ‘liability of regional foreignness’ are terms that have gained acceptance in certain research circles. Notwithstanding the popularity of these terms, it seems that an unambiguous definition of the term region and its implications is lacking. How can we define ‘region’? Can the same regional definition be used for research projects with completely different aims? Can using different regional definitions direct us to different insights into the phenomena studied? We tackle these issues by examining different regional definitions and their consequences for a specifically relevant problem within the international business research agenda: studying changes in the foreign location choices of MNCs. Implications of these findings for future research within the international business literature are presented. (For more information, please contact: Ricardo Flores, University of Illinois at Urbana-Champaign, USA: rgflores@uiuc.edu)

When Do Clusters Matter for Regional Economic Performance?
Mercedes Delgado, Harvard Business School
Michael Porter, Harvard Business School
Scott Stern, Northwestern University

This paper evaluates the role of regional cluster composition in the economic performance of a region and its clusters. The traditional distinction between industry specialization and regional diversity is misplaced, failing to capture the linkages among related industries or the importance of spillovers from proximate regions. Building on Porter’s (1990, 2001) concept of clusters, we offer a systematic evaluation of the relationship between the patterns of cluster development and economic performance in terms of employment and patent growth. The cluster framework suggests three key spillovers influencing economic performance: within cluster, across related clusters, and across common clusters in neighboring regions. Using newly available data from the US Cluster Mapping Project, the empirical analysis exploits a rich panel dataset at the cluster-region level between 1990 and 2003. To address the potential endogeneity between regional cluster composition and subsequent economic performance, we include detailed controls for the attributes of clusters, regions and neighboring regions. We find that the growth of a cluster depends on the specialization of the region in the cluster, the strength of related clusters, and the strength of the same cluster in nearby regions. Overall, these findings suggest that regional clusters play a central role in regional economic performance. (For more information, please contact: Mercedes Delgado, Harvard Business School, USA: mdelgado@hbs.edu)
Subsidiary Roles in the Multinational Firm

Presented On: June 26, 2007 - 11:15-12:30

Chair: Shaker Zahra, University of Minnesota

The Micro-Politics of Cross-Border Integration: Five Case Studies of Multinational Subsidiaries
Andreas Birnik, Cranfield University
Cliff Bowman, Cranfield University

We examine micro-politics in multinational subsidiaries as a result of cross-border integration efforts. The empirical material is based on interviews with subsidiary managers in five subsidiaries in the mobile communications industry in China, Denmark, Romania and Sweden. In comparison to much macro-oriented extant research, we use constructivist grounded theory to explore how subsidiary managers respond to competing demands for local responsiveness and global integration. The research provides a rich account of micro-political practices at the subsidiary level and suggests contexts that are more prone to micro-politics. (For more information, please contact: Andreas Birnik, Cranfield University, United Kingdom: andreas.birnik@cranfield.ac.uk)

The Impact of Autonomy and Organizational Relationships on Subsidiary Employment of Skilled Labour
Jens Gammelgaard, Copenhagen Business School
Frank Mcdonald, Bradford University
Heinz-Josef Tüselmann, Manchester Metropolitan University
Christoph Dörrenbächer, University of Groningen
Andreas Stephan, Europa Universität Viadrina

This paper develops a conceptual model that identifies the main strategic factors in subsidiaries, i.e., autonomy and organizational relationships, which are likely to be associated with higher valued operations that in turn are linked to increased demand for skilled labour by subsidiaries. Our theoretical discussions lead to range of propositions demonstrating that an increased level of effective subsidiary autonomy, and extended inter and intra-organizational relationships, will increase the proportion of skilled labour employed directly by the subsidiary. However, the interrelated effects of the three forces are unclear, since on the one hand autonomy are supportive to the establishment of further and more complex inter-organizational relationships that requires a higher proportion of skilled labour, but on the other hand this might cause intra-organizational conflicts with headquarters, leading to a more peripheral role played by the subsidiary advocating for a lower need for skilled employment. (For more information, please contact: Jens Gammelgaard, Copenhagen Business School, Denmark: jg.int@cbs.dk)

The Antecedents and Consequences of Market Orientation in the MNC's UK Subsidiaries
Riliang Qu, Aston Business School

In recent discussions over the contribution of marketing to the strategy dialogue, market orientation has been singled out as being of particular importance in relation to the understanding of competitive advantage (Day et al 1992, Hunt and Lamb 2000). Research in the past has focused primarily on firms operating in domestic markets. In this study, we set out to explore the impacts of market orientation on the business performance of MNC's foreign subsidiaries as well as the barriers to the development of a market orientation. An investigation of a sample of 252 foreign subsidiaries in the United Kingdom revealed that market orientation has significant positive relationships with a number of business performance measures. And the development of a market
orientation in the context of MNC’s subsidiaries is affected by two context specific antecedents, namely, the integration and the local responsiveness of the subsidiary. (For more information, please contact: Riliang Qu, Aston Business School, United Kingdom: r.qu@aston.ac.uk)

From Activities to Strategy: Empirical Linkages between Subsidiary Activities and MNC Strategy
Michael J. Enright, University of Hong Kong
Venkat Subramanian, University of Hong Kong

Subsidiary roles have been inferred from MNC strategy taxonomies. Such a top-down approach assumes that realized resource allocation patterns at subsidiary level are outcomes of intended strategies at the MNC level. In contrast, this study examines from the perspective of realized strategies. The study induces a knowledge perspective from the literature to provide the theoretical constructs for discriminating subsidiaries. Using a grounded approach that is partly theoretical and partly empirical, the study induces a set of subsidiary roles on a large sample of MNC subsidiaries across Asia-Pacific. In a second stage, a cluster analysis is done on the earlier results that enables to link activities at subsidiary level to subsidiary roles and then to overall MNC strategy using a two-stage clustering procedure. The study indicates a mix of MNC strategies and subsidiary roles that may not entirely fit into a specific typology in literature. (For more information, please contact: Venkat Subramanian, University of Hong Kong, Hong Kong: vsubrama@business.hku.hk)

Session: 1.3.8 - Competitive
Track: Track 5-Global Strategy

Outsourcing, Offshoring, and the Role of Location

Presented On: June 26, 2007 - 11:15-12:30

Chair: Steve Tallman, University of Richmond

Explaining Propensity Toward Offshoring in Information Technology Industry: A Firm and Country Level Analysis
Sumit Kumar Kundu, Florida International University
Naveen Kumar Jain, Florida International University
Fred A. Niederman, Saint Louis University

This paper examines the dynamics of the offshore outsourcing (offshoring) of information technology (IT) service work. It considers this important emerging phenomenon from multiple lenses based on international business and strategic management theories. Research propositions are developed based on accepted grounded theories from the viewpoints of the firm, the nation, and the interaction between them. Additional issues not addressed by received theories are surfaced suggesting questions for future research (For more information, please contact: Sumit Kumar Kundu, Florida International University, USA: kundus@fiu.edu)

What Motivates Offshoring Firm’s Location Decisions? Structural Appropriateness vs. Labor Arbitrage
Shirish C. Srivastava, National University of Singapore
Thompson S. H. Teo, National University of Singapore
Partha S. Mohapatra, Morgan State University

Though recent times are witnessing a growing importance of services offshoring, academic research on offshoring location decisions is relatively sparse. Extending the discussion from the relevant international business (IB) literature on location decision for offshoring of traditional blue collar jobs, we conceptualize the offshoring decisions for information technology (IT) enabled white collar jobs, on two dimensions of structural appropriateness and labor arbitrage. Using publicly available data, we identify country level factors which origin
country (US) firms look for, when making an initial offshore location decision (whether to offshore to a
destination or not). Further, we also identify the factors associated with offshoring attractiveness of a
destination (measured by the number of firms offshoring to that destination). The results indicate that labor
skills in the destination nation, is a significant determinant of the initial offshore decision, whereas the
offshoring attractiveness of the destination nation is associated with labor cost, labor skills, and the extent of
Internet usage in that nation. Implications for academics, practitioners, and policy makers are also discussed.
(For more information, please contact: Shirish C. Srivastava, National University of Singapore, Singapore:
shirish@nus.edu.sg)

Offshoring Strategy and Its Implications for FDI Location Theory
Jonathan Doh, Villanova University
Kraiwinnee Bunyaratavej, Wesley College
Eugene D. Hahn, Salisbury University

In this paper, we evaluate the salience of classic IB theories of the location of foreign direct investment (FDI)
when applied to international offshoring. We hypothesize that some specific location factors are especially
important in offshoring and that different offshore sectors will be differentially influenced by these factors. We
test our hypotheses using a database of 1,151 call centers, shared services centers, regional headquarters, and
IT services FDI projects initiated by U.S. and U.K. company parents in the period 2002-2005 located in 45
developed and developing countries. We find general support for our hypotheses and draw implications of our
findings for research, policy, and practice. (For more information, please contact: Jonathan Doh, Villanova
University, USA: jonathan.doh@villanova.edu)

Session: 1.3.9 - Competitive
Track: Track 7-Managing People across Cultures

Communication and Negotiations across Borders

Presented On: June 26, 2007 - 11:15-12:30

Chair: Leigh Anne Liu, Georgia State University

Intercultural Communication and Adaptation
Leigh Anne Liu, Georgia State University
Chei Hwee Chua, University of South Carolina
Guenter Stahl, INSEAD

The acceleration of global integration in multinational organizations has given rise to the importance of efficient
intercultural communications. Four studies reported in this paper addressed the question of what comprises
intercultural communication efficiency, and what the antecedents and consequences of Quality of
Communication might involve. We proposed and found three dimensions in Quality of Communication: Clarity,
Responsiveness, and Comfort that were experienced by individuals in interpersonal intercultural encounters.
Results from both qualitative and quantitative data show that Quality of Communication facilitates intercultural
adaptation and constructive problem solving. We have also tested individual difference antecedents that
promote or hinder higher Quality of Communication. (For more information, please contact: Leigh Anne Liu,
Georgia State University, USA: laliu@gsu.edu)

Why Cultural Intelligence Matters: Negotiating with the Chinese
Seung Hwan (Mark) Lee, University of Western Ontario
A major theme pervasive in this paper is that Cultural Intelligence (CQ) plays a major role in the cross-cultural negotiation processes. This paper specifically focuses on the negotiation relationship between Western and Chinese negotiators to explain this phenomenon. As businesses propagate towards encompassing a global mindset, cross-cultural negotiation opportunities are bound to increase. Hence, understanding CQ and its influence on negotiation relationships and behaviors is critical in attaining desirable negotiation outcomes. (For more information, please contact: Seung Hwan (Mark) Lee, University of Western Ontario, Canada: mlee@ivey.uwo.ca)

**Mexico and the U.S.: Common Border, Common Negotiating Orientations**
Lynn E. Metcalf, California Polytechnic State University
Allan Bird, University of Missouri-St. Louis
Didimo Dewar, Tecnologico de Monterrey, Campus Cuernavaca

With a growing cadre of people conducting business across the U.S.-Mexico border, there is a need for information about the negotiation orientations they are likely to encounter. While information on negotiating behaviors is available, it is often anecdotal, stereotyped, and contradictory. Empirical work that systematically compares Mexico and the U.S. across a range of negotiating dimensions is scarce. We have clarified, refined, and operationalized twelve negotiation dimensions in a comprehensive conceptual framework proposed over twenty years ago by Weiss and Stripp (1985). Our findings suggest that U.S. and Mexican negotiators may have more in common than they think and that negotiation orientations in both countries may run counter to conventional wisdom. (For more information, please contact: Lynn E. Metcalf, California Polytechnic State University, USA: lmetcalf@calpoly.edu)

**Global Branding and Segmentation Issues**

**Presented On:** June 26, 2007 - 11:15-12:30

**Global Coevolution: Factors Influencing the International Expansion of Automotive Brands**
Janell D. Townsend, Oakland University
Sengun Yeniyurt, Rutgers University
Mehmet Berk Talay, Michigan State University

This study focuses on the international expansion of brands. A coevolutionary framework is employed, and specific hypotheses are developed regarding the effect of environmental uncertainty, competition and organizational learning on the international expansion of brands. Global brand architecture is introduced as a factor in the coevolution of the brands in international markets. An empirical model is developed and estimated in the context of the automotive industry. The results indicate that market attractiveness, experiential learning, and mimetic behavior have a strong influence on a brand’s global market expansion. (For more information, please contact: Sengun Yeniyurt, Rutgers University, USA: yeniyurt@msu.edu)

**Overcoming a Negative Image: The Role of Sponsorships in Changing the Global Reputation of the Firm**
Tracy L. Gonzalez-Padron, Michigan State University

Companies are attempting to repair reputations or maintain a positive reputation through corporate citizenship activities such as sponsorships of events and causes. Research of image improvement through sponsorship activities would contribute to the increasing base of knowledge on the effectiveness of sponsorships as a marketing tactic. Managers of multinational corporations will gain information that will help allocate limited
resources to the most effective sponsorships for changing the global reputation. This conceptual framework adds to previous perspectives on corporate sponsorship by incorporating sponsor-specific factors of global corporate social responsibility reputation and controversial industry to consider negative corporate or industry images. (For more information, please contact: Tracy L. Gonzalez-Padron, Michigan State University, USA: gonzalez@bus.msu.edu)

Alex Eapen, University of Sydney

Density dependence theory suggests that legitimation and competition forces shape founding, entry and mortality rates in a population of firms, and thereby, its evolution. However we know relatively little about the boundaries of the density effect: whether the density dependent processes (of legitimation and competition) have a population wide reach or whether they are strongest within sub-populations such as clusters of foreign firms in a host country. In this paper we seek to bridge this gap and examine the boundaries of the density effect. We argue for 'local density dependence' where density effects are strongest among firms that have similar resource dependencies, e.g., firms inhabiting the same market segment and thus depending on the same buyer base. We also argue that the effects would be strongest among firms that share similar identities such as among foreign firms operating in a given host country. Our empirical analyses, using data on the entry of foreign firms into various market segments in the US automobile industry between 1986 and 2003, suggest that density effects are indeed stronger among firms in the same market segment. We also find that the number of foreign incumbents in the segment significantly influences the entry rates of foreign firms into that segment. (For more information, please contact: Alex Eapen, University of Sydney, Australia: a.eapen@econ.usyd.edu.au)

_Global Market Segmentation: Problems and Solutions_  
Glenna Carolyn Mack Pendleton, Cleveland State University

Nachum (1994) indicates in the past different country-level characteristics have been commonly used as a basis for the segmentation of international markets. This practice of using largely untested variables as the basis for segmentation is becoming especially dangerous in the twenty-first century when more and more competitors are entering world markets and where change is occurring at an accelerated rate. In light of pressures from change and the need for the development of superior international segmentation techniques, researchers must continue the conceptual analysis of problems and solutions associated with international segmentation. This paper is committed to exploring the issues and problems associated with international segmentation within the context of the strategic management process of the firm. This contribution to the field is useful by marketers in international firms so that they can be more confident in applying international segmentation techniques. The conclusion presents a diamond of components for guiding future research in the area of international market segmentation. (For more information, please contact: Glenna Carolyn Mack Pendleton, Cleveland State University, USA: gcpendle@kent.edu)
Cultural Differences Discourse in Cross-Border Mergers and Acquisitions: An Adaptive Sensemaking Perspective
Alexei Koveshnikov, Swedish School of Economics

In most of the studies concerning the role of culture in post-acquisition integration processes the 'cultural differences' are treated as given and always present. This paper attempts to challenge the assumption that 'cultural differences' is something that should be 'taken-for-granted'. To do that the model that reverses the relationship between certain phenomenons, which take place within the post-acquisition organization and, hence, influence the post-acquisition integration processes (e.g. employee resistance), and the managerial perception of 'cultural differences' is proposed. Hence, it is argued that the former influences the latter, rather than the opposite. To do that, this paper draws on literature on managerial cognition and 'sensemaking'. The results suggest that actually 'cultural' conceptions in organizations formed by cross-border acquisitions might be created by or are at least strongly related to the managerial experiences of actual integration efforts and processes. Thus, conceptions of 'cultural differences' are not only reflections of real 'cultural differences' but are (or are also) constructed through complex cognitive, emotional, and political 'adaptive sensemaking' processes of managers within the post-acquisition organization. (For more information, please contact: Alexei Koveshnikov, Swedish School of Economics, Finland: alexei.koveshnikov@hanken.fi)

Using a Cultural Lens to Study Family Businesses in the Anglo Cluster
Vipin Gupta, Simmons College School of Management
Nancy Levenburg, Grand Valley State University
Lynda Moore, Simmons College School of Management
Jaideep Motwani, Grand Valley State University
Thomas Schwarz, Grand Valley State University

Family involvement is a critical defining characteristic of all family businesses. In this article, importance of understanding the nature of family involvement is underscored. Role of culture in influencing this nature is highlighted. A framework is proposed comprising of emic insights and etic parameters, and is illustrated using findings from a study of a sample of ten family business articles from the Anglo cluster. The findings highlight that the dominant cultural archetype of family businesses in the Anglo cluster is an objectified family involvement model, where the family involvement is highly regulated. Implications for family business research and education are highlighted, and limitations of the study are noted. (For more information, please contact: Vipin Gupta, Simmons College School of Management, USA: gupta05@gmail.com)

A Multidimensional View of Firm Internationalization
Daniele Cerrato, Catholic University of Piacenza

The measurement of the degree of internationalization of a firm is a relevant topic in international business research. Building on the recognition of the variety of aspects associated with international expansion, this paper focuses on a multidimensional view of multinationality and aims at identifying a number of dimensions which are to be separately considered to have an exhaustive picture of the internationalization profile of a firm. Specifically, the framework developed in the paper is based on six dimensions of multinationality: Internationalization from demand/market side, Resources located abroad, Geographical scope, International orientation, Financial internationalization, Internationalization of the business network. In the second part of the
paper some preliminary evidence, based on the application of this framework to a small sample of Italian SMEs in machine tools industry, are presented and discussed. (For more information, please contact: Daniele Cerrato, Catholic University of Piacenza, Italy: daniele.cerrato@unicatt.it)

**Session: 1.4.2 - Interactive**  
**Track: Track 3-International Finance and Accounting**

**Cross-National Influences on Corporate Governance**

**Presented On:** June 26, 2007 - 12:30-13:45

*How the German Board Structure Affects Companies' Decision Making*

David Oei, San Diego State University  
Victoria Krivogorsky, San Diego State University

The purpose of this study is to examine the significance of the composition and the size of German companies’ supervisory boards in affecting foreign and domestic sales (sales segmentation). The importance of such study stems from the fact that significant differences in corporate governance codes continue to exist on a per-country and per-exchange level that may hinder cross-countries firms’ comparability. While such differences do not affect a firm’s accounting practices, some standards may instead imbue strong exogenous effects on decision making that ultimately lead to measurable differences in financial statements properties.

Sample data originate from German firms listed on US exchanges (NYSE, NASDAQ, and OTC). Results indicate a significant negative relationship between the size of supervisory boards and the size of foreign sales. Also, the portion of works council members on supervisory boards provides a similar significant effect on sales segmentation. (For more information, please contact: Victoria Krivogorsky, San Diego State University, USA: vkrivogo@mail.sdsu.edu)

*Corporate Governance, Business Cycles & Networks*

Sandra Dow, UQAM  
Jean McGuire, Louisiana State University

Japan is characterized by three distinct kinds of economic organization: the horizontal keiretsu, the vertical keiretsu, and firms unaffiliated with either type of keiretsu. We find that the relationship between ownership concentration and firm performance varies depending upon the nature of the network ties and the stage of the business cycle. While we find strengthening evidence of positive ownership effects in vertical keiretsu and unaffiliated firms; among horizontal keiretsu we provide evidence that powerful owners exhibit entrenchment propensities. Moreover, entrenchment by powerful keiretsu owners occurs during recessionary times. Thus are study supports other work which hypothesizes that relationship-based economies are most vulnerable during periods of economic downturn. Our results demonstrate that regardless of the institutional context (sophisticated or developing), or ownership identity (family versus non-family), business groups seem to act in a predictable way during periods of economic downturn – whatever benefits that may be associated with group affiliation seem to dissipate when they are most needed by member firms (as well as the economy in general). These results lead us to concur with Almeida & Wolfenzon (2006) – business groups should be dismantled. The tendency for powerful owners to engage in tunnelling during economic downturn is not restricted to emerging market contexts. (For more information, please contact: Sandra Dow, UQAM, Canada: dow-anvari.sandra@uqam.ca)
Internationalization and Emerging Markets

Presented On: June 26, 2007 - 12:30-13:45

Emerging Countries Firms in the Verge of Global Competition: Lessons from Brazil
Miguel P. Caldas, Loyola University New Orleans
Thomaz Wood Jr., FGV/EAESP

In the first half of the 1990s, a broad macroeconomic reform took place in Brazil, leading to changes in institutions, industries and firms. Ultimately, the reform opened the local market for foreign firms and gave local firms a strong incentive to go abroad. In this paper, we discuss Brazilian firms’ competitive capacity in the new business environment. The study is based on three levels of analysis – national, industry and firms –, with emphasis on the firm level. Our objective is to depict the current situation and explore Brazilian firms’ potential for competitiveness in international markets. We propose a new model to analyze firm competitiveness and discuss how successful Brazilian firms have dealt with the new – open, transitional and turbulent – environment. We believe that the lessons drawn from the Brazilian environment may be useful to firms in other emerging economies with similar characteristics. (For more information, please contact: Miguel P. Caldas, Loyola University New Orleans, USA: mpcaldas@loyno.edu)

Internationalization in Stages: Comparing the Performance of Brazilian Multinationals and Exporters
Felipe Mendes Borini, FEA/USP
Moacir de Miranda Oliveira Jr., FEA/USP
Maria Tereza Fleury, University of Sao Paulo
Afonso Carlos Fleury, POLI/USP

This paper analyzes the relationship between exportation and performance of Brazilian owned companies. For this, an exploratory research was carried out in a sample of 118 of the 500 largest Brazilian companies. The central hypothesis is supported there is a positive association between internationalization and performance until a break point when the company became a multinational company. In opposition to research done in developed countries, the J-inverted curve in the Brazilian case presents an intriguing result, that seems to challenge the ‘related-unrelated market perspective’ applied to exportation processes, from the approach of the cultural distance. Our results show that from the 15% degree of exportation, the results increase until 100%, and just when the companies start FDI comes an inflexion point. The results reinforce the perspective that the main challenge is related to the transition process from exportation to FDI. One contribution of this paper is data origin. In the literature it is evident that researchers have predominantly relied on US and European organizations. But firms from large emerging economies should play a more important role in global competition in coming years, and it is important understanding if the existing theory also applies for firms from large developing countries. (For more information, please contact: Felipe Mendes Borini, FEA/USP, Brazil: fborini@globo.com)

From State Owned Enterprise to Multinational Enterprise: The Strange Case of Lukoil
John W. Clarry, College of New Jersey

International business has studied the impact of multinational enterprises (MNEs) upon economic development processes, but usually from an outsider’s foreign perspective. This paper examines the growth of a former state owned enterprise in an emerging market to become a newcomer MNE, with corporate strategies and resources to compete on a regional or global basis. We present a co-evolutionary model of growth to analyze the
interaction between organizational strategies and the institutional environment in emerging markets. We analyze the growth of one firm in the oil industry, and the reciprocal effects of international strategies and institutional factors in Russia. We conclude that newcomer MNEs can grow faster internationally with more foreign investments and strategic alliances; but they will still be constrained in their corporate governance by domestic political linkages and managerial perspectives, including cultural differences. (For more information, please contact: John W. Clarry, College of New Jersey, USA: clarry@tcnj.edu)

Foreign Subsidiaries in Emerging Markets and Export Performance: The Case of Poland
Jerzy Cieslik, Leon Kozminski Academy of Entrepreneurship and Management
Eugene Kaciak, Brock University

A response of multinational enterprises to a rapidly changing institutional environment in Poland during its post-communist transition period was swift. It was particularly strongly reflected in an instant involvement of foreign subsidiaries in export operations. The analysis presented in this paper shows existence of three categories of foreign subsidiaries: instant, quick, and late exporters. Subsequent cluster analysis reveals nine patterns of growth across these three categories of exporters. (For more information, please contact: Eugene Kaciak, Brock University, Canada: ekaciak@brocku.ca)

The Internationalisation of Chinese Firms
Ling Liu, University of Edinburgh
Ying Tian, University of Edinburgh

The rapid increase of Chinese outward direct investment has been an outstanding phenomenon of recent years. More recently, Chinese enterprises, as late-comers, engaging in M&A activities in developed markets have drawn considerable attention and have presented a big challenge to conventional theory of internationalisation, which tends to assume that firms internationalise to exploit competitive advantages and prefer to invest in near ‘psychic distance’ markets. This paper examines the patterns of and the motives for internationalisation by Chinese enterprises with a particular focus on China’s investment in the UK. A survey of these enterprises indicates that driven by market and efficiency seeking, Chinese MNEs are investing in the targeted country in order to acquire competitive advantages. The empirical study also shows that in their infancy as foreign investors, Chinese MNEs are setting up subsidiaries as the main entry mode in the UK. (For more information, please contact: Ling Liu, University of Edinburgh, United Kingdom: ling.liu@ed.ac.uk)

Session: 1.4.4 - Interactive
Track: Track 4-Emerging Markets (EM) and MNEs

New Horizons for Emerging Markets

Presented On: June 26, 2007 - 12:30-13:45

E-Banking in Emerging Markets: Shifting the Competitive Landscape
Jennifer Isern, Nova Southeastern University
Ruth Clarke, Nova Southeastern University

This paper discusses the dynamics of competition in the financial services industry, and theories of competition that explain sometimes counter-intuitive effects observed over the last fifty years. We present arguments here that new forces are taking hold in the financial services industry that may change existing competition paradigms. Electronic banking is thriving in Japan, Europe, and the U.S. as customers click their mouse, press telephone keys, and slide cards to conduct their banking. Increasingly, banks and other financial service
providers are starting to launch many of these same innovations in developing countries. Emerging markets are in the position of developing a financial infrastructure that could leapfrog established infrastructures while providing a broader range of financial services for customers. We argue that financial services may be entering a period of Schumpeterian competition in which electronic banking may fundamentally change the global financial services industry. (For more information, please contact: Ruth Clarke, Nova Southeastern University, USA: rclarke@nova.edu)

The Determinants of Venture Capital Profitability and Investment Duration via Different Exit Strategies: Evidence from an Emerging Market
Chuan-Hung Wang, National Taiwan University
Fang-Mei Tseng, Yuan Ze University

Profit is the venture capitalist’s ultimate goal. Therefore, it is vital for there to be an optimal exit strategy choice for maximal and rapid returns on investment. Few previous studies address the issue of exit strategy in emerging market, resulting in an absence of full-scale research. The relationships among the influencing factors, the venture capital profitability and investment duration via different exit strategies are probed in this study. Twelve influencing factors from references are sorted and separated into five dimensions. Our study can provide implications for both venture capitalists and entrepreneurs in considering the important determinants and making correct decision in emerging markets. (For more information, please contact: Chuan-Hung Wang, National Taiwan University, Taiwan: d94741002@ntu.edu.tw)

Session: 1.4.5 - Interactive
Track: Track 5-Global Strategy
Perspectives in Global Strategy (I)

Presented On: June 26, 2007 - 12:30-13:45

Moderating Effect of High-Involvement Human Resource Practices on Firm Strategy and Performance
Pei-Chuan Wu, National University of Singapore
Siah Hwee Ang, University of Auckland

This paper investigates the moderating effects of high-involvement human resource practices on firm innovation and diversification strategies and performance. Using survey data from 178 firms operating in Singapore, we find moderating effect of high-involvement human resource practices on the relationship between diversification strategy and performance, but not in the case of innovation strategy. We also find that the 3-way interaction between high-involvement human resource practices, innovation and diversification strategies has a positive impact on performance. These findings provide further support to the contingency perspective of HRM practices. It also has implications for the role of high-involvement human resource practices in balancing firm innovation-diversification dynamics. (For more information, please contact: Siah Hwee Ang, University of Auckland, New Zealand: s.ang@auckland.ac.nz)

An Incomplete Contracts Theory of Bribery
Seung-Hyun Lee, University of Texas at Dallas
Kenny (Kyeungrae) Oh, University of Texas at Dallas
Lorraine Eden, Texas A&M University

Incomplete contracts theory argues that the real ownership of a firm depends on who owns the residual rights of control over the firm, which arises either from state ownership or government regulation. In this study, we
develop an incomplete contracts theory of bribery exploring firm and country level determinants of bribery. We find that bribe size depends on the government’s exercise of residual rights of control and the firm’s threat point (i.e., its ability to walk away). We also find that pervasiveness of corruption is positively related while arbitrariness is negatively related, to bribes paid, with both relationships being curvilinear. (For more information, please contact: Seung-Hyun Lee, University of Texas at Dallas, USA: lee.1085@utdallas.edu)

**International Business Strategy and Intellectual Property Rights: The Role of Market and Nonmarket strategy**

Daya Shanker, Deakin University

Major business strategies either based on industrial organization or resource based view (RBV) with its evolved concept of dynamic capability suggest that monopolization of market is the normal endeavor of firms and this endeavor gets amply reflected in the acquisition of monopolization through the expansion of intellectual property rights such as patenting and copyrights. This article suggests a framework consisting of both market and nonmarket strategy to explain the firm’s attempt to expand monopolistic control in international market through the expansion of intellectual property rights with the help of examples and various developments and suggests that nonmarket strategy has helped firms more than the market strategy at macro level in such expansion. (For more information, please contact: Daya Shanker, Deakin University, Australia: dshanker@deakin.edu.au)

**Investors’ Reactions to Imitation: Analyzing Investment Bank Choice and American Depository Receipt Underpricing**

Stewart R. Miller, University of Texas at Austin
Daniel C. Indro, Penn State University
Malika Richards, Penn State University

We examine the performance implications of mimetic behavior of organizations that operate in a multinational setting. Using a sample of foreign firms that raise capital in the United States, we find that different types of mimetic behavior affect the degree of ADR underpricing differently. Specifically, following the prior actions of local industry firms is associated with a smaller underpricing, while following the prior actions of distant industry firms is associated with a greater underpricing. (For more information, please contact: Malika Richards, Penn State University, USA: mur12@psu.edu)

**Quo Vadis? The Entry into New Technologies in Foreign Subsidiaries of the Multinational Corporation**

Katarina Blomkvist, Uppsala University
Philip Kappen, Uppsala University
Ivo Zander, Uppsala University

This paper addresses the evolution of technological capabilities in foreign subsidiaries of the multinational corporation. We specifically test for the existence of patterns in the timing of entry into new technologies in foreign subsidiaries which have once proven their capacity to contribute significantly to the strategic development of the multinational group. Event history analysis of the complete patenting activities by 157 foreign subsidiaries of 21 Swedish multinationals over the 1893-1990 period reveals statistically significant acceleration of entry into new technologies at relatively moderate hazard rates. The results lend support for established theorizing around the evolution of technological capabilities in foreign subsidiaries, but question extreme views on the growing strategic importance of foreign subsidiaries of the multinational corporation. (For more information, please contact: Katarina Blomkvist, Uppsala University, Sweden: katarina.blomkvist@fek.uu.se)
The Influences of Corporation Network, Competition Network, Core-Peripheral Position, and General Network Advantage on Firms' Innovation in Global High-Tech Industries  
Kuen-Shiou Yang, National Taiwan University  
Shuwen Wang, National Taiwan University

Social network theory and analysis have been employed in various studies in the field of organization and have produced many insightful findings both on the level of the individual and of the firm. However, the issue of incorporating a corporate network and its competition network is seldom studied especially with ties on the level of the firm. In this study, we make a dissection of the influences of corporation network based on supplier-consumer relation, and of the competition network based on product competitions on innovation. We also investigate on how firms located in different core-peripheral positions based on corporation and competition networks perform differently based on their innovation. Finally, we discuss the interaction effect of corporation network advantages and the competition network advantages (both measured in degree centrality, closeness centrality, and structural hole) in terms of firms’ general network advantage to testify that those with different general network advantages will perform differently in innovation.

After the investigation, we found that a firm’s degree centrality and structural hole positively influence firms’ innovations both in corporation and competition networks, and that firms that are located in different core-peripheral positions and possess different general network advantages perform differently in their innovations. (For more information, please contact: Kuen-Shiou Yang, National Taiwan University, Taiwan: altoyung@yahoo.com.tw)

Resources, Alliances, Strategic Intent, Their Interactions, and Venture Firm’s International Sales  
Jangho Lee, Sogang University

In this paper we considered arguments suggested by three perspectives based on organizational resources, alliance capabilities and strategic considerations, and explored whether young venture firms could increase international sales by using firm-specific resources, leveraging inter-organizational relationships and focusing on strategic intent. Regression results show that firm’s R&D capabilities positively affected its international sales, but that its marketing capabilities did not at the statistically significant level. The findings also show that the interaction of firm's R&D capabilities and its marketing alliance with other organizations had positive impacts on its international sales. Statistical test results also find weak support for the hypothesis that the interaction of firm's marketing capabilities and its R&D alliance with other organizations would affect its international sales positively. Thus the findings suggest that firm's resources and their interactions with the firm's alliances with other organizations that had complementary resources positively affected its international sales. Finally the study finds that firm's strategic intent interacted only with its marketing alliance with other organizations to have a statistically positive effect on its international sales. (For more information, please contact: Jangho Lee, Sogang University, Korea, South: jhlee@sogang.ac.kr)

Why Does Global Alliance Behavior Differ? MNC’s International Strategy Perspective  
Terhi Johanna Vapola, Helsinki School of Economics  
Markus Pietari Paukku, Helsinki School of Economics  
Mika Gabrielsson, Helsinki School of Economics
This paper applies Bartlett and Ghoshal’s (1989) concept of the international strategies of multinational companies (MNC’s) to explain the MNC’s varying needs in its strategic alliances. Our research shows that alliance strategies in the different types of MNC’s differ significantly in aspects of partner integration and the number of different types of partners. We argue that the choice of an alliance approach is dependent on the MNC’s international strategy. The empirical results reveal the impact of local responsiveness on the need for the number of different types of alliance partners, and the impact of global integration on the need of global partner integration. (For more information, please contact: Markus Pietari Paukku, Helsinki School of Economics, Finland: markus.paukku@hse.fi)

Session: 1.4.7 - Interactive
Track: Track 5-Global Strategy

Offshoring or National Advantage

Presented On: June 26, 2007 - 12:30-13:45

Offshore Financial Centers and the Canadian Economy
Walid Hejazi, University of Toronto

The surge in Canadian direct investment abroad (CDIA) is an important component of Canada’s competitive strategy, and has been shown to increase Canada’s trade, capital formation and employment. A large share of CDIA moves through low-tax jurisdictions, also known as offshore financial centers, Barbados being the largest. These jurisdictions serve as conduits for Canadian multinationals to access the global economy. The analysis presented in this paper demonstrates that CDIA that moves through conduit jurisdictions results in broad-based increases in Canadian exports to the global economy. This evidence is linked to the literature which finds that these increases in trade result in higher levels of Canadian capital formation and employment. These effects must therefore be taken into account in any public discussion of the merits of the use of conduit jurisdictions by Canadian companies. (For more information, please contact: Walid Hejazi, University of Toronto, Canada: hejazi@rotman.utoronto.ca)

Provider Firm Dynamics: Examining the Neglected Aspect of Offshore Outsourcing
Somnath Lahiri, University of Memphis
Ben L. Kedia, University of Memphis

Provider firms across the globe have significant role to play in offshore outsourcing partnerships. However, in the current literature, the dynamics of providers have not received adequate attention. Utilizing tenets of industrial economics, resource-based view, and social exchange theory we provide a research framework that explains what factors may influence the strategic orientation and performance of offshore outsourcing providers. We also draw implications for international business research. (For more information, please contact: Somnath Lahiri, University of Memphis, USA: slahiri1@memphis.edu)

Multinationality and Regional Performance, 2001-2005
Chang Hoon Oh, Indiana University
Alan M. Rugman, Indiana University

The traditional dependent variable in the multinationality and performance literature is the ratio of foreign (F) to total (T) sales, (F/T). This can now be supplemented by a new regional variable, the ratio of regional (R) to total (T) sales, ie. (R/T). Data are presented on both (F/T) and (R/T) for both sales and assets for a five-year period, 2001-2005. Implications are drawn for future research on multinationality and performance in the light...
of this regional phenomenon. (For more information, please contact: Chang Hoon Oh, Indiana University, USA: chaoh@indiana.edu)

National Competitiveness in the Age of Globalization
Markus Pudelko, University of Edinburgh

This paper is a position paper, more aimed to stimulate academic debate around a broad topic of general importance than to provide a rigorous in-depth analysis of a specific and narrow issue. It is intended to be published in a journal that bridges the gap between academia and practice.

We will demonstrate in this contribution that differences in competitiveness of corporations from different countries is not just a question of 'better' management models as conventional wisdom wants us to believe. Furthermore, we will show that national competitiveness can change radically over time without significant changes in actual management practices. Contrary to much of the management literature we hold that changes in the global business environment – over which companies have little control – can determine the competitiveness of companies of a country to a higher degree than changes in management practices themselves. Having said this we are not succumbing to a kind of fatalism arguing that there is little companies can do to increase their competitiveness. To the contrary, based on our assumptions we develop four specific lessons for companies of how they can increase their competitiveness within the constraints of the socio-cultural context in which they are operating. (For more information, please contact: Markus Pudelko, University of Edinburgh, United Kingdom: markus.pudelko@ed.ac.uk)

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Session: 1.4.8 - Interactive
Track: Track 6-International Entrepreneurship

Cognitive and Institutional Forces Shaping International Entrepreneurship

Presented On: June 26, 2007 - 12:30-13:45

Entrepreneurship in Emerging Markets: An Organizational Ecology Approach
Patricia R. Todd, Western Kentucky University
Rajshekhar (Raj) G. Javalgi, Cleveland State University
Robert F. Scherer, Cleveland State University

Entrepreneurship and organizational ecology, specifically population dynamics, are combined to provide an explanation for strategic development for firms in emerging markets. Entrepreneurial firms have the necessary attributes to do business within the uncertain, risky international markets represented in developing economies. The carrying capacity, or resource availability, is presented as the primary limiting factor for further expansion and a discussion of the external environmental factors impacting the carrying capacity is presented. (For more information, please contact: Patricia R. Todd, Western Kentucky University, USA: patricia.todd@wku.edu)

The Chinese Recreational Boat Market -- A Field Study with American Boat Companies
Chen Wang Ferguson, Miami University

This paper analyzes the necessary conditions for the Chinese recreational boat industry to achieve rapid growth. The paper continues with a field study in which seven American boat companies explored the Chinese recreational boat industry. The paper concludes that in order to be successful in the global boat market, American boat communities from both private and public sectors must be informed about the competitiveness
and huge potential of the Chinese recreational boat industry. (For more information, please contact: Chen Wang Ferguson, Miami University, USA: fergusc@muohio.edu)

**The Effect of Internationalization on IPO Price Premiums**
Ross William O'Brien, University of Texas at Arlington
Hussam Ahmad Al-Shammari, Indiana University of Pennsylvania

Research on IPO firms has examined the effects of various factors on the price of a stock at the time of an initial public offering (Rasheed, Datta & Chinta, 1997; Daily, Certo & Dalton, 2005). This includes factors such as use of invested funds, firm leverage, reduction of management ownership, board composition and others. However, to date, no studies have considered the role of internationalization on the value of a stock at the time of an IPO, even though globalization is a major force in business. This paper seeks to fill this gap in the literature by examining the effect of internationalization, as measured by international sales over gross sales, on the price premium of a stock at the time of an IPO. Further, this study examines the potential moderating effect of the age of the firm and top management compensation structure on the relationship between internationalization and IPO price premium. (For more information, please contact: Hussam Ahmad Al-Shammari, Indiana University of Pennsylvania, USA: hussam@iup.edu)

**Cognitive Interpretive Schemes in International New Ventures: Evidences from Brazilian Entrepreneurs**
Bruno Henrique Rocha Fernandes, Centro Universitario Positivo
Rene Eugenio Seifert Jr., University of Birmingham

The article presents the results of a case study research exploring the formation and influence of cognitive interpretive schemes in international new ventures. The study was carried out within Trikke Tech Inc., a typical born global company formed by three Brazilian entrepreneurs and which main product (Trikke) was elected invention of the year in 2002 by Times magazine. The study corroborates some evidences of the specialized literature while questions others. An explanation of international entrepreneurship based on the role of entrepreneurs’ interpretive schemes is offered. It was observed that values like high-risk propensity, persistence, business focus and innovation, were present in the interpretive schemes of the entrepreneurs at the inception of the venture. However values like: partnerships and global action, usually placed in the base of the fast internationalization process, were not present at the entrepreneurs’ interpretive schemes when the venture was formed. They were developed as time passed by. Resource and environmental contingencies played an important role in shaping interpretive schemes that led the firm to become a born global. It is suggested that interpretive schemes mediate and guide the international expansion of international new ventures once they act as the cognitive domain to entrepreneurial action. (For more information, please contact: Rene Eugenio Seifert Jr., University of Birmingham, United Kingdom: res696@bham.ac.uk)
The present study examined the relationship between group characteristics and group-level organizational citizenship behavior (OCB) and whether group OCB norms played a mediating role in the relationship. We hypothesized that five group characteristics (i.e., task interdependence, goals difficulty, task cohesiveness, social cohesiveness, and communal relationships orientation) would influence group members’ perceptions of helping and initiative norms, which in turn would shape group-level helping and initiative behavior, respectively. We used the structural equation modeling technique to analyze data obtained from 224 work groups in the retail industry and found some support for the mediating roles of group helping and initiative norms, regardless of whether supervisory or members’ ratings were used to operationalize the norms. Implications for practitioners and future research were discussed. (For more information, please contact: Ghee Soon Lim, National University of Singapore, Singapore: bizlimgs@nus.edu.sg)

Rising Individualism: The Impact of Economic Globalization on the Family, Firm, and State in India
Grishma Shah, Rutgers University

With a GDP growth rate of 7.6 percent for 2005 and a consistent growth rate averaging seven percent for the last decade, there is no contention that India is undergoing unprecedented economic growth. Along with extraordinary economic growth, India’s 2001 census confirms that more than fifty four percent of India’s population is under the age of 25. In other words, in the coming decades, the demographic of India will consist mainly of young Indians, more than half of who will have the skills, qualifications, and desire to continue to enter the global economy at an unparalleled rate. As “liberalization’s children” enter the global economy, it is crucial that we understand the impact of globalization on this young cohort. Particularly, we must realize the impact of globalization on their cultural values, as such values are potent determinants of changes in behavior and outcomes with in firms, families and States. Accordingly, the following work proposes to examine how the rapid economic growth in India, in particular due to Foreign Direct Investment (FDI) in the information technology enabled services (ITES), is causing a mass and collective cosmopolitan lifestyle transformation among urban middle class youth in India. Broadly, the purpose of my research is to examine how economic globalization, manifest in multinational corporations and domestic firms catering to foreign (mostly developed world) clientele, is changing the social landscape of India. Specifically, my research will focus on globalization’s role in spawning individualism (amid a historically collective culture) among young middle class Indians living in highly globalized cities, such as Bangalore, and the implications of this new individualism for the family, firm and State. The work will also discuss the adjustments required of family-work relations, firms, and public policy in response to rising individualism in this rapidly changing society. (For more information, please contact: Grishma Shah, Rutgers University, USA: grishs@yahoo.com)

The Influences of the Three Components of Organizational Commitment on In-role Behaviors and Organizational Citizenship Behaviors: A Study of Nurses in Taiwan
Ming-Tien Tsai, National Cheng Kung University
Chun-Chen Huang, National Cheng Kung University
Ching-Sing You, Transworld Institute of Technology

There is strong theoretical support for organizational commitment impact on in-role behaviors and organizational citizenship behavior performance. However, previous studies did not attain consistent conclusions with respect to the influence of organizational commitment on organizational citizenship behavior. The purpose of the study is to adopt the three components of organizational commitment scale of Meyer and Allen (1991) and followed the suggestions of Williams and Anderson (1991) to explore the influence of the three components of organizational commitment on in-role behaviors and two dimensions of organizational citizenship behavior (OCBI and OCBO). A total of 450 nurses were sampled in Taiwan, and the overall response rate (310 completed questionnaires) was 69%. The proposed research model was then evaluated with structural equation modeling, and confirmatory factor analysis was also applied to test if the empirical data conform to the proposed model. In conclusion, this research finds that the three components of organizational commitment have a considerably important influence on in-role behaviors and two dimensions of organizational citizenship behavior (OCBI and
Expatriate versus Local Foreign Subsidiary CEO Staffing: A Within-Country Analysis
Andreas P.J. Schotter, University of Western Ontario
Paul W. Beamish, University of Western Ontario

This research addresses the issue of local versus expatriate subsidiary CEO staffing decisions of multinational corporations by decomposing aggregated effects of previous between-country studies. A detailed within-country analysis of 2315 subsidiaries multinational corporations operating in China shows that foreign direct investment legitimacy is a reliable within-country measure of pertinent environmental differences between Chinese provinces. This study adds to existing research on foreign subsidiary staffing decisions by using a more fine-grained level of analysis. We draw from institutional theory and network theory to develop our arguments. The empirical results of this study show that in provinces with lower foreign direct investment legitimacy, multinational corporations use more locals as subsidiary CEOs compared to provinces with higher foreign direct investment legitimacy. The results support the notion that the commonly used country level measures including institutional distance and cultural distance disguise pertinent within-country differences in the institutional environments of host countries, leading to biased assumptions about MNC staffing decisions. (For more information, please contact: Andreas P.J. Schotter, University of Western Ontario, Canada: aschotter@ivey.uwo.ca)

Session: 1.4.10 - Interactive
Track: Track 7-Managing People across Cultures

International Negotiations and Strategy

Presented On: June 26, 2007 - 12:30-13:45

Power and Temporal Commitment: An Investigation in a Labor Negotiation Scenario in Portugal, Turkey and the US
Manuel Portugal Ferreira, Instituto Politécnico de Leiria
Sungu Armagan, Florida International University

Culture influences how individuals exercise power and their preference for longer or shorter temporal commitments. This paper explores whether and how holding power impacts the temporal commitment, that is, on the individuals’ preference for longer or shorter time duration in negotiated agreements in three different countries: Portugal, Turkey, and the US. The first assesses cultural differences in power distance among individuals from these cultures, which we suggest will influence their choices regarding temporal commitment. The second study investigates the relationship between power and temporal commitment across these cultures, using a manager-labor representative negotiation scenario. The results show that the power holders preferred shorter temporal commitments than those with low power. Moreover, the participants in the role of managers also preferred shorter temporal commitments when the situation was advantageous, than the participants in the role of labor representatives. Finally, North Americans preferred a longer contract length than either the Portuguese or the Turks. We discuss the implications of these findings and the need to account for other environment dimensions for international management and cross-cultural research. (For more information, please contact: Manuel Portugal Ferreira, Instituto Politécnico de Leiria, Portugal: portugal@estg.ipleiria.pt)

State of the Art in International Negotiation Studies
Alejandra Calle, EAFIT University
The State of the Art in International Negotiation Studies is a form of qualitative research that can serve as a means of filling the existing “epistemological void” in the subject once the absence of a general theory is evidenced. In our field work, a sample has been constructed in phases such as the bibliographic inventory in international negotiation studies followed by the identification of think tanks or research lines and the most important academic production and an international benchmarking of academic programs in International Negotiation studies in Latin America, North America, Europe and Asia. Thus, this research develops inductively; the results found in each stage allow the determination of the direction of the following stage. The result of this process will make possible a complete picture of the state of knowledge of International Negotiation with a genealogical approach. This interdisciplinary research also seeks to clarify the impact of international relations, international management, international law and international business studies on the academic field of International Negotiation itself. (For more information, please contact: Alejandra Calle, EAFIT University, Colombia: mcalle@eafit.edu.co)

The Unsuccessful Acquisition of Brazilian Kaiser by Canadian Molson
Ilan Avrichir, ESPM

Several Human Resource Management authors have argued that Multinational Companies should prefer hiring local managers over expatriates, especially when they are starting to invest overseas. In this paper we examine the failed acquisition of the Brazilian brewery Kaiser by Canadian Molson, in what was the first big internationalization attempt for the firm from Quebec. We find no evidence that the local managers hired by Molson helped it anyway, much in the contrary. We argue that the managers from the headquarters were more sensitive to Kaiser’s culture than the Brazilian and that the lack of experience with Foreign Direct Investment from the Canadians didn’t play any part in the blunder. We suggest that the hypothesis about the relation between subsidiaries effectiveness and local versus expatriates hiring may need further consideration, as well as the one between previous international exposure and performance. (For more information, please contact: Ilan Avrichir, ESPM, Brazil: iavrichir@espm.br)

International Marketing Issues

The Roles of Services Performance, Satisfaction, and Commitment on Customer Retention: An Examination of the Differences between Stayers and Switchers
Shao-Tzu Wu, National Chengchi University
Dung-Chun Tsai, National Cheng Kung University

Researchers have recognized that customers vary in their relationships with their suppliers, and they, further, pointed out that switching cost is one of major factors affecting customer relationships. However, only few empirical cases have been examined on this issue. This study collected empirical data from Taiwan mobile phone services industry and analyzed data by structural equation model. The results demonstrate that switching cost (stayers vs. switchers) has the moderating effect on the customer relationships regarding core services performance, satisfaction, and commitment on customer retention. Stronger relationships among factors are shown within the stayer-group, rather than the switcher-group, except for the effect of satisfaction on affective commitment. Managerial implications based on the results are offered. (For more information, please contact: Shao-Tzu Wu, National Chengchi University, Taiwan: shaotzu.wu@gmail.com)
Service Quality and Loyalty in Varying Patient’s Knowledge and Perceived Switching Costs
Hsiu-Ling Wang, I-Shou University; Kaohsiung Medical University Hospital
Yuan Che Hsiao, I-Shou University
Junying Huang, I-Shou University

Background: Extensive studies have reported technical (curing) and functional (caring) performance contribute to loyalty; whereas no attempt has been made to examine under what conditions two important aspects of health care quality have a stronger, or weaker impact on loyalty. Purposes: We examine the moderating effects of patient’s medical knowledge and perceived switching cost on the relationships between service quality by physicians and patients’ intention to stay with an incumbent medical provider, so call loyalty. Methodology: Employing a sample of 404 patients were investigated by self-administered mailing survey from one acute care hospital—Kaohsiung Medical University Hospital (KMUH) in Taiwan. Findings: The technical versus functional service quality by physicians and perceived relational switching cost positively effect patients’ loyalty to a hospital. The interactions between the main effects of service quality, patients’ knowledge, and three types of switching cost yield additional insights into the change in the importance of service quality on patient retention. The technical quality is hypothesized to be a more important determinant of loyalty than the functional quality as patients’ medical knowledge increases. Contrary to expectations, our results indicate that the functional services quality has a stronger relationship with patient loyalty as perceived procedural switching costs increase. Higher level of financial as well as relational switching cost doesn’t decrease the effect of both forms of service quality on patients’ loyalty to the provider. Practice Implications: The results indicate that the impact of technical and functional service quality on loyalty vary according to contingency conditions of switching costs and patient’s knowledge. Given cost containment, it seems natural that healthcare providers should pay more attention to managing patients’ perceptions of switching costs while devoting exclusively towards achieving high quality (For more information, please contact: Hsiu-Ling Wang, I-Shou University; Kaohsiung Medical University Hospital, Taiwan: d870303@cc.kmu.edu.tw)

A Study of the Relationships among Internal Marketing, Business Culture, Job Satisfaction and Operational Performance in the Service Industry
Yung-Ming Shiu, National Cheng Kung University
Tsu-Wei Yu, National Cheng Kung University

This article focuses on Taiwan’s international tourist hotels to conduct an empirical investigation into the correlation among internal marketing, business culture, job satisfaction and administrative performance. The conclusions drawn by the present study reveal four important findings, namely: (1) there is a significant positive correlation between business culture and internal marketing; (2) there is a significant positive correlation between internal marketing and job satisfaction; (3) there is a significant positive correlation between internal marketing and operational performance; and, (4) there is a significant positive correlation between job satisfaction and operational performance. These findings can serve as a reference for relevant academic studies as well as for company execu-tives and administrators in the service industry. (For more information, please contact: Tsu-Wei Yu, National Cheng Kung University, Taiwan: a11111@ms19.hinet.net)

Implementation of Marketing Strategies for International Student Recruitment: A Comparison of New Zealand, Australia, and U.K.
Terry Wu, University of Ontario Institute of Technology
Vik Naidoo, University of Auckland

In recent years, international education has become a major export item in many developed countries. The presence of a large number of international students provides substantial export earnings for countries such as New Zealand, Australia, and the U.K. To recruit international students to their campuses, many universities have developed marketing strategies for international student recruitment. These marketing strategies are
successful only if they are implemented properly. This study examines the various factors influencing the success in implementing marketing strategies for recruiting international students in New Zealand, Australia, and the U.K. (For more information, please contact: Terry Wu, University of Ontario Institute of Technology, Canada: terry.wu@uoit.ca)

*The Practice of Guanxi in the Western Setting: An Exploratory Study*
Stan Paliwoda, University of Strathclyde
Geng Luo, University of Strathclyde
Peter Luk, Ryerson University
Clare Chua, Ryerson University

This paper examines the business practice of Guanxi by Chinese businessmen in the Western setting of Glasgow, Scotland. Since Guanxi, a concept related to personal connection and relationship, is not distant from the Western concept of relationship marketing, this exploratory research intends to lay the foundation for a more comprehensive study concerning Westerners in a similar setting. (For more information, please contact: Peter Luk, Ryerson University, Canada: peterluk@ryerson.ca)

**Session: 1.4.12 - Interactive**
**Track: Track 9-Global versus Local Knowledge**

*Knowledge Transfer and Learning in Alliances and Networks*

**Presented On:** June 26, 2007 - 12:30-13:45

*Toward an Integration of Partner Similarity and Dissimilarity in Strategic Alliances*
Lina Deng, University of Illinois at Urbana-Champaign
Ruth Aguilera, University of Illinois at Urbana-Champaign

In strategic alliances, both strategic similarity and dissimilarity between partners may exist and both may have positive effects on organizational learning and knowledge transfer. Focusing on strategic similarity and dissimilarity, we look into the process of how strategic similarity/dissimilarity affects the ways of organizational learning and the types of knowledge transferred in strategic alliances in order to develop an integrative framework of partner similarity and dissimilarity. It is argued that strategic similarity tends to facilitate exploitative organizational learning and know-what transfer, while strategic dissimilarity tends to promote exploratory organizational learning and know-how transfer. Building on these arguments around organizational learning and knowledge transfer, we propose a strategic balance view by incorporating the arguments for similarity and dissimilarity among alliance partners. Discussions about theoretical implications and future research directions are made at the end. (For more information, please contact: Lina Deng, University of Illinois at Urbana-Champaign, USA: ldeng2@uiuc.edu)

*Strategic Knowledge Transfers and Unintended Spillovers: Learning How to Innovate through Strategic Alliances in China*
Simon C. Collinson, University of Warwick
Mark Easterby-Smith, Lancaster University
Bridgette Sullivan-Taylor, University of Warwick
Jung-Li Wang, University of Warwick

This paper examines how innovation-related knowledge and capabilities are transferred between multinational firms and local alliance partners in China. Using project-level case studies we differentiate between discrete
transfers of knowledge embodied in equipment, patents, brands etc. and cumulative capability flows that may be intended or unintended and reciprocal or non-reciprocal. As well as drawing on learning organization approaches at the micro-level the research adopts an innovation studies approach that emphasizes the context-specific nature of innovation-related knowledge and capabilities. The value of such product or process knowledge, whether in the form of a discrete, embodied transfer or a cumulative flow amounting to a capability, is very much dependent on the absorptive capacity and the ancillary technological, market and economic conditions of the recipient firm. Here we focus on some initial findings of the research. We specifically discuss the types of knowledge transfers revealed in the study and some of the strategic responses of multinational firms as they recognise unintended knowledge spill-overs to Chinese counterparts. (For more information, please contact: Simon C. Collinson, University of Warwick, United Kingdom: s.collinson@warwick.ac.uk)

**The Moderating Effect of Network 'Closure' on Alliance Network Diversity and MNE Innovation Performance**

Menita Liu Cheng, Peking University

This paper examines the moderating effect of network ‘closure’ on alliance network diversity and its influence on multinational enterprise (MNE) innovation performance. The theoretical foundation is based on resource based view and network theory, which are used to explicate the direct and interaction effects on MNE’s innovative output. From an empirical perspective, social network analysis approach will be used to analyze the patterns of interaction between members of alliance networks. (For more information, please contact: Menita Liu Cheng, Peking University, China: atinem@hotmail.com)

**Knowledge Management Activities and the Partnership in Supply Chain Performance**

Jun-Zhi Chiu, I-Shou University and Kao Fong College
Cheng-Jen Hung, Yuh-Ing Junior College of Health Care & Management

The purpose of this study is to explore the relationship between knowledge management and supply chains. The key point of this relationship is that how the knowledge can create the more effective supply chains management.

This paper was applied the qualitative research approach as the methodology. Based upon The concept of cooperative competence, the previous studies and literature indicate that that the Supply chain, Partnership and Knowledge management have the significant relationship among those three variables. The result of this research find that the supply chains’ organizations must pay attention on the connection of the all supply chain’s companies in order to applied the knowledge management, the partnership to help and sharing new knowledge all the members to learn which can increase the supply chain performance more effective. (For more information, please contact: Jun-Zhi Chiu, I-Shou University and Kao Fong College, Taiwan: jun-zhi65@hotmail.com)

**Strategic Capabilities, Innovation Intensity, and Performance of Service Firms**

Chun-Chung Chen, Yuan Ze University
Lu-Jui Chen, Yuan Ze University
Wen-Ruey Lee, National Taipei College of Business

This study developed and empirically tested a model examining the relationships among strategic capabilities, innovation intensity, and firm performance. Strategic capabilities include internal proprietary capability and social relationship capability. Analyzing a sample of service firms from Taiwan, the study indicates the social relationships with other firms are important to facilitate innovative activities of service firms. Innovation intensity further helps service firms to improve firm's expected performance. However, internal resources capability does not show expected effect on innovation intensity. And innovation intensity is also not related to
firm’s growth. (For more information, please contact: Lu-Jui Chen, Yuan Ze University, Taiwan: s929605@mail.yzu.edu.tw)

Inter-Organizational Learning and Global Supply Chain Risks
   Ila Manuj, University of Tennessee
   Ayman Omar, University of Tennessee
   Christopher Blocker, Baylor University

At the turn of the century, Bowersox, Closs, and Stank (2000) recognized knowledge-based learning as one of the ten mega-trends that will revolutionize supply chain and logistics. In global supply chains, it is inter-organizational relationships that support operational exchange and can serve as a key source of learning. However, the learning literature had, until recently, focused primarily on intra-organizational learning processes (Holmqvist 2003). The limited literature on intra-organizational learning is confined mainly to strategic alliances (Kim and Inkpen 2005, and Emden, Zeynep, Yaprak, and Cavusgil) and does not address the issue of inter-organizational learning in the context of relatively independent organizations.

The dynamic nature of global supply chains creates an ongoing need for member firms to be flexible to be able to adapt as the environment changes. Flexibility is a valuable option in face of uncertainty (Kogut 1985). This paper attempts to answer the following research question: How does supply chain inter-organizational learning capability support the need for flexibility in rapidly changing global supply chains? Specifically, the capability of learning is explored in an inter-organizational context with its impact on supply chain risk management. (For more information, please contact: Ayman Omar, University of Tennessee, USA: aomar1@utk.edu)

Session: 1.5.1 - Special Session

Women Leaders In International Business Education: Four Deans Tell It Like It Is (WAIB Special Session)

Presented On: June 26, 2007 - 13:45-15:00

Chair: Janet Y. Murray, University of Missouri-St. Louis
Co-Chair: Lorraine Eden, Texas A&M University

Why I Love My Job: Surprising Lessons after Three Years as Dean
   Nakiye Boyacigiller, Sabanci University

Leadership: Changes, Challenges, and Accomplishments
   Joyce Elam, Florida International University

A Dean’s Perspective on Career Planning for Women Leaders
   Ellen Harshman, Saint Louis University

How to Become a Successful Leader?
   Stefanie Lenway, University of Illinois at Chicago

This panel provides practical professional guidance on becoming women leaders in international business. Four women deans in business schools inside and outside the United States will bring their unique perspectives to discussing issues in leadership. These issues range over a wide spectrum, including career strategies/career planning, developing an effective leadership style, presenting key success factors in becoming an effective leader, identifying challenges faced by women leaders, responding effectively amidst challenges and rapid change, and discussing the role of diversity in leadership.
Session: 1.5.2 - Panel
Track: Track 6-International Entrepreneurship

International Entrepreneurship: Current Debates and Future Directions (Showcase Panel)

Presented On: June 26, 2007 - 13:45-15:00

Chair: Shaker Zahra, University of Minnesota

Panelists:
- Erkko Autio, Imperial College London
- Michael Hitt, Texas A&M University
- Patricia P. McDougall, Indiana University
- Ram Mudambi, Temple University
- Srilata A. Zaheer, University of Minnesota
- Shaker Zahra, University of Minnesota

(For more information, please contact: Shaker Zahra, University of Minnesota, USA: szahra@csom.umn.edu)

Session: 1.5.3 - Competitive
Track: Track 3-International Finance and Accounting

Determinants of Multinationality

Presented On: June 26, 2007 - 13:45-15:00

Chair: John Daniels, University of Miami

Multinationality as a Moderator of National Institutions: The Case of Culture and Capital Structure Decisions
- Andres Ramirez, Bryant University
- Chuck C.Y. Kwok, University of South Carolina

Literature in international business and finance share the belief that country level institutions affect the decisions of corporations. In this study, we highlight the other side of the picture and postulate that MNCs can moderate the impact of national institutions. In particular, we posit that multinationality moderates the influence of national culture on corporate financial leverage. Using three large consecutive panel datasets of 50 countries with more than 20,000 firm-year observations each, we show that the multinationality of the firm decreases the impact that national culture has on its capital structure. Furthermore, we show that as firms and countries become more multinational, the impact of culture becomes less significant. Our findings are compatible with the hypothesis that culture’s effect on capital structure is diminishing with time. Additionally, our study makes another significant contribution: we establish Hofstede’s (1980) Individualism as economically and statistically significant determinant of capital structure. Depending on the specification, a one standard deviation change in Individualism implies a change of between three to ten basis points in firm leverage. (For more information, please contact: Andres Ramirez, Bryant University, USA: aramirez@bryant.edu)

Multinationality and Asymmetric Information
- Alexander Borisov, Indiana University

By investigating the interaction between firm-specific asymmetric information and the strategy of the Multinational Enterprise (MNE), the paper offers an innovative approach to testing internalization theory. The
empirical results uncover a strong U-shaped relationship between the amount of asymmetric information and the depth of multinationality. The empirical findings supporting internalization theory are robust for different estimation procedures and specifications. (For more information, please contact: Alexander Borisov, Indiana University, USA: aborisov@indiana.edu)

**Value of Multinationality and Keiretsu Membership for Japanese Firms**
Jongmoo Jay Choi, Temple University
James A. Landi, Temple University

Existing studies provide inconclusive evidence for the valuation effect of corporate international diversification of U.S. firms. We provide evidence for Japanese firms based on a new propensity score approach (Villalonga, 2004) and incorporating the effect of keiretsu, the business group in Japan. In contrast to U.S. studies, our results indicate that Japanese multinational firms have a significant 3% premium relative to domestic firms during 1995-2002. The multinationality premium is negatively associated with keiretsu membership (due to dominance of the core firm in vertical keiretsus), negatively related to main bank ownership (as main banks facilitate over-investment for horizontal keiretsu MNCs), and positively impacted by both factors when the firm has operations in developing countries. By revealing a multinationality premium for Japanese firms and its sources, this study contributes to the debate on the value of geographic diversification as well as the effect of business group membership. (For more information, please contact: James A. Landi, Temple University, USA: jimlandi@yahoo.com)

**Antecedents of Performance in the Exporter-Distributor Relationship**
David Bernard Kuhlmeier, Valdosta State University
Gary Knight, Florida State University

Business-to-business relationships, especially those involving firms from different cultures, are complex, demanding, and require time. However, behavioral characteristics of the relationship can make a competitive difference in a market. This study examines how the characteristics of communication, trust, cooperation, and commitment in the exporter-distributor relationship can affect distributor performance. Communication is found to have a significant affect on the roles of cooperation, commitment, and trust between an exporter and its foreign distributor. Cooperation and commitment are subsequently shown to affect foreign distributor performance. Trust in the relationship is shown to have only a significant affect on commitment. Finally, the authors discuss possible policy implications. (For more information, please contact: David Bernard Kuhlmeier, Valdosta State University, USA: dbkuhlmeier@valdosta.edu)

**The Role of Social Capital in Creating Effective Global Supply Chains**
Susan I. Scott, Nova Southeastern University
Ruth Clarke, Nova Southeastern University

In this paper we examine the relationship between the concept of social capital and the creation of effective global supply chains. Recent literature cites the effective global supply chain as a source of competitive
advantage for firms competing in the global economy. Evidence exists that global firms now compete through the entire supply chain for each industry, raising the bar for strategic consideration. A global supply chain is comprised of multiple organizations, geographically dispersed, but linked by economic transactions, which enable the root firm to satisfy customer needs. The increase in information technology management is critical in coordinating the work of the supply chain partners to make the whole function effectively. As the length of supply chains is increased by outsourcing and offshoring, this paradoxically increasing the difficulties involved in creating an effective global supply chain. We examine the supply chain using exchange theory which includes tenets of relationship theory, social capital and inter-organizational network theory. We suggest a series of propositions designed to test these relationships, focusing in particular on the role of social capital in relation to global supply chains. (For more information, please contact: Ruth Clarke, Nova Southeastern University, USA: rclarke@nova.edu)

What Drives Firms' Marketing Outsourcing Decision? An Empirical Analysis of Organizational and Environmental Factors
Masaaki Kotabe, Temple University
Susan M. Mudambi, Temple University
Crystal X. Jiang, Temple University

This study examines how firms make strategic make-or-buy decisions for marketing activities. Results of analyses of Japanese manufacturing firms show that their outsourcing decisions depend on factors at two levels. At the organizational level, outsourcing is heightened by firms' marketing capabilities and their evaluation of the strategic importance of marketing activities; at the environmental level, dynamic business environments, intensified competition, and globalization affect firms' outsourcing decisions. Although outsourcing has been assumed to be linked to firms' market performances, empirical analysis suggests that firms' past market performances have no direct impact on marketing outsourcing decisions. This result may suggest that outsourcing decision-making is not merely a consequence of firms' prior market performance, but is instead a result of the institutional environment which constrains and influences firms outsourcing decisions. This study suggests that a combination of transaction cost economics, resource-based view, and institutional bandwagon theory can be used to decipher the underlying determinants of marketing outsourcing activities. (For more information, please contact: Crystal X. Jiang, Temple University, USA: crystalj@temple.edu)

Session: 1.5.5 - Competitive
Track: Track 5-Global Strategy

Joint Ventures, Technology, and Entry Strategies

Presented On: June 26, 2007 - 13:45-15:00

Chair: Akash Dania, University of Texas - Pan American

Licensing Duration as Holding Period: A Real Options Perspective on Licensing as an Entry Strategy in Foreign Markets
Marshall Shibing Jiang, Brock University
Preet S. Aulakh, York University
Yigang Pan, York University

Licensing can be considered an initial trial of a foreign market before a firm commits fully to that market. The length of trial therefore has great importance, because licensing duration represents part of the licensing agreement. When it is too short, the firm may not acquire the necessary experience and knowledge, but if it is too long, the firm misses optimal entry timing. This study examines determinants of licensing duration from a real options perspective. Empirical results based on a sample of firms in various countries show that technology
turbulence induces a licensor to define shorter licensing contracts, whereas a high level of asset specificity in the investment and a higher degree of innovation of the licensed technology generate longer licensing contracts. Furthermore, licensee capability mitigates the perceived uncertainty caused by licensing an innovative technology. (For more information, please contact: Marshall Shubing Jiang, Brock University, Canada: mjiang@brocku.ca)

**Joint Venture or Wholly-Owned Subsidiary: Why Governance Quality Determines the Choice of Foreign Entry Mode and Cultural Distance Does Not**

Arjen Slangen, RSM Erasmus University
Rob Van Tulder, RSM Erasmus University

It has often been argued that multinational enterprises (MNEs) prefer to enter countries in which there is much environmental uncertainty through equity joint ventures (JVs) rather than through wholly-owned subsidiaries (WOSs). Foreign entry mode studies have modeled this uncertainty as either the cultural distance towards or the governance quality of the target country, but have not compared these two approaches. We fill this gap in the literature by examining whether cultural distance or governance quality is a better predictor of an MNE’s choice of foreign entry mode. Drawing from transaction cost theory and institutional economics, we expect MNEs to base their choice between JVs and WOSs on the governance quality of rather than on the cultural distance to the target country. An analysis of 231 foreign entries by Dutch MNEs confirms this expectation. (For more information, please contact: Arjen Slangen, RSM Erasmus University, Netherlands: aslangen@rsm.nl)

**Governance Choices for Technology Sourcing of Taiwanese Firms in Global High-Tech Industries**

Wiboon Kittilaksanawong, National Taiwan University

This paper discusses the governance choices of firms in high-tech industries seeking technological know-how externally. While much of the study adopted transaction cost economics to determine the governance choices, this study realizes the importance of social relationships. Several complementing and competing hypotheses from relational and transactional perspectives are derived and tested.

Taiwanese firms entering into the international high-tech strategic alliances globally during January 2000 to July 2006 were employed as the research context. The results indicate that these firms tend to make the governance choices based on the relational perspective. Specifically, firms possessing higher degree of centrality as measured by degree, closeness, and eigenvector tend to form a less hierarchical form of governance i.e., contractual agreement or other non-equity strategic alliances.

Although the empirical results indicate that the relational view dominates in the decision of governance forms for Taiwanese firms in this context, there is an issue related to the different measures between centrality (Freeman, 1979) and structural holes (Burt, 1992) that potentially alter the determination of governance choices. In addition to the measurement issue, there is also an indication that these governance choices are influenced by the institutional effects being passed on to the alliances from countries to countries. (For more information, please contact: Wiboon Kittilaksanawong, National Taiwan University, Taiwan: chunguoyu@gmail.com)

**Conformity or Differentiation in the Formation Contents of International Joint Ventures**

Monica Yang, Adelphi University
Shih-Fen S. Chen, University of Western Ontario

The literature on international joint ventures (IJVs) focuses mostly on the motives for, or the outcomes of, co-ownership, paying scant attention to their formation contents, such as partner selection, background similarity among partners, product relatedness between JVs and parents, and equity distribution. In this paper, we
examine (1) whether the formation contents of IJVs converge or diverge in the long run and (2) what factors determine the degree of conformity or differentiation. Hypotheses are tested on a sample of 4,787 IJVs established in China from 1985 to 2001. The results reveal that formation contents converge over time along with the growth of the IJV population to a certain extent. Factors that also affect the degree of conformity include environmental shocks (political and economic instabilities) and firm characteristics (parents’ past experience and culture of origin). The study provides theoretical and managerial implications for institutionalization processes in general and IJV formations in particular. (For more information, please contact: Shih-Fen S. Chen, University of Western Ontario, Canada: sfchen@ivey.uwo.ca)

Session: 1.5.6 - Competitive
Track: Track 6-International Entrepreneurship
Networks & Global Venturing

Presented On: June 26, 2007 - 13:45-15:00

Chair: Rangamohan V. Eunni, Youngstown State University

Networks, SMEs and International Diversification
David Barsky, Temple University
Monica Zimmerman Treichel, Temple University
Keith D. Brouthers, King’s College London

Despite changes in international trade agreements and the introduction of new technologies that facilitate international business, many firms, especially SMEs, still do not diversify into international markets. In this paper we suggest that an important factor that may influence the international diversification decision is social networks. We hypothesize that both the strength of ties to international firms and the size of a SME’s international network will influence its decision to diversify internationally. Our analysis suggests that the strength of international network ties significantly influences SME international diversification but that the size of the international network does not. These results have important implications for researchers, managers, and public policy makers. (For more information, please contact: Keith D. Brouthers, King’s College London, United Kingdom: keith.brouthers@kcl.ac.uk)

Social Network and Opportunity Recognition: A Cultural Perspective
Rong Ma, University of Memphis

Opportunity recognition has become a key concept in the field of entrepreneurship. A critical factor related with this construct is social network that has been offering important resources for entrepreneurs in opportunity recognition processes. However, most research on network ties and opportunity recognition is conducted in the United States with certain underlying cultural values. In this paper, national culture, specifically the individualism-collectivism dimension, are considered to offer a better understanding of the role of different social ties in facilitating opportunity recognition. I propose that in individualistic societies, weak ties will help entrepreneurs to find more opportunities. By contrast, in collectivistic cultures, it is bridging strong ties that allow entrepreneurs to locate more opportunities. (For more information, please contact: Rong Ma, University of Memphis, USA: rongma@memphis.edu)

Internationalization Through Alliances in New Technology-Based Firms
Sophie Veilleux, Université du Québec à Montréal
In response to the call for research on other forms of internationalization than marketing among new ventures and drawing on process theory, this paper seeks to deepen our understanding of the early internationalization process of high-tech firms by looking at their combination of different types of alliances. Case studies and descriptive statistical analysis provide comparative data from in-depth interviews conducted with 12 American and 16 Canadian biotech firms. Companies from the sampling generally internationalized themselves, through R&D alliances, in the first two years following their foundation. A virtuous sequence of alliances then guides their value chain in production and marketing. Partner selection is exclusively based upon complementary of resources and competences, regardless of their nationality. Firms achieve international intensity before global diversity. Companies could benefit from encouraging members of the organisation to document and share their learning. Impact of country on alliances sequence, speed, and scope of internationalization is also discussed. (For more information, please contact: Sophie Veilleux, Université du Québec à Montréal, Canada: veilleux.sophie@courrier.uqam.ca)

On-line Communities and "Lateral" Search Capabilities in the World of the Bazaar: Do These Potentially Revolutionize Entrepreneurship in Emerging Economies?

Jane Salk, University of Texas at Dallas
Ramya Rajagajadeesan, University of Texas at Dallas
Li Sun, University of Texas at Dallas

Virtual community is an increasingly important source of social identities, exchange and information for individuals. Though increasingly an object of fascination in the popular press, both International Entrepreneurship and the New Ventures literature more generally continue their research agendas incrementally, based upon theory and empirical studies that predate what we consider a context of technological discontinuity and a newly emerging context. This paper seeks to demonstrate the urgency of exploring virtual socio-technical trends to understand those emerging characteristics that should significantly affect innovation and entrepreneurship. We contend that this context is qualitatively and quite distinct from email and other "directed" communication tools and that it ought to be particularly important in Emerging Economies. Large numbers of local elites do enjoy Internet access irrespective of aggregate national figure. For those with the means to engage in virtual communities, geographic boundaries are of little importance to access diverse and high quality knowledge and know-how. We use case study illustrations, mainly from China and India, to highlight key elements of how the virtual context should be a major locus of innovation and entrepreneurial creation. (For more information, please contact: Jane Salk, University of Texas at Dallas, USA: jane.salk@utdallas.edu)

Session: 1.5.7 - Competitive
Track: Track 7-Managing People across Cultures

Strategic Human Resources Management

Presented On: June 26, 2007 - 13:45-15:00

Chair: AAhad M. Osman-Gani, Nanyang Business School

Competitive Strategies, Host Country Environments, and International Staffing Policies of MNCs: Moderating Effects of International and Host Country Experiences
Naoki Ando, Nagasaki Prefectural University
Yongsun Paik, Loyola Marymount University

This study investigates the relationship between the competitive strategies of MNCs and their international human resource management approaches. Specifically, the study explores the question of how global, multidomestic, and transnational strategies are matched with ethnocentric, polycentric, and geocentric
approaches to international staffing policies. In addition to testing linear relationships between competitive strategies and international staffing policies, moderating effects of the two types of experiences are examined: international and host country experiences. Employing the selection of a foreign affiliate CEO as a dependent variable, an empirical study is conducted. From the data on 430 foreign affiliates of 26 Japanese MNCs, the complex nature of international staffing policies of Japanese MNCs is uncovered. Specifically, the results show that the impact of MNCs’ competitive strategies on expatriation decisions is moderated by their international and host country experiences. The results also indicate that the effect of host country-specific factors on international staffing policies is moderated by MNCs’ competitive strategies and host country experience. (For more information, please contact: Naoki Ando, Nagasaki Prefectural University, Japan: nando@nagasaki.ac.jp)

*Relationships among Organizational Culture, Strategic HRD and Organizational Performance Excellence: An Empirical Investigation of High Performing Organizations in Singapore*

AAhad M. Osman-Gani, Nanyang Business School

Thomas Rockstuhl, Nanyang Business School

This study aims to investigate the relationship between Organizational Culture and Organizational Performance Excellence in Singapore-based organizations. We also examined the mediating effects of Strategic Human Resource Development on the above relationship. Most of the previous studies were conducted in the West, and no empirical study was found to have investigated the phenomena in the Asian context. Focusing on companies with origins in Singapore, Japan, UK, and USA, a survey was conducted on 296 respondents working in 78 organizations, randomly drawn from a database of “Singapore 1000 Best Performing Organizations”. Results showed an overall positive relationship between Organizational Culture and Organizational Performance Excellence. However, this relationship is not significantly affected by organizational variables such as size, industry sector and country of origin. In addition, Strategic Human Resource Development is found to partially mediate the relationship between Organizational Culture and Organizational Performance Excellence. Based on the findings of this study, recommendations are made for future research and professional practice. We concluded that business performance will be improved through developing and maintaining a strong organizational culture while emphasizing Strategic Human Resource Development. (For more information, please contact: AAhad M. Osman-Gani, Nanyang Business School, Singapore: aahad@ntu.edu.sg)

*Impact of High-Involvement Human Resource Practices across Three Host Countries: A Contingency Perspective*

Pei-Chuan Wu, National University of Singapore

Siah Hwee Ang, University of Auckland

This study examines the moderating effects of country-of-origin, cultural distance, human resource values and innovation strategy on high-involvement HR practices and firm performance across three host countries. Using a sample of 552 firms residing in Hong Kong, Singapore and Taiwan, we find a negative country-of-origin moderating effect only for European firms vis-à-vis local firms. Testing on the sub-sample of multinational firms shows a negative moderating effect of cultural distance on the high-involvement HR practices-performance relationship. In addition, we also find a positive significant moderating effect of HR values and a negative significant moderating effect of innovation strategy. These results have implications for the implementation of high-involvement HR practices and the contingency perspective of international HR management. (For more information, please contact: Siah Hwee Ang, University of Auckland, New Zealand: s.ang@auckland.ac.nz)
Internationalization and Entrepreneurship In Emerging Markets

Presented On: June 26, 2007 - 13:45-15:00

Chair: Alvaro Cuervo-Cazurra, University of South Carolina

Institutional Entrepreneurship in Emerging Markets: A Coevolutionary Perspective

Marleen Dieleman, Leiden University
Wladimir M. Sachs, ESC Rennes School of Business

The extant literature on emerging market strategy emphasizes the role of the institutional context, and focuses on how companies adapt to institutions, or to institutional transformations. This article extends this work by arguing that corporations can also act as institutional entrepreneurs which actively shape emerging market institutions. Using a coevolutionary framework, we first develop a taxonomy of corporate postures vis a vis institutions. We distinguish between two types of adaptive and two types of proactive postures for companies. Subsequently, we illustrate our typology with three cases of large companies from the Dutch East Indies/Indonesia, and offer conjectures on how institutional entrepreneurs operate in emerging market contexts. (For more information, please contact: Marleen Dieleman, Leiden University, Netherlands: marleendieleman@hotmail.com)

The Development of Entrepreneurship in China: A Review and Future Research

Jingyu Yang, Sydney University
Jiatao Li, Hong Kong University of Science & Technology

In this paper, we provide an overview of the extant research on entrepreneurship development in China. This research focus is a relatively recent phenomenon since China’s market transition started from late 1978. We review the literature over last twenty-six years (1980-2005), as published in ten leading English-language academic journals. We identify 66 articles from this review and analyze them based on the research subjects, methods, and firm types. Then we review each article and highlight their key issues and findings into three areas: environmental/macro, firm-level strategy, and individual/micro. From this overview, we identify current research issues and suggest some future research directions on China’s entrepreneurial development. (For more information, please contact: Jingyu Yang, Sydney University, Australia: g.yang@econ.usyd.edu.au)

The Internationalization Process of Developing Country MNEs

Alvaro Cuervo-Cazurra, University of South Carolina

The paper analyzes the internationalization process of multinational enterprises from developing countries. It argues that the location disadvantages of being in a developing country influence the internationalization process of the firm. The analysis of case studies reveals three insights. First, firms start becoming MNEs in response to economic reforms in the country, in particular the liberalization of entry of foreign firms. Second, once they start becoming MNEs and investing abroad, they quickly expand into many countries. Third, for the first FDI abroad, firms select countries that are different from the country of origin but that have better economic prospects. Subsequent expansions are either concentrated on only one region or are widespread around the globe. (For more information, please contact: Alvaro Cuervo-Cazurra, University of South Carolina, USA: acuervo@moore.sc.edu)
Ownership Structure and International Expansion of Family Business Groups
Pengji Wang, National University of Singapore

Using Taiwan as the empirical setting, we examined which member firms are more likely to be chosen and propped for international expansion in family business groups. Drawing upon familiness and agency theory, our evidence suggested that the member firms with high family ownership and family control dispersion make more international expansion. The divergence of control right from ownership also contributes to the member firm’s international expansion. But the effect of divergence depends on both family ownership and external environment. These results are robust to a variety of alternative measures. (For more information, please contact: Pengji Wang, National University of Singapore, Singapore: g0403302@nus.edu.sg)

Session: 1.5.9 - Competitive
Track: Track 5-Global Strategy

Alliance Strategies and Performance

Presented On: June 26, 2007 - 13:45-15:00

Chair: John W. Clarry, College of New Jersey

Keeping International Joint Ventures Profitable and Competitive: A Dynamic Capability Perspective
Zhan Wu, University of Sydney
Yadong Luo, University of Miami

Dynamic capability theory has recently emerged as a critical perspective toward strategic behaviours and performance consequences for firms in international competition. This study extends the theory to the new setting (international joint ventures) in a new environment (emerging market). The study emphasizes (1) how the two dimensions of an IJV's dynamic capability, namely, capability exploitation and capability exploration, are associated with the venture's financial and competitive outcomes, and (2) how environmental dynamism (the key construct characterizing an emerging market) and interpartner cooperation (the key construct describing an IJV) may moderate the link between dynamic capability and IJV performance. Overall, our analysis of sample IJVs in China validates these propositions. We highlighted theoretical and managerial implications based on the key findings. (For more information, please contact: Zhan Wu, University of Sydney, Australia: w.zhan@econ.usyd.edu.au)

Organizational Level Determinants of Alliance Performance: Assessing the Mediating Role of Alliance Capability
Oliver S. Schilke, Stanford University

Strategic alliances continue to increase in popularity. However, a large number of such alliances are deemed to be unsuccessful. Interestingly, the success of strategic alliances differs considerably between firms. Thus, organizational factors seem to be responsible for the observed performance heterogeneity. Extant research on organizational level antecedents of alliance performance has mainly focused on factors such as alliance experience and alliance structures, with diverging results. Building on the literature on dynamic capabilities and learning curve effects, this study proposes that alliance capability, composed of alliance management routines, is a key mediator of the performance impact of both alliance experience and alliance structures. Based on survey data from 302 firms, the research model is tested using structural equation modeling. The results demonstrate a valid measurement of a five-dimensional model of alliance capability, manifested in the routines of inter-organizational coordination, alliance portfolio coordination, inter-organizational learning, alliance proactiveness, and alliance adaptation. In addition, there is evidence of a mediating effect of the alliance capability construct. (For more information, please contact: Oliver S. Schilke, Stanford University, USA: schilke@stanford.edu)
Joint Ventures and Real Options: An Integrated Perspective
Ilya R.P. Cuypers, Tilburg University
Xavier Martin, Tilburg University

We provide a comprehensive synthesis and extension of the real option (RO) literature on joint ventures (JVs), contributing in two main areas. First, we examine major alternative theoretical perspectives on JVs – learning, bargaining, transaction cost and agency theory – to elaborate how they complement or contradict RO predictions. Second, we compare arguments and variables used to explain different JV stages – initial RO explicitness and equity shares, JV stability, and performance consequences – and highlight research opportunities. Overall, we offer new predictions and suggestions for a better integration within the RO literature, and between RO and related literatures on JVs. (For more information, please contact: Ilya R.P. Cuypers, Tilburg University, Netherlands: i.r.p.cuypers@uvt.nl)

Session: 1.5.10 - Competitive
Track: Track 7-Managing People across Cultures

Probing the Culture Concept

Presented On: June 26, 2007 - 13:45-15:00

Chair: Stephen B. Salter, University of Cincinnati

How We Talk about Culture
Laurence Romani, Stockholm School of Economics

Why isn’t the field of Culture and Management walking its talk? Simply put, cultural researchers praise awareness and respect of cultural differences and the ability to work with these differences. However, few researchers recognise the diversity of discourses in the field of Culture and Management (C&M) and even fewer choose to actively deal with this diversity. If there is one field where multiple discourses and multiple paradigms should be acknowledged and dealt with, this is C&M. This paper’s endeavour is to present and do justice to the variety of discourses on culture in C&M. The overview that unfolds makes sense of existing dynamics (or lack of) between studies. It enables us to understand current focus (e.g., individuals or institutions) or current oppositions (e.g., etic and emic approaches) that keep today’s studies apart. The paper concludes with indications of possible benefits of multiple discourse studies for the C&M field. (For more information, please contact: Laurence Romani, Stockholm School of Economics, Sweden: laurence.romani@hhs.se)

Otra Empanada en la Parilla: Examining the Role of Culture and Information Sharing in Chile and Australia
Stephen B. Salter, University of Cincinnati
Axel KD Schulz, University of Melbourne
Juan Claudio Lopez, Universidad Talca
Philip A. Lewis, Eastern Michigan University

Extant research suggests that while the propensity to share “bad news” (i.e. a prior error) is dependent on the cost of sharing, the perceived value of that cost may be culturally dependent (Chow, 1999a). One area of interest that has received substantial interest in the prior literature has been cross cultural differences in negative information sharing in general, as well as the particular context where the individual’s superior is either present or absent during the information sharing process (e.g. Chow et al. 1999a, Salter and Schulz 2005).
Our study focuses primarily on the cross-cultural effects of individualism/collectivism and to a lesser extent power distance in explaining differences in information sharing between Chilean (collectivist/high power distance) and Australian (individualistic/low power distance) decision-makers in response to the presence or absence of a supervisor. By focusing on Chilean supervisors we were able to remove the regional cultural dimension of face which has been inherent in prior studies that used Greater China as the representative of the collectivist society.

Results from our quasi experiment show that when a supervisor is present during information sharing, Chilean decision-makers are more willing to share negative information with their colleagues than their counterpart Australian decision-makers. (For more information, please contact: Stephen B. Salter, University of Cincinnati, USA: stephenb.salter@gmail.com)

Contemporary Cleopatras: The Business Ethics of Female Egyptian Managers
Meghana Ayyagari, George Washington University
Liesl Riddle, George Washington University

Does a patriarchal cultural context create a managerial selection effect, whereby women who hold similar attitudes to their male counterparts rise to positions of power? Or, alternatively, are women who achieve managerial power in these societies socialized to hold different ethical attitudes than men? Utilizing a survey of Egyptian managers, we explore gender differences in ethical attitudes along two dimensions: (1) perceived ethical strategies for career advancement, or upward-influence ethics, and (2) perceived ethical roles of business in society and the natural environment, or business social and environmental responsibility. We employ a variance decomposition procedure to isolate gender-based determinants of ethical attitudes, decomposing the observed attitudinal differences into those due to gender differences in socialized endowments (e.g., educational level, occupational level, values) and those attributable to unexplained differences between males and females. We find that substantive differences do exist between the ethical perceptions of male and female managers in Egypt. Female managers find more covert upward-influence strategies acceptable and eschew overt upward-influence tactics. They also envision a larger role for business in society, particularly in terms of social responsibilities. Our results suggest that socialization may play a role in shaping these ethical-model differences. (For more information, please contact: Liesl Riddle, George Washington University, USA: lriddle@gwu.edu)

Close Neighbours and Distant Friends – A Social Anthropological Approach to Cultural Distance
Malcolm Chapman, Leeds University
Hanna Gajewska-De Mattos, Leeds University
L. Jeremy Clegg, Leeds University
Peter Buckley, Leeds University

In this paper we report on the structuring and interpretation of cultural distance by managers from Germany, the U.K. and Poland. In particular we are interested in the German/Polish, and the U.K./Polish contrast. We examine how managers living within these contrasts create and interpret frameworks within which they can understand one another, and also explain their failures of understanding. We argue that differences which are understood, are differences which can be managed. The paper is based on empirical data collected during 63 face-to-face interviews with managers from Germany, the United Kingdom and Poland. The findings are the result of qualitative, interpretive analysis.

We argue that a social anthropological approach to understanding cultural distance should be treated as complementary to the objective measures which have predominated in cross-cultural management literature. (For more information, please contact: Hanna Gajewska-De Mattos, Leeds University, United Kingdom: hgdm@lubs.leeds.ac.uk)
**Session: 1.5.11 - Competitive**  
**Track: Track 9-Global versus Local Knowledge**

**Knowledge Processes for Innovation (I)**

**Presented On:** June 26, 2007 - 13:45-15:00

**Chair:** Simon C. Collinson, University of Warwick

*The Dual Role of External Embeddedness on Excess Innovations by Subsidiaries in the MNC*

Katarina Blomkvist, Uppsala University  
Philip Kappen, Uppsala University

This paper suggests an inverted U-shape relationship between external embeddedness and relative intra-MNC innovation output, i.e. excess innovations, in the sense that both too much and too little external embeddedness may be detrimental to innovativeness. The study proposes two contradictory mechanisms that shape this dual relationship. External embeddedness may on one hand serve as an engine for the input of knowledge and ideas, but on the other hand, if the subsidiary becomes too externally embedded, it risks losing its capability to combine external knowledge and ideas with existing and internal knowledge within the MNC resulting in a decreased innovative capability. A sample of 63 international subsidiaries belonging to 19 MNCs were subject to a modified OLS regression analysis. The results indicate strong support for the prediction of a curvilinear relationship between external embeddedness and the generation of excess innovations. *(For more information, please contact: Katarina Blomkvist, Uppsala University, Sweden: katarina.blomkvist@fek.uu.se)*

*The Patent System: A Comparative Study of the USA and China*

Deli Yang, Bradford University

This paper compares and contrasts the patent systems of the US and China with a particular focus on the application and grant practices. Findings demonstrate that both the US and China appear to make efforts to provide equal treatment to domestic and foreign applicants for patents in terms of pendency. Nonetheless, foreign applicants seem to endure more uncertainty than domestic applicants in China. Moreover, in terms of patent grants, the US is basically equal in its granting of patents to domestic and foreign applications; China appears to give preferential treatment to domestic applications. Such practices have implications for both patenting policy and activities. *(For more information, please contact: Deli Yang, Bradford University, United Kingdom: d.yang@bradford.ac.uk)*

*Patents and Performance in the Japanese Pharmaceutical Industry*

Jörg C. Mahlich, Austrian Economic Chamber

Using panel data of a sample of Japanese pharmaceutical companies, this paper discusses the effect of international patents on subsequent corporate performance measured as profits on total assets. Our empirical result suggests that a firm’s patent stock is unrelated or even negatively correlated to its profitability. This finding is in our interpretation not so much a consequence of spillover effects between firms and a leak out of corporate knowledge; it is rather due to the very specific situation of the Japanese pharmaceutical market. First, Japanese health care system does only insufficiently reward innovative new drugs. Second, many Japanese pharmaceutical firms had recently adapt their business model to an international market environment that requires heavy investments in R&D. *(For more information, please contact: Jörg C. Mahlich, Austrian Economic Chamber, Austria: joerg.mahlich@wko.at)*
Session: 2.1.1 - Panel
Track: Track 5-Global Strategy

Debate: Is There a General Theory of Internationalization and Performance?

Presented On: June 27, 2007 - 08:10-09:25

Chair: Farok J. Contractor, Rutgers University
Co-Chair: Jane W. Lu, Singapore Management University

Yes, Virginia, There Is a General Theory of Internationalization and Performance
Farok J. Contractor, Rutgers University
Vikas Kumar, Bocconi University

Multinationality and Performance: A Three-Phase Model
Jane W. Lu, Singapore Management University

Why There Are No Solid Theoretical Reasons to Expect Any General and Systematic Relationship between Multinationality and Performance
Jean-François Hennart, Tilburg University
Alain Verbeke, University of Calgary

40 Years of Research on Internationalization and Firm Performance – More Questions than Answers?
Martin Glaum, Justus-Liebig-Universität Giessen

This panel presents an on-going debate in the multinationality-performance relationship sub-field. The empirical results of more than 150 studies, over 30 years have produced contradictory results with shapes for the curves ranging from linear to U-shaped, to inverted-U-shaped. Recently, an S-Curve theory has been proposed to reconcile or incorporate the past results. Meanwhile, there is an argument that there is, and can be, no general theory. Panelists on this symposium will present both the “yes” side and “no” side views on this debate followed by comments by discussants/neutral observers.

Session: 2.1.2 - Panel
Track: Track 4-Emerging Markets (EM) and MNEs

New Country Risks and Perspectives

Presented On: June 27, 2007 - 08:10-09:25

Chair: Hildy Teegen, George Washington University

Panelists:
Hildy Teegen, George Washington University
Bennet Zelner, Duke University
Jonathan Doh, Villanova University
Burkhard N. Schrage, Singapore Management University
Paul Martin Vaaler, University of Illinois at Urbana-Champaign
Counting the International Banker Vote: Opportunistic and Partisan Political Business Cycle Effects on International Bank Lending to Developing Countries in Election Years
Paul Martin Vaaler, University of Illinois at Urbana-Champaign
William Bernhard, University of Illinois at Urbana-Champaign
Shawn Riley, University of Illinois at Urbana-Champaign

Local versus Global Legitimacy of Institutional Reform: Government Interventions in Private Power Generation Projects
Bennet Zelner, Duke University
Witold J. Henisz, University of Pennsylvania
Guy Holburn, University of Western Ontario

The Role of NGOs in MNE Risks in Developing Countries
Jonathan Doh, Villanova University
Jennifer Oetzel, American University

Natural Catastrophes and Their Impact on Sovereign Bond Spreads
Burkhard N. Schrage, Singapore Management University
Banu Ozcan, Merrill Lynch & Co.

This panel proposal examines recent political risk trends for investing multinational enterprises ("MNEs"). New dynamics related to political democratization, economic liberalization, and enterprise privatization have generated new local players, new MNE players and more complex relationships to manage for political risk purposes. We investigate these dynamics, define new players, analyze new relationships, and discuss their implications for MNE risk, strategy and performance. Democratization has generated competing local political parties and investment incentives and disincentives for MNE lending and investment that follow election cycles. One paper examines such “political business cycle” effects on MNE bank lending to developing countries. Economic liberalization and enterprise privatization policies have also generated new local and MNE players. Three other papers examine these changes: a second paper identifies new local non-governmental pressure groups and the social backlash they can unleash on unwary MNEs running privatized electricity projects; a third paper identifies new non-governmental organizations and their ability to mitigate social backlash and related risks to MNE operations; a fourth paper examines the impact of environmental catastrophes on MNE risk assessments. These papers should stimulate constructive debate about theoretical perspectives, empirical methods and evidence suggesting how researchers can study new political risks and MNEs in developing countries.

Session: 2.1.3 - Panel
Track: Track 6-International Entrepreneurship

The Use of Ex-Host Country Nationals or Returnees: The Importance of Local Knowledge in a Global Economy

Presented On: June 27, 2007 - 08:10-09:25

Chair: Rosalie L. Tung, Simon Fraser University

Panelists:
Rosalie L. Tung, Simon Fraser University
(Henry) Huiyao Wang, China Western Returned Scholars’ Association Chamber of Commerce
William Kerr, Harvard Business School
Hong Liu, University of Manchester
David Zweig, Hong Kong University of Science & Technology
Collectively, the four papers in this symposium examine and analyze the critical roles that returnees or Ex-host country nationals (EHCNs) can play in facilitating trade between their country of origin (China and India) and the communities they lived and/or studied (U.S., Canada, and Japan), including the provision of start-up capital, management and technological know-how. Many EHCNs choose to establish their own businesses upon return to take advantage of the rapid growth in emerging markets, such as China and India. The papers also investigate the motivations for their return and challenges encountered upon return, the career paths of EHCNs upon return, and the factors that could affect success in pursuing their career objectives. These findings are based on both primary and secondary data. The findings of these studies have implications for theory development in the fields of international entrepreneurship and international human resource management. Such knowledge can help enhance a firm’s and/or country’s global competitiveness.

Session: 2.1.4 - Competitive
Track: Track 9-Global versus Local Knowledge

Exploration and Exploitation

Presented On: June 27, 2007 - 08:10-09:25

How Offshoring Drives Innovation: The Relocation of Non-core and Core Activities
Anna Szczyielska, RSM Erasmus University
Justin Jansen, RSM Erasmus University
Frans Van Den Bosch, RSM Erasmus University
Henk Volberda, RSM Erasmus University

Offshoring has become an important strategy for organizations, yet research in this area is surprisingly limited. This study distinguishes between non-core and core offshoring and empirically evaluates their impact on pursuing exploitative and exploratory innovation. In addition, we also examine the moderating role of a firm’s absorptive capacity in obtaining benefits from offshoring. Our findings indicate that the type of offshoring (non-core vs. core) has differing effects on a firm’s innovativeness. Non-core offshoring contributes to extending and improving existing products and services (i.e. exploitative innovation). Firms relocating core activities to foreign locations, on the other hand, benefit from an increased ability to generate both exploitative as well as exploratory innovation. Finally, our study shows that a firm’s absorptive capacity is of importance for organizations offshoring core activities since it strengthens the effect of core offshoring on exploratory
innovation. (For more information, please contact: Justin Jansen, RSM Erasmus University, Netherlands: jjansen@rsm.nl)

Why to Teach Potential Competitors under Knowledge Asymmetry in International Alliances?
Sonya Wen, National Taiwan University
Cheng-Min Chuang, National Taiwan University

Why is a knowledge owner willing to teach its alliance partner who may emerge as a potential competitor? The literature of knowledge-based view and organizational learning focuses on willingness-to-learn of a focal organization, but leaves willingness-to-teach in inter-organizational learning an unsolved puzzle. To construct the interactions between willingness-to-teach of ex ante knowledge-asymmetry and economic concern of ex post competition, our research focuses on the empirical context of international alliances with two dimensions of knowledge-asymmetry, including partner-location and learning-orientation. To specify the applicable conditions of such interactions, our research posits contrasting governance effects on the discrete choice between equity-based and non-equity-based modes, within as well as between partner-knowledge and alliance-knowledge determinants. By testing a full-sample of 640 international alliances participated by the partners from a focal emerging economy, we found that alliance-knowledge determinants impact more significantly on governance than partner-knowledge determinants. Further testing a sub-sample of learning-asymmetry between teaching and learning partners, alliance-knowledge determinants dominate the governance-mode choice; while partner-knowledge ones do not sustain. On the contrary, under location-asymmetry between the focal emerging and their partners from developed economies, partner-knowledge determinants dominate, except in the scenario of emerging-teaching. In short, we argue that the knowledge owner in an international alliance can use equity-based as a safe-guarding mechanism, when severe concern of competition exists, or alternatively use non-equity-based mode, when strong willingness-to-teach exists, particularly under knowledge asymmetry. (For more information, please contact: Sonya Wen, National Taiwan University, Taiwan: sonya.wen@gmail.com)

The Impact of Capabilities and Alliances on Competitive Advantage: Foreign vs Local Companies in the Biotechnology Field
Laurence Anthony Marsh, University of Texas at El Paso

This research explores the question of how the liability of foreignness may impact how firms structure their alliances. The Resource-based view is used to build a typology of differing alliance types which leverage different firm capabilities. The goal is to determine whether foreign firms leverage their capabilities differently due to the liability of foreignness. Another goal is to determine whether foreign firms rely on different capabilities to compete in new markets. Hypotheses are generated and tested from a sample of biotech companies involved in established and exploratory fields. The findings show that local and foreign firms have different performance effects when leverage capabilities via alliances. (For more information, please contact: Laurence Anthony Marsh, University of Texas at El Paso, USA: lmarsh@utep.edu)

A Comparative Analysis of Innovation Strategies of Domestic Firms and MNE-affiliates: The Case of Indian Pharmaceuticals Industry
Sangeeta Ray, University of Sydney
Pradeep Kanta Ray, University of New South Wales
Rahman Shams, University of Wollongong

Using empirical data of a large sample of firms in the pharmaceuticals industry, our study examines for the first time the differential innovation strategies pursued by domestic firms and MNE-affiliates in response to the major changes in intellectual property regimes and increased competition wrought by economic liberalization. The results show significant differences between domestic firms and MNE-affiliates in the intensity of innovation efforts, intangible assets, entrepreneurial orientation and export performance in a univariate framework.
Showing a higher degree of entrepreneurial orientation, domestic firms have enhanced their scale of innovation as seen by their supplementing R&D intensity with increased investments in foreign capital equipment, technologies and know-how. Despite this, MNE-affiliates still enjoy a lead in terms of significantly higher stock of intangible assets. Also, differences in their innovation strategies are captured in a multivariate framework, by the differential impact of the intensity of their innovation efforts, intangible assets and entrepreneurial orientation impacts on export performance. (For more information, please contact: Sangeeta Ray, University of Sydney, Australia: s.ray@econ.usyd.edu.au)

Session: 2.1.5 - Competitive
Track: Track 1-The Historical Dimension in IB

The Evolution of International Business

Presented On: June 27, 2007 - 08:10-09:25

Chair: George Tesar, Umea University

Globalisation in History
Sandra Seno Alday, University of Sydney

This paper reflects on the quest for the term to best capture the post-war world economic experience through a broad review of the economic and business discourse throughout the 20th century post-war history, and traces the implicit and explicit meanings attached to the term “globalisation” from its popular emergence in the 1980s. The various measures of globalisation that have been devised in the attempt to concretely capture and understand the phenomenon at the macro (i.e., the world economy and country) level will then be examined. This paper posits that the definitions of globalisation have evolved (and continue to evolve, as a function of the changing world environment and the nature of globalisation itself), and that the measures have likewise evolved alongside the definitions, albeit at a much slower pace. The conclusion is that the current measures need to be re-examined and updated to more accurately reflect the current experience. These updated measures are critical to foster a deeper and more thorough understanding of the phenomenon, which will enable more informed management decision-making and policy making. Finally, implications on international business research (with the firm as the unit of analysis in globalisation studies) will be explored. (For more information, please contact: Sandra Seno Alday, University of Sydney, Australia: s.seno-alday@econ.usyd.edu.au)

Evolution of International Business (IB) and the IB Literature
Deepak Sethi, Old Dominion University
William Q. Judge, Old Dominion University

This study provides an overview of the historical evolution of International Business activity since the end of World War 2 and argues that while profound changes have taken place in its scale, scope and complexity, the evolution of its conceptual frameworks has not kept pace. In particular, we highlight how any analysis that treats countries and/or regions as homogenous entities is prone to giving erroneous conclusions since that obscures the significant uniqueness of local factors. We illustrate these ideas with examples in India and China. We then present some ideas that can enable such analyses without masking the substantial differences within countries and regions. (For more information, please contact: Deepak Sethi, Old Dominion University, USA: dsethi@odu.edu)

Known World Globalization in the Ancient Roman World
Karl James Moore, McGill University
When we consider the history of global economies most scholars would recognize two key eras of globalization. They would agree that we're currently in the second global era, the first being the time that British and other European nations set up vast overseas empires. Thomas Friedman suggested three eras in his best seller, The World is Flat. We maintain that prior to the British led era of European globalization there took place a prior era of what we call “Known World” globalization, about 2000 years ago, in the Roman Period. We temper our use of the term globalization by using the prefix “Known World” to recognize that it was quantitatively and qualitatively different from today’s globalizing economy. We believe that primitivist historians are correct in pointing out the vast differences between the Roman economy of antiquity and the modern and even the medieval European economy. Nevertheless, we argue that it is helpful to recognize that the Roman world provided some prototypes of what we moderns often take as a predominantly 20th century phenomena. (For more information, please contact: Karl James Moore, McGill University, Canada: karl.moore@mcgill.ca)

*Internationalization of SMES: An Incomplete Process of Going International*

George Tesar, Umea University

Hamid Moini, University of Wisconsin-Whitewater

This paper evaluates some of the antecedents to internationalization of small and medium enterprises (SMEs), examines the dominant environmental forces that shaped their internationalization, and looks at the corporate framework suitable for their internationalization. A review of past research suggests that the results of much of the research concerning SMEs’ internationalization cannot be logically integrated into a consistent, meaningful, and comprehensive domain. Researchers responsible for most of the studies examined only components of the internationalization process among SMEs, but not the entire process. This paper suggests that because the circumstances in which SMEs attempt to internationalize their operations change considerably over the years, it may be necessary to start thinking about developing dynamic models which describe their entire internationalization process. (For more information, please contact: Hamid Moini, University of Wisconsin-Whitewater, USA: moinia@uww.edu)

*Session: 2.1.6 - Competitive*

*Track: Track 4-Emerging Markets (EM) and MNEs*

*Institutions, Institutional Effects, and Emerging Markets*

**Presented On:** June 27, 2007 - 08:10-09:25

**Chair:** Alvaro Cuervo-Cazurra, University of South Carolina

*Institutional Constraints on Internationalization: Management, Firm, and Environmental Impacts on CEE Firms*

George A. Shinkle, Purdue University

Aldas Kriauciunas, Purdue University

This research seeks to address the gap in understanding how internal and external factors may overcome inertia or support the continuance of inertia by analyzing the internationalization of firms in the transitioning economies of Central and Eastern Europe. A novel data set is utilized to consider how managerial aspirations, private ownership, and institutions impact firm performance. Our results indicate that private ownership without supporting free-market institutions can actually be detrimental. (For more information, please contact: George A. Shinkle, Purdue University, USA: gshinkle@purdue.edu)
Subsidiary Autonomy and Institutional Pressures from Host and Home Countries: The Case of Small- and Medium-Sized Enterprises
Hsiang-Lin Francois Cheng, Feng-Chia University
Chow-Ming Joseph Yu, National Cheng-Chi University

This research examines how institutional pressures from either a host country (external institution) or those from a home country (internal institution), in terms of macro-environments and inter-organizational relationships, affect the autonomy granted by the parent of a small- and medium-sized enterprise (SMEs) to its foreign subsidiary. By our definition, autonomy refers to a three-dimension construct, i.e. the decision-making power, the independence, and the practices specificity of a subsidiary. Empirical testing of the data regarding Taiwanese firms investing in Southeast Asia and China shows that: (1) a parent tends to develop specific practices according to the situation of a host country when faces institutional pressures from the external institution; and (2) a parent tends to give less decision-making power to a subsidiary, duplicate less specific practices at a host country, and left a subsidiary less independence when a parent faces institutional pressures from the internal institution. The results fully support the internal institutional isomorphism but partially support the external institutional isomorphism. (For more information, please contact: Hsiang-Lin Francois Cheng, Feng-Chia University, Taiwan: hlcheng@fcu.edu.tw)

Outward Foreign Direct Investments from China: Theory and Determinants
Kraiwinee Bunyaratavej, Wesley College
Eugene D. Hahn, Salisbury University

As globalization advances resulting in a higher level of international integration, developing countries become more important players on the world stage. After achieving success in their home markets, companies in these countries begin to look for investment opportunities outside their home markets in both goods and services. Nevertheless, empirical research is examining this reverse foreign direct investment (FDI) trend is currently very limited. China is one of the most prominent developing countries because of its highly accelerated economic growth. In this paper, we explore current FDI theories and their ability to explain this new FDI phenomenon with a particular focus on China. We empirically investigate the factors that motivate Chinese multinational companies to invest in foreign markets. We conclude that Chinese firms in some cases follow general drivers identified by FDI theories but also respond to certain market factors uniquely vis-à-vis Western multinational companies. The current study appears to be the first to examine the issue of Chinese FDI by empirically examining host-country factors influencing the establishment of actual Chinese FDI projects abroad. (For more information, please contact: Kraiwinee Bunyaratavej, Wesley College, USA: bunyarkr@wesley.edu)

Intellectual Property Rights Reform, Institutions, and Patenting
Ted Khoury, University of Texas at Dallas
Alvaro Cuervo-Cazurra, University of South Carolina

We analyze the impact of intellectual property rights (IPRs) on patent applications in developing countries. IPR reform has been hailed as a necessary condition for the creation of technologies in developing countries. We argue that strong institutions, specifically a democratic political system and a strong legal system, reinforce the impact of IPR reform on patenting. These institutions provide the transparency, stability, and credibility needed for patenting. The results of the empirical analyses of patenting in Latin American reveal that countries with a longer IPR reform have more patent applications. In contrast to expectations, however, the results also show that IPR reform has a larger positive influence in countries with a more totalitarian political system, and not in countries with a stronger legal system. These contradicting results are explained by the differences in the behavior of domestic and foreign inventors, however. Domestic patent applications are influenced by the strength of the legal system, but not by the duration of IPR reform. Foreign patent applications are influenced by the duration of the IPR reform, and this influence is reinforced in more totalitarian political systems. These
results imply that stricter IPRs are favored by foreign inventors but not by domestic ones. *(For more information, please contact: Alvaro Cuervo-Cazurra, University of South Carolina, USA: acuervo@moore.sc.edu)*

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**Session: 2.1.7 - Competitive**  
**Track: Track 5-Global Strategy**

**Japan in IB: Home and Away**

**Presented On:** June 27, 2007 - 08:10-09:25

**Chair:** Tom Roehl, Western Washington University

**Entry Type, Performance and Characteristics of Japanese FDI in Australia and the United Kingdom: A Comparative Study**  
Kais Ben Youssef, University of Tsukuba  
Yasuo Hoshino, University of Tsukuba

This paper was designed to answer a broad range of questions relating to the nature of Japanese investments in the United Kingdom (UK) and Australia. The investment behavior of Japanese companies in the UK was compared to the investment pattern in Australia on the basis of the ownership-based entry mode. To identify the global strategy approaches of Japanese MNC's investment strategies in the two countries, 210 subsidiaries in Australia and 491 subsidiaries in the UK were examined. The results reveal that there are differences in the characteristics and performance of JFDI between the two countries. Japanese FDI in Australia has a lower level of control within a subsidiary, performs better in the tertiary industrial sector, and was initiated by parent firms with the purpose of seeking markets and gaining access to natural resources. In contrast, JFDI in the UK has a higher level of control within a subsidiary, is more profitable in the Secondary industrial sector, and was initiated by parent firms with market-seeking and strategic-seeking purposes. This study revealed that subsidiaries in Australia, on average, were superior in term of performance than those in the UK. *(For more information, please contact: Kais Ben Youssef, University of Tsukuba, Japan: ben@sk.tsukuba.ac.jp)*

**The End of Japanese-Style Management?**  
Markus Pudelko, University of Edinburgh  
Mark Mendenhall, University of Tennessee, Chattanooga

This paper is a position paper, more aimed to stimulate academic debate around a broad topic of general importance than to provide a rigorous in-depth analysis of a specific and narrow issue. It is intended to be published in a journal that bridges the gap between academia and practice. This article explores the future viability of Japanese-style management. After reviewing the key characteristics of the Japanese management model, a framework is developed that links four forces of continuity and four opposite forces of change with four potential outcomes for the Japanese management model. Subsequently, the competitive state of the Japanese management model is described. Survey data and additional interviews revealed that Japanese managers perceive their management model to be in crisis and in transition. We conclude, on the basis of the empirical findings, that a new model combining the effects of ‘major reform of the traditional model’ and ‘replacement of the traditional model with a new, yet specifically Japanese, model’ is the most likely evolution that will take place in the near future. Finally, concrete practical implications of the findings for Japanese companies, for Western multinationals and for their subsidiaries operating in Japan are highlighted and future research directions outlined. *(For more information, please contact: Markus Pudelko, University of Edinburgh, United Kingdom: markus.pudelko@ed.ac.uk)*
Horizontal versus Vertical Keiretsu Member Firm Performance
Jason Patrick McNicol, University of Texas at El Paso
Yan Gao, University of Texas at El Paso
Lance Elliot Brouthers, University of Texas at El Paso
Keith D. Brouthers, King's College London

Although the keiretsu has been the subject of much research, little research has actually compared the performance differences between keiretsu structures: horizontal and vertical keiretsu. More specifically, prior scholarship has not examined member firm performance differences on the two types of keiretsu structures. Using diversified business group literature, we hypothesize and find that keiretsu member firms have more stable growth and profits than independent firms. Moreover, comparing horizontal vs. vertical keiretsu member firms, horizontal keiretsu member firms have greater growth stability while vertical keiretsu member firms grow faster. Managerial implications of our findings are discussed. (For more information, please contact: Jason Patrick McNicol, University of Texas at El Paso, USA: jpmcnicol@utep.edu)

The Market for Corporate Control in Japan: Refocusing Strategies and Hostile Takeovers
Ulrike Schaede, University of California, San Diego

Recession, crisis and globalization have triggered a complete reorientation in corporate strategy by large Japanese firms, away from the previous goal of diversification financed by bank loans, and towards market-financed concentration on select core businesses. The transition has necessitated corporate reorganization by almost all large firms, causing a wave of spin-off, mergers, and acquisitions. Extensive legal reforms have enabled this reorganization and introduced more stringent rules on accounting and disclosure. The confluence of these two – access and transparency – has paved the way for a market for corporate control, fueled by institutional investors and investment funds, including foreigners, as major players. While the M&A boom of the early 21st century may partially be attributable to a window of economic opportunity, the systemic changes in Japan's financial markets are irreversible and therefore constitute a strategic inflection point. Contested corporate control has become an indelible part of Japanese finance and corporate governance. While it is too early to evaluate the performance consequences of this shift, we cannot afford to overlook this epochal transformation in incentives and constraints faced by Japanese firms. (For more information, please contact: Ulrike Schaede, University of California, San Diego, USA: uschaede@ucsd.edu)

Session: 2.1.8 - Competitive
Track: Track 3-International Finance and Accounting
International Accounting

Presented On: June 27, 2007 - 08:10-09:25

Shades of Gray: An Empirical Examination of Gray’s Model of Culture and Income Measurement Practices Using 20-F Data
Philip A. Lewis, Eastern Michigan University
Stephen B. Salter, University of Cincinnati

Starting with Gray’s (1988) model linking societal culture and institutions with accounting values and practices, this study attempts to test the validity of the model across eight potential cultural and institutional values. It uses actual financial reporting practice data from approximately 1000 firms over five years synthesized to 75 data points across those 5 years. We find that while individualism continues to be a powerful force in predicting preferences for optimistic reporting, other factors such as tax rates and membership in the European Union can push countries without optimistic cultural predilections to move to optimism in income measurement. It finds in
the end that Gray’s model continues to have good predictive ability but that its institutional portions have increasing value over its base cultural dimensions. (For more information, please contact: Philip A. Lewis, Eastern Michigan University, USA: phil.lewis@emich.edu)

Internationalization and Environmental Disclosure
Fabienne Fortanier, University of Amsterdam
Ans Kolk, University of Amsterdam

Analyzing Fortune Global 250 data, we find a significantly negative relationship between MNEs’ degree of internationalization and environmental disclosure. Internationalization towards countries with high environmental standards only partly mitigates this negative effect. Only for firms in environmentally sensitive sectors from high-standard countries do the benefits of disclosure in terms of legitimacy and reputation seem to outweigh the costs of collecting and disseminating the information in an international context, and could the positive association between internationalization and disclosure as predicted by legitimacy, stakeholder and institutional theory be established. Our findings are particularly strong for the degree of internationalization – the effect of the dispersion of international activity on disclosure is not significant. (For more information, please contact: Fabienne Fortanier, University of Amsterdam, Netherlands: f.n.fortanier@uva.nl)

Corporate Transparency Differences in the Asian Region: The Significance of Country Factors?
Sidney Gray, University of Sydney
Richard Morris, University of New South Wales

Using a unique hand-collected dataset covering 434 companies from 12 Asian countries in 2002, we examine whether countries matter more than firms in explaining variance in financial transparency. IFRS-based checklists of 228 and 441 items are used to measure transparency. Our data cover more companies per country, in much greater depth, than CLSA, CIFAR or Standard & Poor’s datasets. Both our transparency measures differ significantly across countries. Country-level variables matter more than firm-level variables in explaining variance in most model specifications. Legal system, bank-oriented economy and enforcement of standards matter most at the country-level. Firm complexity, debt raising, auditor-type, firms’ international focus and foreign stock exchange listings are consistently associated with transparency at the firm level across model specifications. Our findings suggest that converging accounting practices in the region short-term will not be easy, although there are strong firm-level market-based forces driving transparency which may assist the convergence process long-term. (For more information, please contact: Sidney Gray, University of Sydney, Australia: s.gray@econ.usyd.edu.au)

Session: 2.1.9 - Competitive
Track: Track 6-International Entrepreneurship

Process of International Venturing

Presented On: June 27, 2007 - 08:10-09:25

Chair: Wade M. Danis, Georgia State University

International Entrepreneurship: Meta-Analytic Evidence on Determinants of Early versus Late Internationalization
Christian Schwens, University of Giessen
Ruediger Kabst, University of Giessen
In 1994, Oviatt & McDougall published their seminal framework for the study of international new ventures examining how it is possible that young firms internationalize right from inception. In this framework the knowledge intensity, international experience and (international) network contacts of the firm act as major determinants of early internationalization. However, literature on the internationalization behavior of small and medium-sized enterprises shows that major determinants for early internationalization may also play a pivotal role for established firms internationalizing later in their organizational lifecycle.

More than a decade after the publication of the Oviatt & McDougall framework, we believe it is time for evidence-based results to clarify differences between early and late internationalizers. Our paper makes two major contributions. First, addressing heterogeneity in prior studies, we examine whether there are substantive overall relationships between the international experience, networks and knowledge intensity of the firm and the internationalization of both early and late internationalizers. Second, we elaborate differences in the major determinants of internationalization between early and late internationalizers by moderating between the major determinants of internationalization by the age of the firm. Our empirical analysis integrates K=48 different studies with a total number of N=11736 firms. (For more information, please contact: Christian Schwens, University of Giessen, Germany: christian.schwens@wirtschaft.uni-giessen.de)

Entrepreneurship in Emerging Economies: The Role of Institutions and Social Networks
Dirk De Clercq, Brock University
Wade M. Danis, Georgia State University
Mourad Dakhli, American University of Kuwait & Georgia State University

We draw from institutional and social network theory to examine the relationship between emerging countries’ institutional profiles, affiliation networks, and level of entrepreneurial activity. More specifically, we argue that a country’s level of entrepreneurship is positively related to the degree to which its regulatory, cognitive and normative institutional profiles are favorable toward entrepreneurship, as well as to the level of participation of its residents in affiliation networks. We also argue that the beneficial effect of affiliation networks on a country’s level of entrepreneurship is by itself contingent upon the favorability of the country's institutional profile. We test our hypotheses using data on fourteen emerging countries, covering the 2002-2004 period. We find that the level of entrepreneurship in an emerging country is positively related to the favorability of the country’s cognitive and normative profiles, while negatively related to the favorability of its regulatory profile. We also find a positive relationship between a country’s level of entrepreneurship and the participation of its residents in affiliation networks. Finally, we find that the positive relationship between entrepreneurship and participation in affiliation networks is stronger for less favorable regulatory and normative institutional profiles, and stronger for more favorable cognitive profiles. We discuss our findings, and point to the study’s practical implications, limitations, and future research possibilities. (For more information, please contact: Wade M. Danis, Georgia State University, USA: wdanis@gsu.edu)

Entrepreneurship in Central and Eastern Europe: An Institutional Perspective
Tatiana S. Manolova, Bentley College
Rangamohan V. Eunni, Youngstown State University
Bojidar S. Gyoshev, International Business School

In this paper, we empirically validate Busenitz, Gomez, & Spencer's (2000) instrument for measuring country institutional profiles for promotion of entrepreneurship in a sample of 254 business students from three transition economies: Bulgaria, Hungary, and Latvia. Results from the confirmatory factor analysis reveal high reliability, internal consistency, and construct validity of the instrument. Further, we find important differences in the three dimensions (regulatory, cognitive, and normative) of the institutional profiles across the three transition economies, reflecting their idiosyncratic cultural norms and values, traditions, and institutional heritage in promoting entrepreneurship. Implications for future research, managerial practice, and public policy
are discussed. (For more information, please contact: Tatiana S. Manolova, Bentley College, USA: tmanolova@bentley.edu)

Aspects of Ukrainian Family Firm Culture
William David Brice, University of Arkansas at Little Rock
Wayne Daniel Jones, Roosevelt University

This empirical study investigates the uniqueness of Ukrainian family-firm culture by comparing Ukrainian family-business members with that of professional managers within Ukraine and with family-business members in the U.S. The implications of family business are especially relevant for former planned economies such as Ukraine in that government social policy on the encouragement or discouragement of privately-held sectors of the economy is yet to be fully formed, this being particularly sensitive as the pre-Soviet Ukrainian economy was almost entirely held in private hands while the Soviet-era economy was almost entirely state-controlled. Family-firm literature stresses the differences between family-firm and professional management in terms of culture, goal-setting, and strategy, with culture said to be a resource leading to competitive advantage. A survey comparing 163 family-firm members and 168 professional managers found unique cultural differences between Ukrainian family-firms and professional managers as well as with U.S. family firms. Similarities between family firms in both countries were discovered that were not shared with professional management culture. We conclude that differences in Power Distance, Social Cynicism, Social Flexibility, Spirituality and Fate Control describe fundamental aspects of family-firms in Ukraine and may contribute to family-firm competitive advantage as discussed in management literature. (For more information, please contact: William David Brice, University of Arkansas at Little Rock, USA: wdbrice@ualr.edu)

Session: 2.1.10 - Competitive
Track: Track 5-Global Strategy

Acquisition Strategies and Performance

Presented On: June 27, 2007 - 08:10-09:25

Chair: Shlomo Yedidia Tarba, Ben-Gurion University and Rishon Lezion

The Moderating Effect of Ownership Type on FDI and the Performance of Privatized Telecoms
Mark D. Domney, University of Auckland
Heather I.M. Wilson, Freelance

Privatization is a theory of ownership, private ownership being more efficient than public ownership, yet little attention has been paid to the nature of private ownership, domestic or foreign, nor to ownership types, other than fully public or private. FDI is also a theory of ownership, which transfers internalized ownership advantages to the recipient firm, which may spillover to the host economy. Yet, beyond the greenfield or acquisition entry mode of foreign direct investment (FDI), studies rarely distinguish between the "forms of ownership of the beneficiary host firms" (Buckley et al., 2002: 651). This paper examines the interaction between FDI and ownership structure, public, mixed enterprise and private, in relation to the performance of privatized telecoms utilizing panel data for thirty OECD countries. The results show that ownership type is an important moderating variable in the relationship between FDI, privatization and performance. Privatization, including partial privatization allowing FDI, outperforms privatization restricting FDI, confirming that the ownership type of the recipient firm is an important but overlooked variable in FDI research (Buckley et al., 2002). This indicates that governments wishing to maximize the performance of privatized SOEs should allow FDI, but that partial privatization by FDI with ongoing government involvement may be beneficial. (For more information, please contact: Mark D. Domney, University of Auckland, New Zealand: m.domney@auckland.ac.nz)
Overcoming Institutional Distance in International Acquisitions
Daniel Rottig, Florida Atlantic University

This paper advances an integrative framework of the drivers of international acquisition performance. Based on the conceptual perspective of institutional theory, the posited framework suggests that the three building blocks of institutional distance—regulative, normative, and cultural-cognitive distance—constitute significant costs for the implementation of international acquisitions, and so adversely affect the performance of these transactions. Extant research on the antecedents of international acquisition performance, primarily focusing on national cultural distance, is integrated into the concept of institutional distance. This study therefore shifts the focus of research on international acquisition performance to the broader institutional environment in which these transactions are embedded. It is further theorized that the strategic formation and effective utilization of internal and external social capital may mitigate the adverse impact of institutional distance on the effective implementation of international acquisitions, and so may contribute to a better performance of these transactions. This conceptual paper, therefore, takes a new perspective on international acquisition performance and, in so doing, sets out to contribute to more theoretical pluralism in the literature on the topic. (For more information, please contact: Daniel Rottig, Florida Atlantic University, USA: drottig@fau.edu)

Spanning the Global Network: Cross-border Acquisitions and the MNC
John Muir Macpherson, Georgetown University

Domestic acquisitions see nearly all the wealth they create captured by target firms, with the result that acquirers earn on average zero or even negative returns on their acquisitions. While internalization theory and other explanations have been advanced to explain why cross-border acquisitions may create more value than purely domestic acquisitions, they cannot explain why acquirers should be able to capture this value rather than having to surrender it to targets as they would in domestic transactions. I propose to solve the puzzles presented by the returns to cross-border acquisitions using two familiar concepts combined in a novel way: first, the scarcity of foreign market knowledge, and second, the ability of social networks to transmit knowledge. The scarcity of market knowledge creates an obstacle to cross-border transactions that MNCs with the appropriate network ties can exploit to earn above normal returns on their acquisitions. I use event study and fixed-effects regression methods to show that MNCs with subsidiary networks configured to span weak ties in the global network can earn above normal returns on their cross-border acquisitions. I employ a multinational sample of 523 acquiring firms from 22 countries and 1,863 target firms from 38 countries. (For more information, please contact: John Muir Macpherson, Georgetown University, USA: jmm272@msb.edu)

Management of People in the East Asian Context
Presented On: June 27, 2007 - 08:10-09:25
Chair: Stephen E. Weiss, York University

Flexible Employment with Chinese Characteristics: A Retail Sector Case Study
Jos Gamble, University of London
Qihai Huang, Manchester Metropolitan University

This paper, based on in-depth ethnographic research conducted in a foreign invested retail firm in China, indicates that the core-periphery model of ‘flexible work’ is insufficient to capture the complexity of employment
arrangements in this context. Instead, we present a quadrilateral relationship with overlapping and often competing interests. The co-existence of two employment systems has implications for employee commitment and performance and, in turn, customer service and management. (For more information, please contact: Jos Gamble, University of London, United Kingdom: j.gamble@rhul.ac.uk)

Work Values and Career Aspirations of the Young Elite in Shanghai, Tokyo and Seoul
Fabian Jintae Froese, Waseda University

Shanghai, Tokyo and Seoul are the commercial centers in China, Japan and South Korea, respectively. Today’s young and highly educated people in these countries might become the future leaders of the new “Asian century” (Fortune, 2004. 149(1): 53). Their work values and career aspirations are explored in this study. Survey results of more than 600 university students studying at elite universities in those cities show striking differences. Nevertheless, these differences all follow a similar pattern corresponding to economic development in these countries supporting the convergence theory. General implications as well as managerial implications are discussed. (For more information, please contact: Fabian Jintae Froese, Waseda University, Japan: fabian@fuji.waseda.jp)

When the Western Approaches of Managing Human Resources Work in Japanese Firms: Toward a Contextual View of Strategic Human Resource Management
Norihiko Takeuchi, Tokyo University of Science
Tomoki Sekiguchi, Osaka University
Tomokazu Takeuchi, Kawaguchi Junior College

The causality issue on the HRM-performance relationship has now become an important debate in the strategic human resource management (SHRM) research. Few studies have been conducted to date to treat the past and concurrent performance of firms as a contextual factor that moderates the link between human resource (HR) practices and future performance. To address this issue, this study attempted to examine interactive effects of past and concurrent financial achievements and the existing HR practices to predict the future performance of firms. Results, based on a sample of 229 Japanese manufacturing firms operating in Japan, indicated that firms that had performed better for the past three years yielded additional superior performance when they adopted a Western approach of managing HR. On the other hand, those who had not were found to increase their future performance when they followed a traditional Japanese way of managing HR. In addition, these tendencies were found salient in firms pursuing a differentiation strategy. Findings were used to discuss the role of past and concurrent competitive positions in the contemporary SHRM research. (For more information, please contact: Norihiko Takeuchi, Tokyo University of Science, Japan: takeuchi@ms.kuki.tus.ac.jp)

Session: 2.2.1 - Panel
Track: Track 7-Managing People across Cultures

Future of Cross Cultural and Comparative Research in International Business (Showcase Panel)

Presented On: June 27, 2007 - 09:50-11:05

Chair: Rabi S. Bhagat, University of Memphis

Global Business as an Agent of World Benefit: Management Knowledge Leading Positive Change
Nancy J. Adler, McGill University
Cross-Cultural Organizational Research: Where Do We Go from Here?  
Richard M. Steers, University of Oregon

Cross-Cultural Issues in Business Ethics: Implications for International Management and Business  
John Hooker, Carnegie Mellon University

Session: 2.2.2 - Panel  
Track: Track 9-Global versus Local Knowledge

Corporate Governance in International Business: Local Requirements versus Global Expectations

Presented On: June 27, 2007 - 09:50-11:05

Chair: Shirley J. Daniel, University of Hawai‘i at Manoa

Panelists:
Shirley J. Daniel, University of Hawai‘i at Manoa  
Klaus Macharzina, University of Hohenheim  
Sidney Gray, University of Sydney  
Lee Radebaugh, Brigham Young University  
Raj Aggarwal, University of Akron

The highly publicized accounting scandals of the recent past have seriously damaged the credibility of the accounting profession, particularly in the US. The passing of the Sarbanes-Oxley Act in the US has created a whole new set of regulations and requirements that have changed the dynamic between management and the board of directors, and between auditors and management. This panel will shed new light on these changes, and compare them to similar regulatory initiatives that have occurred throughout the world. The panelists will discuss corporate governance practices of publicly held firms in the US, UK, Germany, Japan, India, Australia and South America. Issues addressed will include:

· board member roles and responsibilities,
· board effectiveness,
· definitions of and attitudes about director independence
· responsibilities of the nominating, compensation and audit committees,
· relationships between the board and management,
· relationships between the audit committee and external and internal auditors

(For more information, please contact: Shirley J. Daniel, University of Hawai‘i at Manoa, USA: sdaniel@hawaii.edu)

Session: 2.2.3 - Competitive  
Track: Track 2-Theory Dev. and Empirical Modeling

Modeling Inter-Firm Relationships

Presented On: June 27, 2007 - 09:50-11:05

Chair: Janell D. Townsend, Oakland University
A Contingency Model of Alliance Trust, Control, and Outcome: Antecedence and Consequence of Partner Behaviors
I Han, National Taiwan University
Cheng-Min Chuang, National Taiwan University

Strategic alliances are different by their natures and parent motives. Alliances are fundamentally different in terms of a link, i.e., cooperating upon complementary, or a scale type, i.e., cooperating upon similarity. Meanwhile, an alliance working in one of parents’ existing activities or expanding into new businesses implies different levels of uncertainty. Parent firms confronting different uncertainty levels possess contrasting foundations of their motives and behaviors, which lead to a preliminary condition to breed different levels of “trust-friendly” contexts along cooperative processes. We propose an alliance contingency model by distinguishing alliance types to differentiate mainstream impacts on demands of alliance control mechanisms, cooperative scopes, and consequences of alliance performances. (For more information, please contact: I Han, National Taiwan University, Taiwan: yvohan@ms3.hinet.net)

An Exploratory Analysis of Multiple Formation Motives by IJV Partners
Elko Klijn, RSM Erasmus University
Peter Buckley, Leeds University
Keith W. Glaister, University of Sheffield
Jeffrey J. Reuer, University of North Carolina

This article examines whether a firm that forms an international joint venture (IJV) does so while having different motives for alliance formation. The objective is to reinvigorate theoretical development by showing the amalgamation of different motives and theories for JV establishment. We observe the coupling of different formation motives and find that different rationales to establish IJVs are held simultaneously by partners. We explore the validity of the different theoretical explanations for JV formation by reviewing the importance of each specific motive in our sample of 117 partners. We find that transaction cost economics theory and organizational learning theory play an important role in IJV formation, whereas strengthening of a market position is a less vital driver for JV formation. We consider motives in the context of the different JV characteristics and partner firm characteristics. Findings show that equity share significantly differs between the cluster groupings and is most significant when alliances are formed for learning or knowledge accession purposes. (For more information, please contact: Elko Klijn, RSM Erasmus University, Netherlands: eklijn@rsm.nl)

Matching the Common Situational Factors to Achieve Effectiveness across Situations, the Negotiation Adaptability Theory
Eman ElShenawy, Washington State University

Effectiveness in negotiations is to maximize outcome across all negotiation situations whether they are variable-sum or zero-sum. Evidently, this effectiveness is not feasible for all negotiators who are always competitive, cooperative, or emotional. These negotiators’ styles do not match the common situational factors across all negotiation situations. I argue that every negotiation has a type, zero- or variable-sum, and a counterpart whose style is competitive or cooperative within one situation. These factors moderate the effect of negotiator’s style on outcome. I suggest a theory of negotiation adaptability to explain that fitting to these common factors requires adapting own negotiator’s style to compete and cooperate appropriately. Only adaptable negotiators can match their negotiation styles to the common situational factors within one negotiation situation and have the ability to recognize the appropriate style across situations without falling in the common biases or emotional spirals of escalated competition or cooperation. These negotiators can achieve effectiveness across all situations. I explain more about the theory and suggest some interesting ideas for future research in the rich field of negotiation adaptability. (For more information, please contact: Eman ElShenawy, Washington State University, USA: ammona1@gmail.com)
The Importance of Relationships and Service Quality in a Retail Setting: A Cross-Cultural Comparison

Veli Emre Ozdemir, University of South Carolina
Kelly Hewett, University of South Carolina

In this study, the authors find empirical evidence of the influence of consumers’ levels of collectivism on the perceived importance of service quality and relationship quality for behavioral loyalty in a retail context. Particularly, the authors demonstrate the moderating effect of collectivism such that it strengthens the relationship quality – loyalty relationship whereas it weakens the service quality-loyalty relationship. The authors test their hypotheses in bookstore retail context using data collected both in Turkey and U.S. The study builds on previous findings concerning the importance of both relationship and service quality for behavioral loyalty. (For more information, please contact: Veli Emre Ozdemir, University of South Carolina, USA: veli_ozdemir@moore.sc.edu)

Order-of-Entry Effects for Knowledge-Based Service Firms in Emerging Markets

Peter Magnusson, Saint Louis University and Northern Illinois University
Stanford A. Westjohn, Saint Louis University
David J. Boggs, Eastern Illinois University

This study expands the scope of first-mover advantage theory by investigating the effects of entry order on firm performance among service firms in emerging markets, a previously unexplored context. Extant first-mover research has focused mainly on manufacturing firms in developed markets, except for a few studies investigating manufacturing firms in China. Furthermore, we seek to identify the boundary conditions of first-mover advantages by examining the moderating effects of international experience, local partner involvement, and cultural distance. The empirical analysis of 215 service firms in 22 emerging markets finds a strong relationship between entry order and firm performance. We also find that late entrants that entered with the help of a local partner or had high international experience were able to reduce the negative effects of being a late entrant. (For more information, please contact: Peter Magnusson, Saint Louis University and Northern Illinois University, USA: magnusph@slu.edu)

To Imitate or Not to Imitate: Emerging Market Services’ Export Strategies and Triad Nation Performance

Lance Eliot Brouthers, University of Texas at El Paso
Edward O’Donnell, University of Texas at El Paso
John Hadjimarcou, University of Texas at El Paso
Keith D. Brouthers, King’s College London

Because the challenge for services is to avoid being perceived as a commodity, we propose that high tech service providers from emerging markets entering Triad nation markets can improve market performance by not mimicking the dominant generic product strategy of the specific Triad host country, but instead pursue a complementary generic product strategy. This proposition was tested on a sample of High Tech service providers from India; results support the notion of using a complementary generic product strategy. Managerial
implications of findings are discussed. *(For more information, please contact: Lance Eliot Brouthers, University of Texas at El Paso, USA: lbrouthers@utep.edu)*

*Culture's Influence on Consumers' Technology Readiness and Their Intentions to Use Self-Service Technologies*

Stanford A. Westjohn, Saint Louis University  
Srdan Zdravkovic, Saint Louis University  
Peter Magnusson, Saint Louis University and Northern Illinois University  
Hongxin John Zhao, Saint Louis University

Self-service technologies provide services without direct employee involvement. This mode of service delivery is receiving increased attention due to the potential for SSTs to expand a service firm's reach. However, extant SST research is limited to domestic environments. This study internationalizes the research by proposing a model relating cultural traits to technology readiness and the subsequent intent to use SSTs. The results offer evidence that two cultural dimensions, masculinity and uncertainty avoidance, strongly influence technology readiness. Partial support is given for a third cultural dimension, long-term orientation. Subsequently, technology readiness is strongly related to intention to use SSTs. *(For more information, please contact: Stanford A. Westjohn, Saint Louis University, USA: westjohn@slu.edu)*

**Session:** 2.2.5 - Competitive  
**Track:** Track 5 - Global Strategy  
**Organizational Learning and Alliances**

**Presented On:** June 27, 2007 - 09:50-11:05

**Chair:** Florian Kohlbacher, German Institute for Japanese Studies, Tokyo

*Toyota's Global Knowledge Creation Strategy*
  
Kazuo Ichijo, IMD & Hitotsubashi University  
Florian Kohlbacher, German Institute for Japanese Studies, Tokyo

During the last decade, knowledge has been identified as a crucial strategic resource and asset, as in today's economy, knowledge and its strategic management constitute a competitive advantage of corporations. As a result, knowledge management and transfer have been analyzed within strategic frameworks and strategies for knowledge creation and management have been set forth. In fact, creating knowledge has now become a core element of business strategy and the ability to manage knowledge effectively is a strategic imperative. In a global business context, this is all the more essential for corporate competitive advantage, success and survival. Drawing from empirical evidence, this paper presents and analyzes the global knowledge creation strategy of Toyota Motor Corporation. We reveal Toyota's strength and ability at creating and leveraging knowledge both locally and globally, thus showing how Toyota has made the leap from simply being a global projector to a truly metanational company with a focus of creating knowledge in foreign markets by local staff and together with local partners. Indeed, with its 'learn local -- act global' strategy, knowledge co-creation with selected key stakeholders has become an essential part of Toyota's advancement strategy for global knowledge creation. *(For more information, please contact: Florian Kohlbacher, German Institute for Japanese Studies, Tokyo, Japan: kohlbacher@dijtokyo.org)*

**How Do Shared Perceptions of Procedural Justice and Fairness Affect Learning in Alliances?**

Dan Li, Indiana University  
Marjorie Lyles, Indiana University  
Charles Dhanaraj, Indiana University
This study examines the importance of fairness in the process of learning in alliances. Specifically, we argue that more learning can be achieved when both alliance partners’ perceptions of procedural justice (i.e., bilateral procedural justice) are high. However, when one partner perceives high procedural justice while the other perceives low procedural justice (i.e., unilateral procedural justice), it is detrimental to learning in alliances. Data were collected from both partners of 79 alliances. Our results revealed mixed indications for the importance of high bilateral perceptions of fairness. Fairness perceptions - unilateral and bilateral - affect the learning outcome by one partner but not the other; such effects alter when the knowledge transferred is explicit versus tacit. Our post-hoc analyses show that the relationships detected vary in different types of alliances (R&D vs. manufacturing alliances). We also confirm the positive relationship of high bilateral fairness perceptions with alliance performance. Our results indicate that future research should link the intent to learn with the bilateral perceptions of fairness. (For more information, please contact: Dan Li, Indiana University, USA: lid@indiana.edu)

The Effects of Interactive Systems on Knowledge Transfer and Creation in International Joint Ventures

Yong Suhk Pak, Yonsei University
Inhye Shin, Yonsei University

We have conducted a preliminary research on knowledge transfer and creation within the international joint venture context. We focused on the effects of interactive systems as determinants of knowledge transfer and creation in IJVs. Building on the relational and social capital viewpoints, we examined whether knowledge transfer and creation is facilitated through systematic interactive mechanisms such as formal and informal communications and human resource management (HRM) programs. Our results show that formal communication systems such as e-mail, instant messaging, tele/video conferencing and informal communication systems play a critical role in both transferring and creating new knowledge. Also, formal communication and HRM systems, which focus on staffing and training, play an important role in transferring and creating new knowledge between partners. (For more information, please contact: Inhye Shin, Yonsei University, Korea, South: inhye2020@yonsei.ac.kr)

Networks and Intra-Organizational Knowledge Flows: A Social Network Analysis of R&D-Activities in the Pharmaceutical Industry

David Rygl, University of Erlangen-Nuremberg
Markus G. Kittler, University of Erlangen-Nuremberg
Jonas F. Puck, University of Erlangen-Nuremberg

In international competition, corporations are forced to create sustainable competitive advantages in order to become and to remain successful. One key factor allowing corporations to surpass their major competitors in R&D intense industries is the creation of innovation. A prerequisite for innovation is the effective and efficient utilization of firm specific knowledge as a result of intra-organizational knowledge flows. As network organisations are considered to lower the viscosity of knowledge flows, this paper analyzes the network capability of intra-organizational knowledge within R&D units in the pharmaceutical industry. The empirical investigation is focused on “knowledge” as the determining factor for R&D networks. In order to define network capability three elements of intra-organizational networks are analyzed. These are (1) reciprocal knowledge flows, (2) role differentiation for single units and (3) a fully intermeshed network architecture. The characteristic values of these network elements are derived from a theoretical perspective and are tested against the case studies of the following pharmaceutical corporations by using social network analysis: Roche, Novartis and GlaxoSmithKline. The methodical logic of social network analysis facilitates a holistic analysis of all three R&D organizations. Results suggest that not all characteristics of a network organization are present. Although interactions between the single units exist, asymmetrical relationships dominate the transfer of knowledge. As a major network characteristic a strong role differentiation of the single units can be found with headquarters still
preserving a dominant position. Finally, it can be stated that, in the present investigation, the first signs of a fully intermeshed intra-organizational knowledge flow alone can be observed. (For more information, please contact: David Rygl, University of Erlangen-Nuremberg, Germany: david.rygl@wiso.uni-erlangen.de)

Session: 2.2.6 - Competitive
Track: Track 5-Global Strategy
Headquarters-Subsidiary Relationships

Presented On: June 27, 2007 - 09:50-11:05

Chair: Malika Richards, Penn State University

Foreign Subsidiary Formation in U.S. Multinational Corporations
Elizabeth L. Rose, Victoria University of Wellington
Kiyohiko Ito, University of Hawai‘i at Manoa
Amanda E.K. Budde, University of Hawai‘i at Manoa

We analyze the number of foreign subsidiaries held by U.S. multinational corporations. While past research has emphasized control issues between headquarters and subsidiaries, we consider a different aspect of firm structure and foreign direct investment. Our findings suggest that the MNC’s size and operational experience, as well as the corporate growth rate, are positively associated with its number of foreign subsidiaries. MNCs’ subsidiary numbers in individual countries are related to the parent’s size, experience, level of diversification, and growth rate, along with host country attributes. (For more information, please contact: Amanda E.K. Budde, University of Hawai‘i at Manoa, USA: budde@hawaii.edu)

Control Mechanisms in MNCs Revisited: A Qualitative Investigation on Subsidiary Control
Barbara Brenner, Vienna University of Economics and Business Administration
Björn Ambos, Vienna University of Economics and Business Administration

In this paper we shed light on MNC control through a qualitative empirical study on 40 MNCs in Europe. First, we identify which control mechanisms and tools are used by MNCs. This explorative analysis allows us to assess whether the widely used scale for control mechanisms developed by Martinez and Jarillo (1989) some 15 years ago is still applicable. Although by and large our findings support their scale, we call for a more differentiated view on behavior control. Furthermore, we show that the shift in scholarly attention from formal control towards social control is not reflected by a shift in practice. Lastly, we show that MNCs rely on a combination of formal and informal control mechanisms to govern their dispersed foreign subsidiaries. Interestingly, we find that informal control has a positive impact on information asymmetry between headquarters and subsidiaries and prepares the ground for effective integration and centralization. Given the importance of both formal and informal control we suggest that the research focus should swing back to also include formal control mechanisms. (For more information, please contact: Barbara Brenner, Vienna University of Economics and Business Administration, Austria: barbara.brenner@wu-wien.ac.at)

Reverse Knowledge Transfer in MNEs: The Role of Mandates and Mechanisms
Ram Mudambi, Temple University
Lucia Piscitello, Politecnico di Milano
Larissa Rabbiosi, Politecnico di Milano

The mandates of multinational enterprise (MNE) subsidiaries’ vary widely ranging from low level assembly and to global responsibilities for entire aspects of the parent firm’s business, but can be broadly grouped into
‘competence-exploiting’ and ‘competence-creating’ mandates. Competence-creating subsidiaries are increasingly being used as sources of knowledge, generating ‘reverse’ knowledge transfers. Using data from 301 Italian MNE subsidiaries, we find that mandates are crucial in pinpointing the determinants of as well as the mechanisms used in reverse knowledge transfer. The effects of subsidiary-specific characteristics like age and entry mode differ significantly across the two types of subsidiaries. Low cost communication media explain knowledge transfer in competence-exploiting subsidiaries, while partnership mechanisms explain transfer in competence-creating subsidiaries. (For more information, please contact: Larissa Rabbiosi, Politecnico di Milano, Italy: larissa.rabbiosi@polimi.it)

**Nation-Based and Subsidiary-Based Institutional Intelligences and Transnational Product Improvement**

Annique Un, University of South Carolina

Transnational product improvement requires inter-subsidiary knowledge integration. This is difficult for two reasons. The country-level institutional differences of subsidiaries make it difficult for subsidiary managers to agree on how to improve the product in a way that their country-level institutional requirements are met. Second, subsidiary managers need to make changes to existing routines to accommodate product modification, which they tend to resist. We argue that institutional intelligence, the ability to understand and take others’ institutional perspectives, facilitates integration. The nation-based institutional intelligence enables subsidiary managers to agree on how to improve the product. The subsidiary-based institutional intelligence reduces the resistance to changes to accommodate product improvement. Results from an empirical test of 210 transnational product improvement projects in 45 multinational corporations support our arguments. (For more information, please contact: Annique Un, University of South Carolina, USA: annique_un@moore.sc.edu)

**Session: 2.2.7 - Competitive**
**Track: Track 6-International Entrepreneurship**

**Effect of International Entrepreneurship**

**Presented On:** June 27, 2007 - 09:50-11:05

**Chair:** Ilgaz Arikan, Georgia State University

*Improving Market Orientation of Entrepreneurial Firms with Cooperative Goals: An Empirical Study in China*

Mike Chen-Ho Chao, Baruch College, CUNY
Yifeng Chen, Lingnan University
Tjosvold Dean, Lingnan University
Yuejie Pan, Beijing United University

Applying the theory of cooperation and competition, this study suggests that collaboration among departments can help to improve firms’ market orientation. Specifically, it proposes that developing cooperative, but not independent goals with customers, can enhance the collaboration among departments, which in turn facilitate the “market orientation” of entrepreneurial firms in China. (For more information, please contact: Mike Chen-Ho Chao, Baruch College, CUNY, USA: chen-ho_chao@baruch.cuny.edu)

**Does FDI Facilitate Domestic Entrepreneurship? Evidence from the Czech Republic**

Meghana Ayyagari, George Washington University
Renata Kosova, George Washington University

How does foreign direct investment (FDI) affect industry dynamics? In this paper, we analyze the impact of FDI on domestic firm entry in 245 industries in the Czech Republic during 1994 to 2000. We find that larger foreign
presence stimulates the entry of domestic firms within the same industry indicating the existence of positive horizontal spillovers from FDI. We also find evidence of significant vertical entry spillovers – FDI in downstream (upstream) industries initiates entry in upstream (downstream) sectors via the presence of backward (forward) linkages. Our results also show that entry spillovers through forward linkages dominate both horizontal spillovers and spillovers through backward linkages. However, the spillovers vary substantially across industries: while service industries benefit from both horizontal and vertical spillovers, manufacturing industries do not experience significant positive entry spillovers of any kind. In addition, we find that while vertical spillovers prevail among competitive industries, horizontal spillovers dominate in less competitive industries. (For more information, please contact: Meghana Ayyagari, George Washington University, USA: ayyagari@gwu.edu)

Learning Advantages of Newness in Internationalization: Entrepreneurial Pathways for Strategic Growth
Lianxi Zhou, Lingnan University
T.S. Chan, Lingnan University
Yuan Lu, Chinese University of Hong Kong

A notable debate in the recent international entrepreneurship literature is centered at the view on learning advantages of newness. The major discussions are concerned with whether and how early pursuit of opportunities in international markets would give firms a growth advantage. These concerns are fundamental to the new internationalization framework, which posits the strategic importance of early internationalization among smaller and younger entrepreneurial firms. In this study, we advance the theoretical discussion by developing an analytical framework for understanding the entrepreneurial pathways for strategic growth. We theorize the effects of international entrepreneurial proclivity on learning advantages of newness. We postulate that international entrepreneurial proclivity drives the firm’s rapid learning process through deploying relationship networks and facilitating new market knowledge base. Through an analysis of large survey data collected from young international firms in the People’s Republic of China, we demonstrate the mechanisms through which the learning advantages of newness are achieved. The findings of this research contribute to the emergent field of international entrepreneurship. (For more information, please contact: Lianxi Zhou, Lingnan University, Hong Kong: lxzhou@ln.edu.hk)

Direct and Interaction Effects of Entrepreneurial Orientation and Social Capital on Dynamic Capabilities, Innovativeness and Performance
Wann-Yih Wu, National Cheng Kung University
Badri Munir Sukoco, National Cheng Kung University

This study investigates the direct and interaction effects of entrepreneurial orientation and social capital on organizational dynamic capabilities, innovativeness and business performance. The study sample of 134 top firms in Taiwan is discussed and the construct measures are evaluated. By operating on each dimension, it indicates that risk taking (one dimension of entrepreneurial orientation) has significant effects on dynamic capabilities and innovativeness. The internal capabilities and product innovativeness has significant influence on business performance. Moreover, the interaction effects entrepreneurial orientation and social capital assumed in this study also supported. The managerial implications, limitations of the study and directions for further research are also presented. (For more information, please contact: Wann-Yih Wu, National Cheng Kung University, Taiwan: wanyi@mail.ncku.edu.tw)
Managerial Decision Making in International Business Research: A Forty Year Retrospective
Yair Aharoni, Tel Aviv University
Laszlo Tihanyi, Texas A&M University
Brian Connelly, Texas A&M University

This overview of research on managerial decision making in the multinational enterprise (MNE) identifies key theoretical developments, synthesizes how they have been employed, and discusses contributions that may emerge as researchers devote increased attention to bounded rationality. Since behavioral factors were first introduced into the international business literature, there has been an increasing trend toward acknowledging the decision makers’ role in foreign direct investment and related strategies. However, the reasoning which explains the characteristics and outcomes of managerial decision-making in the MNE remains implicit and ambiguous. There are a number of potential concerns associated with the assumptions of dominant rational decision-making models and with models that omit decision makers. We highlight these concerns and discuss the benefits of, and opportunities for, models that incorporate bounded rationality, decision-making biases, and judgments by managers. In particular, we stress the need to research differences in decision-making patterns by managers from different countries. We conclude by laying the groundwork for future research on the international decision-making process. (For more information, please contact: Laszlo Tihanyi, Texas A&M University, USA: ltihanyi@tamu.edu)

An Integrative Model: Organizational Climate with Internal Knowledge Transfer and Individual Innovation
Yi Zhang, University College Dublin

Most research to date has approached organizational climate related to innovation in western countries. This study integrated three concepts: organizational climate, knowledge transfer and innovation together. Three sets of hypotheses were proposed for those constructs, and then the framework was tested through Chinese R&D professionals who worked in China-based American subsidiaries. The findings showed that organizational climate theory related to innovation and knowledge transfer is supported by providing an environment of high reward, high empowerment, high team participation and sufficient resources. (For more information, please contact: Yi Zhang, University College Dublin, Ireland: yi.zhang@ucd.ie)

Integration and Accumulation of Technological Capability within Joint Ventures in China
Huiping Li, Ramapo College of New Jersey

Taking the perspectives of competence-based view of the firm and of organizational learning, this study examines the technological capability building in the international joint ventures (IJVs) in China. The study focuses 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 research also examines 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. (For more information, please contact: Huiping Li, Ramapo College of New Jersey, USA: hli@ramapo.edu)
Complementary Strategic Orientations That Create Value
Briance Mascarenhas, Rutgers University

Top managers are under pressure to deliver more value to customers, employees, and shareholders. This study of 14 prominent multinational firms finds that large firms can sustain value creation by building and coordinating three complementary strategic orientations: 1. operational excellence, 2 internal competence development, and 3. external exchange. Operational excellence improves efficiency and frees up substantial resources for investment in the future. Internal development builds organically new core competencies. External exchange can bring in needed resources efficiently and dispose of non-core assets. Each orientation is built through a program of activities that contribute to creating future value, but this contribution has diminishing returns. To overcome these diminishing returns and create sustained value, firms must exploit the reciprocal and sequential interdependence between orientations. (For more information, please contact: Briance Mascarenhas, Rutgers University, USA: mascaren@crab.rutgers.edu)

Technology Agility: Empirical Evidence from Brazilian Automotive Industry
Jing Quan, Salisbury University
Denise Dunlap-Hinkler, Widener University
Ronaldo Parente, Rutgers University

Organizational agility (customer, partner and operational) has been argued by scholars as one of the most important superior resources (e.g., Sambamurthy, 2003). Our study introduces a fourth dimension of organizational agility, referred to as technological agility and examines its impact on business processes (i.e., speed to market, product quality and production efficiency) in the context of the automobile industry in Brazil. Our results indicate that managers should place emphasis on a two stage process: from organizational agilities to business processes and from business processes to firm performance. Further, we find that product quality has the strongest impact on firm performance. (For more information, please contact: Denise Dunlap-Hinkler, Widener University, USA: ddunlap@temple.edu)

Sources of Firm Competitive Advantage: An Examination of Taiwan Electronics Industry
Wiboon Kittilaksanawong, National Taiwan University

It is arguable which sources of capabilities firms in technologically fast-changing environment actually derive from to achieve competitive advantage. This paper examines internal and external development of capabilities as two strategic choices and examines industry competition as an environment condition. This paper tries to answer first, how the profitability of firms differs across these two strategic choices and second, how the competitive environment influences the association between these strategic choices and the profitability. Firms in Taiwan’s electronics industry are chosen as the research context. The traditional industrial organization, resource-based view, and an emerging social network perspective are adopted to analyze sources of firms’ necessary resources and capabilities that are potentially derived from the environment, or to be developed internally or externally respectively.
Interestingly, the empirical test revealed results that are opposite to the hypotheses and especially, rather counter-intuition. Specifically, firms that develop capability internally thorough an in-house research and development program and firms that develop capability externally through diversified buyer networks tend to perform worse in this technologically fast-changing industry. Moreover, firms in a higher competitive environment tend to perform better than those in a lower competitive environment. These counter-intuition results and future research directions are discussed in this study. (For more information, please contact: Wiboon Kittilaksanawong, National Taiwan University, Taiwan: chunguoyu@gmail.com)

Session: 2.2.10 - Competitive
Track: Track 4-Emerging Markets (EM) and MNEs

The Sociology of Emerging Markets’ Firms
Presented On: June 27, 2007 - 09:50-11:05
Chair: Debmalya Mukherjee, University of Memphis

When to Outsource the HR Functions?--A Study of Chinese Firms
Xiuxi Zhao, National University of Singapore
Chi-Nien Chung, National University of Singapore

In this conceptual paper, we study the HR outsourcing in China, a developing country that is during its process of transition. HR outsourcing is viewed as administrative innovation that brings institutional change. Following the logic of institutional theory, we emphasize two sources of forces, external and internal. We argue that the external forces cause isomorphism through network relationships with local organizations. Three external forces are identified, namely, MNEs, government and professionals. Internally, we emphasize the role of top management team members. We argue that organizations with decision makers who have longer tenure or MBA background are more likely to adopt HR outsourcing. Furthermore, we also points out that previous experience in similar practice will lead to the adoption of HR outsourcing. (For more information, please contact: Xiuxi Zhao, National University of Singapore, Singapore: zhao.xiuxi@nus.edu.sg)

Uncover the Myths of Organizational Legitimacy in China-An Operational Management Perspective
Sophie H. Xiao, University of Sydney

This study explores how MNEs establish and maintain legitimacy in China and identifies three sets of factors that shape the organizational legitimacy landscape: (1) the environment's institutional characteristics, (2) the organization's institutional characteristics, and (3) the legitimation process through which the organization adapts to the environment and the environment builds its perceptions of the organization. This study uses MNEs as subject to discuss how organizational legitimacy is formed and transformed when there is complexity in these factors and further suggest that a higher level of complexity in any of these factors makes it more difficult for organizations to establish and maintain their legitimacy. It builds a model of MNE legitimacy in the context of Chinese national institutions and internal institutions within foreign firms. By using survey data obtained from MNEs operating in Hubei Province, this study develops formal propositions on the relationship between these factors and tests the propositions in three operational aspects (HRM, HQ-Subsidiary Relations and Network Management) based on three dimensions of institution (regulatory, normative and cognitive) and three determinants of legitimacy (institutional characteristics, organization's characteristics, and the legitimation process). (For more information, please contact: Sophie H. Xiao, University of Sydney, Australia: huillinxiao@gmail.com)
The Cognitive Diamonds Model of Business Environments
Roberto Gamarra, Kean University

Do industrialized economies offer international firms a more sophisticated – learner friendly – business environment than emerging-market economies? To answer this question we explore a cognitive approach to international business to elaborate the Cognitive Diamonds Model of business environments (CDM). The DCM model shows that the benefits of a better business environment are materialized with the sophistication of international business strategies, and vice versa. (For more information, please contact: Roberto Gamarra, Kean University, USA: rgamarra@kean.edu)

Institutional Perspective on Strategy Committee Setup: An Empirical Analysis of Chinese Listed Firms
Yinghui Cao, Peking University
Changhui Zhou, Peking University

Using institutional perspective, this paper examines impacts of a set of firm level factors based on China’s listed companies over the period 2002-2005. Our findings indicate that high performance, small size and few years listed are positively related to strategy committee setup. Furthermore, we find that these influences tend to impact in an early stage. (For more information, please contact: Yinghui Cao, Peking University, China: caoyinghui@gsm.pku.edu.cn)

Session: 2.4.1 - Interactive
Track: Track 1-The Historical Dimension in IB

Globalization in Perspective

Presented On: June 27, 2007 - 12:30-13:45

Daya Shanker, Deakin University

Access to medicines has come to occupy a central position in international treaty negotiations after the Doha Declaration on Public Health which tried to reiterate the significance of object and purpose in international treaty negotiations while discussing access to medicines to third world countries. The weaknesses of developing countries in international treaty negotiations came to the fore when the issue of authoritative interpretations of Article 30 of the Agreement on Trade Related Intellectual Property Rights (TRIPS Agreement) to export patented medicines to countries with no medicine manufacturing capacity was totally removed by Perez Motta, Chairman of the TRIPS Council in re-enactment of original TRIPS negotiations in 1990 when nearly all the suggestions of developing countries were removed from the final TRIPS Agreement. Motta’s document was made permanent on 6th December 2005 at the Hong Kong Ministerial Meet of the WTO through the amendment of the TRIPS Agreement. The most important aspect of these developments has been a total non-transparency of the negotiations. This article suggests that only way any improvement in international negotiations involving developing countries can take place when international negotiations are made transparent and open with the introduction of suitable statute in countries concerned. (For more information, please contact: Daya Shanker, Deakin University, Australia: dshanker@deakin.edu.au)

The Internationalization of US MBA Programs 1990-2000
Harry Ivan Costin, Sup de Co La Rochelle
This empirical study evaluates the extent of internationalization of MBA programs using a population of 137 AACSB accredited US MBA programs in 2000. It also explores longitudinally relevant changes in key dimensions of internationalization in 41 top-ranked MBA programs between 1990 and 2000. (For more information, please contact: Harry Ivan Costin, Sup de Co La Rochelle, France: costinh@esc-larochelle.fr)

**Impact of History on Market Orientation in Southeast European Transitional Economies: Antecedents and Consequences**  
Srdan Zdravkovic, Saint Louis University

A firm’s market orientation (MO) has received an increasing amount of attention in recent years. The reason for this is the potential of MO to have an effect on firm performance and firm competitiveness. This paper looks at Southeast European (SEE) countries, which started the transitional process from planned to market economy only a few years ago. Multiple factors, including historical events, influence the development of MO and three of them (collaborative competition, ownership structure, and top management team education) are outlined as antecedents of MO in this paper. This paper also outlines the moderating effect of culture on the MO-competitiveness relationship. (For more information, please contact: Srdan Zdravkovic, Saint Louis University, USA: zdravks@slu.edu)

**Internationalization, Organizational Configurations, Strategic Inertia, and Evolution of Entrepreneurship at Zildjian (1623-2006)**  
Syed Tariq Anwar, West Texas A&M University  
Susan Martin Tariq, West Texas A&M University

This paper uses a longitudinal case method approach to analyze Zildjian, a unique cymbal manufacturer that originated out of Turkey in 1623 and has become a major force to be reckoned with in the music industry. Turkey was a major emerging market during the periods of 1700 and 1800 that helped Zildjian to become an increasingly successful company by creating 13 generations of family business. The work discusses Zildjian’s 382-year family genealogy and its growth within the domain of internationalization, organizational configurations, strategic inertia, and entrepreneurship. The work analyzes Zildjian’s meteorite growth and expansion in the global music industry. The company continues to be staunchly traditional and family-based regarding its manufacturing alloys and business model. The company may not be a large MNE but its IB-related activities and business growth is a classic addition to the area of internationalization. The significance of this paper lies in its unique methodology regarding the evolution of Zildjian’s entrepreneurial knowledge base and strategic configurations in global markets. (For more information, please contact: Syed Tariq Anwar, West Texas A&M University, USA: sanwar@mail.wtamu.edu)

David M. Berg, University of Wisconsin-Milwaukee

In this paper, I first explore the historical experience of globalization in the US and worldwide machine tool industry, showing that the US machine tool industry underwent striking ‘passive’ globalization starting around 1980. I then examine five principal causes of this ‘passive’ globalization—causes that coincided in time to provide an opening for foreign, mainly Japanese, firms to establish a strong presence in the formerly-insulated US market. Finally, this rapid globalization and its aftermath provided the impetus for a number of studies of the US machine tool industry, both on its own and in comparison with the experiences of the machine tool industries of other nations prominent in the industry, notably Japan and Germany. I briefly discuss the findings of some of the major studies addressing this issue at both the macro and micro levels, then draw some final conclusions. (For more information, please contact: David M. Berg, University of Wisconsin-Milwaukee, USA: bergd@uwm.edu)
**Session: 2.4.2 - Interactive**
**Track: Track 2-Theory Dev. and Empirical Modeling**

**Foreign Direct Investment**

**Presented On:** June 27, 2007 - 12:30-13:45

*Multi-level Experience Effects and Sequential Foreign Direct Investment: Evidence from Taiwanese Electronic Industries in China*

Yu-Shu Peng, National Dong Hwa University  
Chin-Chia Liang, National Dong Hwa University

This article aims to explore if the experience learning effect of firm-level, business group-level, and industry-level affects a firm to make sequential investment in China. By analyzing the data of Taiwanese electronic firms’ investment in China from 1993 to 2004, empirical results conclude that first, the firm can learn from itself, business group, and competing rivals and noncompeting suppliers in FDI decision making; second, firms invest in China in a sequential investment process. (For more information, please contact: Yu-Shu Peng, National Dong Hwa University, Taiwan: yspeng@mail.ndhu.edu.tw)

*A Panel Data Analysis of Locational Determinants of Chinese and Indian Outward Foreign Direct Investment*

Jing-Lin Duanmu, University of Surrey  
Yilmaz Guney, University of Surrey

The upsurge of Chinese and Indian outward foreign direct investment (FDI) raises an unanswered question about the locational determinants of direct investment from the two countries. Using bilateral Chinese and Indian FDI flows into ASEAN 10 countries, Japan and the United States between 1980 and 2005, we find that both China and India’s FDI response positively to the market openness of the host economy, but they react differently to the exchange rate of, geographical distance between and trade relations with the host country. On one hand, we find China’s FDI increases significantly with the host country currency depreciation, but reduces significantly with the geographical distance between and the imports from the host country. On the other hand, India’s FDI reacts in the same direction as that of China’s FDI, but none of the factors proves to be significant. (For more information, please contact: Jing-Lin Duanmu, University of Surrey, United Kingdom: j.duanmu@surrey.ac.uk)

**Session: 2.4.3 - Interactive**
**Track: Track 2-Theory Dev. and Empirical Modeling**

**Models and Theories of the MNE**

**Presented On:** June 27, 2007 - 12:30-13:45

*The Transnational Corporation: Innovation, Standardization and Outsourcing*

Janis K. Kapler, University of Massachusetts/Boston

The knowledge-based theory of the transnational corporation is adapted to account for technological standardization and outsourcing by addressing the nature of the division of labor both within and external to the firm. (For more information, please contact: Janis K. Kapler, University of Massachusetts/Boston, USA: jk.kapler@umb.edu)
Tacit Knowledge, Behavioral Assumptions, and the Multinational Enterprise  
Joseph Patrick Little, Saint Louis University

This paper focuses on Kogut and Zander’s 1993 paper, “Knowledge of the Firm and Evolutionary Theory of the Multinational Corporation” and the behavioral assumptions involved in the paper. The authors do not include the internalization decision-making managers in the study, assuming the decision-maker’s decisions are based on the efficiency of the tacit knowledge transfer. This paper suggests the use of repeated, unstructured interviews of decision-making managers to develop an assumption-based theory instead of an assumption-omitted theory (Tsang 2006). A basic function of theories is to explain what would otherwise be meaningless empirical findings. Not only should a theory have predictive power but also be explanatory. A faulty explanation could lead to mistakes in firm strategy and in the design in governance structures (Hodgson, 2004).

(For more information, please contact: Joseph Patrick Little, Saint Louis University, USA: jlittle4@slu.edu)

A Review of Theories Examining the Multinationality-Performance Relationship  
Melike Billur Akdeniz, Michigan State University  
Mike Dietzman, Michigan State University  
Maggie C.Y. Dong, University of Hong Kong  
Ahmet H. Kirca, Michigan State University

The history of research on the relationship between firm performance and its degree of multinationality has been mixed. This paper qualitatively reviews and summarizes the major theoretical backgrounds employed in this research stream. The main objective of this paper is to compare and contrast these theories from various disciplines, identify their boundary conditions and explicate their approaches to the multinationality-performance link. In order to this, we generate a hierarchical categorization system, in which three levels are identified with different implications for the multinationality-performance link. Given the popularity and inconsistent outcomes of this research field, this study constitutes a comprehensive attempt to provide some useful insights for both practitioners and future researchers.

(For more information, please contact: Maggie C.Y. Dong, University of Hong Kong, Hong Kong: cydong@business.hku.hk)

Session: 2.4.4 - Interactive  
Track: Track 3- International Finance and Accounting

International Financial Strategies

Presented On: June 27, 2007 - 12:30-13:45

Financial Strategies in the Expansion of Spanish Companies into Latin America  
Roberto Curci, Butler University  
Guillermo Cardoza, Instituto de Empresa

This study analyzes the financial management practices of Spanish companies with recent investments in Latin America. The study identifies the market conditions and the corporate strategies which have allowed Spanish companies to successfully expand their business activities in most Latin American countries. The results of this process can be seen in the increasing volume of foreign direct investments from Spain throughout Latin America in sectors such as banking, energy, and telecommunications.

(For more information, please contact: Roberto Curci, Butler University, USA: rcurci@butler.edu)
Strategic Responses and Institutional Constraints: Explaining Divestiture by Chinese Listed Firms
Jianfeng Wu, Peking University
Dean Xu, Peking University

We examine the determinants of divestiture intensity for 1,210 Chinese listed firms during 1999-2003. Results suggest that divestiture activity can generally be seen as strategic responses to excessive acquisitions, over-diversification, and poor performance in the prior period. Contrary to agency-theory predictions, ownership concentration, corporate debt, and the presence of independent directors either depressed or had no effect on divestiture intensity, suggesting that divestiture was not motivated by self-serving behavior on the part of management. We explain the phenomenon in terms of the institutional environment surrounding Chinese listed firms, especially the institutional constraints imposed by the state on their corporate strategy. (For more information, please contact: Jianfeng Wu, Peking University, China: wujf@gsm.pku.edu.cn)

The Performance Impact of Product Diversification Among Uninational and Multinational Firms
Protiti Dastidar, George Washington University

Despite recent evidence on a “product diversification discount” and a “global diversification discount” some of the largest companies in the world are multinational conglomerates, diversified across both product and geographic lines. These firms continue to be successful, seemingly unaffected by the discounts reported in the literature. This paper peels apart the various confounding issues that have hampered previous research on this subject by examining the performance impact of unrelated conglomerate diversification separately for uninational and multinational firms in order to isolate product diversification from the impact of the global diversification discount. It also reports results after controlling for endogeneity/self-selection effects that confound results reported in the current literature. It extends current research and analyses a cross-country sample from Germany, Japan, the UK, and the US. Contrary to the received literature, not all unrelated diversification decreases firm value. The results show that the diversification-value impact depends on characteristics of the firm’s home country, as well as the nature of the diversification. Further, the diversification-performance relationship is also subject to self-selection bias. (For more information, please contact: Protiti Dastidar, George Washington University, USA: dastidar@gwu.edu)

Session: 2.4.5 - Interactive
Track: Track 3-International Finance and Accounting

International Influences on Asset Pricing

Effect of RMB Exchange Rate Reform on Stock Markets in China
Li-Wen Huang, National Cheng Kung University
Hsin-Hong Kang, National Cheng Kung University
Shuang-Shii Chuang, National Cheng Kung University

Owing to political advantages, it came as a surprise when the People’s Bank of China announced the reform of the renminbi exchange rate regime by moving to adopt a managed float on July 21, 2005. The purpose of this study is to examine the effect of the reform of exchange rate regime on stock markets in China. By investigating the daily observations, this paper adopts the regression models to analyze the reform of exchange rate policy and found that there is positive relationship to stock price volatility.
This study focuses on two aims: first, this study analyzes the relationship between the exchange rate and stock price index in the Chinese stock markets. Second, this study attempts to determine the risk associated with volatility, devise and optimal investment strategy for the Chinese stock markets.

The conclusions in this study suggest that the strategy of investors should follow exchange rate volatility, and then determine carefully the investment strategy in Chinese stock markets. This study also found that the renminbi reform will bring hot money and foreign capital continue flowing into Chinese stock markets, and will fuel stock price increases, which in turn lead to increased returns. (For more information, please contact: Li-Wen Huang, National Cheng Kung University, Taiwan: yors868@hotmail.com)

The Effect of National Cultural Dimensions on Global Stock Market Volatility: A Network Analysis
Dante Pirouz, University of California, Irvine

Stock market volatility is an important financial dynamic. Perceptions about volatility affect the confidence and behavior of individual investors, institutional investors and regulators and there is a strong desire by both academicians and practitioners to understand the factors that affect volatility in order to maintain fair, efficient and effective financial markets worldwide (Smith, 1990). While a predominance of research focuses on the macroeconomic factors affecting stock market volatility, this paper is interested in a more basic behavioral question: does culture affect stock market volatility. This question will be examined using social network analysis. (For more information, please contact: Dante Pirouz, University of California, Irvine, USA: dpirouz04@merage.uci.edu)

Impact of Terrorism on Commodity Market
Akash Dania, University of Texas - Pan American

While the concept of political risk is generally accepted as a relevant consideration in investment analysis, there is little available research that examines the relation between returns from investment in commodity market and terrorism. Commodities unlike ownership representation in a company (stocks) are traded using futures contracts. The purpose of this research is to investigate the consensus expectations of investors towards value of commodity contracts surrounding the events of terrorism, a form of political risk. We empirically analyze returns on commodity investment using a sample of 19 events of terrorist acts during January 1990 – December 2005. Results from our study indicate a marginally negative significant effect which may have been reducing over the years. This may be explained by a combined effect of; (a) the very nature of commodities as an asset class, and (b) market participants becoming more resilient and making informed choices around the “general” events of terrorism. (For more information, please contact: Akash Dania, University of Texas - Pan American, USA: adania@panam.edu)

Session: 2.4.6 - Interactive
Track: Track 4-Emerging Markets (EM) and MNEs

Agglomeration and Emerging Markets

Presented On: June 27, 2007 - 12:30-13:45

The Performance Effects of Agglomeration, Industry and Firm: Evidence from an Emerging Market
Yu Li, Peking University
Changqi Wu, Peking University
In this paper, we investigate the relative effects of agglomeration, industry, firm and year on firm performance. Using Chinese data, variance component analysis is applied to estimate the relative impacts of independent variables on return on assets (ROA) and market share. Our results indicate that agglomeration effects are the most important factor affecting market share and are the second important determinants of ROA. We also find that firm effects only explain less than 1 percent of variance of market share, though our results of ROA model show firm effects are primary determinants of accounting profitability. In addition, our results indicate the effects of agglomeration on firm performance are twice industry effects in both ROA and market share model. Our results show strong support on the relational view, which suggests apart from firm resource and industry structure, interorganizational relationships are important sources of firm's competitive advantage. (For more information, please contact: Yu Li, Peking University, China: liyumine@263.net)

Multinational Enterprises and Technology Clusters in an Era of Global Innovation
Leonard H. Lynn, Case Western Reserve University
Hal Salzman, Urban Institute

As technology development work is increasingly conducted in the emerging economies (EEs), decision-makers in North America, Europe and Japan (the “Triad”) are attempting to develop policies to maintain Triad technological competitiveness. Based on field work carried out at 67 engineering headquarters or development sites in eight countries, we conclude that many of their proposals are based on outdated assumptions about the geographical “stickiness” of technology, technology development spillovers, and technological human capital. In this paper we report findings that challenge the old assumptions. (For more information, please contact: Leonard H. Lynn, Case Western Reserve University, USA: leonard.lynn@case.edu)

Session: 2.4.7 - Interactive
Track: Track 4-Emerging Markets (EM) and MNEs

Emerging Markets and Local Institutions
Presented On: June 27, 2007 - 12:30-13:45

Firm-Level Responses to Politics: Political Institutions and the Operations of U.S. Multinationals
Nathan Michael Jensen, Washington University in St. Louis

The existing literature linking politics and the investments of multinational corporations concludes that high levels of political risk deter investors from entering into some emerging markets. In this paper I argue that multinationals have multiple tools to manage risks (rather than simply avoiding them). Thus the risks faced by many MNCs are endogenous to the firm’s operations and investment strategies. Specifically, I focus on how multinationals tailor their operations both to minimize political risks and to maximize political influence. Drawing on a confidential data set covering the complete universe of U.S. foreign direct investments abroad, I find that U.S. multinationals restrict the size of their operations in authoritarian regimes relative to democratic regimes in order to minimize the amount of assets at risk. I also find preliminary evidence that firms attempt to increase their political influence by aligning their operations with the preferences of incumbent governments. Specifically, firms increase the number of workers they employ when left-of-center governments come to power. (For more information, please contact: Nathan Michael Jensen, Washington University in St. Louis, USA: njensen@wustl.edu)

Risk Management in Entry Decision into Emerging Markets
Anthony Kos, Youngstown State University
Sheen Liu, Youngstown State University
This paper proposes a framework in making the entry decisions into emerging markets as an alternative to the existing theories. The approach takes the view of the shareholders of a multinational enterprise to analyze the entry decisions: whether or not enter an emerging market and how to enter the market. Emerging markets provide opportunities for multinational enterprises, and also pose great risks if a multinational enterprise enters. Tradeoff between opportunities and risk and risk management are crucial components in making entry decisions. (For more information, please contact: Anthony Kos, Youngstown State University, USA: ajkos@ysu.edu)

**Network Diversity, Structural Holes, and Firm’s Adaptation Capabilities: Evidence from China’s Transition Economy**

Xufei Ma, National University of Singapore
Xiaotao Yao, Xi'an Jiaotong University
Youmin Xi, Xi'an Jiaotong University

What effects do firms’ formal interorganizational network’s diversity and informal (interpersonal) network’s structural holes have on their adaptation capabilities? Using the survey data of 250 Chinese firms, we find that both diverse formal network and informal network rich in structural holes have significantly positive effects on firms’ adaptation capabilities in China’s transition economy. However, there is a negative interaction effect between the formal network diversity and informal network structural holes. Our findings point to the importance of simultaneously taking into consideration both the individual and joint effects of formal and informal networks’ characteristics in transition economies. (For more information, please contact: Xufei Ma, National University of Singapore, Singapore: maxufei@nus.edu.sg)

**Neither Pipes Nor Prisms - But Foundations of the Market**

Muthu Subbiah, University of Texas at Dallas

Existing firm level social network research in the west focuses on network characteristics such as structure, embeddedness (structural, relational and positional), dyadic relationships, strength of ties, history of collaboration, etc. Such analyses for the most part have been carried out at the industry level and in a single industry setting. This article argues that this research framework may be appropriate for this context, but not others. In developing nations, using national level political and social environment may be more appropriate for network research, than industry settings alone. Such a framework may yield richer insights than the industry level. (For more information, please contact: Muthu Subbiah, University of Texas at Dallas, USA: vplnsm@yahoo.com)

**Session: 2.4.8 - Interactive**
**Track: Track 5-Global Strategy**

**Entry Issues**

**Presented On:** June 27, 2007 - 12:30-13:45

**Delegation across Borders: The Case of Multinational Hierarchies**

Yue Maggie Zhou, University of Michigan

This study investigates the role of organization structure in accommodating firms’ international diversification strategies. Based on data of organizational structure of U.S. multinational firms from 1993 to 2003, I find that, business units in countries with more skilled labor are delegated with more managerial responsibilities. On the
other hand, units in countries with weaker protection of intellectual property rights (IPR) are delegated with less managerial responsibilities. Furthermore, weak IPR has a more pronounced negative impact on managerial autonomy for countries with more skilled labor. The results are consistent with theories that point to structure as a design tool to achieve better adaptation and control within multinational firms through delegation. (For more information, please contact: Yue Maggie Zhou, University of Michigan, USA: ymz@bus.umich.edu)

International M&A Negotiation: Strategic Lessons from the Alcatel-Lucent Talks in 2001 and 2006
Stephen E. Weiss, York University
Serdar Yavuz, York University

Why did Alcatel and Lucent’s first merger/acquisition (M&A) negotiations conclude with an impasse and the second negotiations, five years later, with a headline-grabbing “mega-deal?” This matching pair of negotiations offers an extraordinary opportunity to study determinants of negotiation outcomes. In large-scale, interfim negotiations, the influences on key decision-makers tend to be numerous and varied. According to many media accounts, the 2001 impasse stemmed from one issue—boardroom representation—yet preliminary findings presented here indicate a number of other factors, positive as well as negative. For example, no-agreement influences included potential government intervention, adverse stock market/investor reactions, unsatisfactory counterpart negotiating behavior, and internal (organizational) dissent. The 2006 deal was reported to be essentially a defense against the increased bargaining power of consolidated telecom service providers. Here, too, top management decisions were motivated by additional factors. More robust explanations offer significant contributions to fields such as strategy and negotiation as well as international business as a whole. (For more information, please contact: Stephen E. Weiss, York University, Canada: sweiss@schulich.yorku.ca)

Is There a Liability of Localness?
Luis Antonio Perez-Batres, Appalachian State University

While sometimes environments change in an incremental way, other times they change fast in discontinues ways. This paper studies how radical changes in the business landscape (i.e., globalization) affects local firms in their home markets, when compared with foreign firms. In so doing, the paper advances the concept of liability of localness, defined as the added socio-political relational costs or hazards faced by local firms doing business in their home-market incurred by the presence of foreign competitors. Further, the paper finds empirical support for the existence of liability of localness in emerging market firms and that this liability is lessened by international diversification strategies. (For more information, please contact: Luis Antonio Perez-Batres, Appalachian State University, USA: perezbatresl@appstate.edu)

Session: 2.4.9 - Interactive
Track: Track 6-International Entrepreneurship

National Culture and International Entrepreneurship

Presented On: June 27, 2007 - 12:30-13:45

A Study for the Relationship of Alliance Partner Perception, Human Resource Planning and Alliance Performance among the Strategic Alliance Businesses
Yung-Ming Shiu, National Cheng Kung University
Tsu-Wei Yu, National Cheng Kung University
This paper started from the strategy of human resources of the enterprises of the strategic alliance and explored the relationship among alliance partner perception, human resource planning and alliance performance.

This article focused upon the enterprises which have participated in strategic alliance in Taiwan. There were 105 effective samples. The statistical analysis includes the methods of LISREL and SPSS and further verified the following hypothesis of this study, the findings are shown as follows:
1. The alliance partner perception can influence human resource planning strategy and alliance performance.
2. The human resource planning can influence the alliance performance.
3. Both of alliance partner perception and human resource planning have direct positive effect on the alliance performance. In addition, the alliance partner perception can influence the alliance performance through the mediating affect of the human resource planning. (For more information, please contact: Tsu-Wei Yu, National Cheng Kung University, Taiwan: a11111@ms19.hinet.net)

Entrepreneurship – One of the Keys to the Fast International Growth of Icelandic Companies
Snjolfur Olafsson, University of Iceland
Audur Hermannsdottir, University of Iceland
Thorhallur Gudlaugsson, University of Iceland

Since the year 2000 the international growth of Icelandic companies has been much faster than in comparable groups of companies. The paper first gives an overview of the general growth of the Icelandic economy and Icelandic companies and some details on two groups of companies, three banks and five manufacturing companies.

We will then explain how entrepreneurship characterizes Iceland in many ways and how entrepreneurship has played an important role in the international growth of Icelandic companies. (For more information, please contact: Snjolfur Olafsson, University of Iceland, Iceland: snjolfur@hi.is)

Internationalization of SMEs in the Diverse European Context: Evidence and Implications of a New Theory
Mary Han, Ryerson University
Vanessa Ratten, Duquesne University
Leo Dana, University of Canterbury
Isabell Welpe, Ludwig Maximillian University

This paper compares the internationalization experiences of small and medium-sized enterprises (SMEs) in various European countries. We explore the rapid internationalization of SMEs. By including SMEs in the context of transition economies and Island economies and by comparing the SMEs in this context with market economies we address a gap in the previous literature. Based on empirical studies of 36 countries, we propose an extension of current theory with regard to SME internationalization in Europe. We develop a process model to explain the moderating and mediating influences on SME internationalization in various economies in Europe. (For more information, please contact: Vanessa Ratten, Duquesne University, USA: vanessaratten@gmail.com)
Understanding Managerial Behavior in International Settings: Do Individual Beliefs and Corporate Ethics Matter?
B. Elango, Illinois State University
Sumit Kumar Kundu, Florida International University
Shishir Paudel, Illinois State University

The importance of ethical behavior in international business operations is well accepted, but very little known what motivates ethical behavior in executives in such settings. Understanding the linkages is important, as executive behavior is far less supervised in international settings due to reasons of poverty, restricted rights in press and individual freedom, and poor governance and transparency. In this study, we find that an individual's attitude towards ethical behavior in international settings, corporate ethics, and a person's age influences the likelihood of acting ethically in international settings. Additionally, we also find the age of an individual and the extent of corporate ethics to have an interactive influence in determining ethical behaviors in international settings. (For more information, please contact: Sumit Kumar Kundu, Florida International University, USA: kundus@fiu.edu)

Life Balance: Developing and Validating a Cross-Cultural Measure
Janice R.W. Joplin, Southern Illinois University Edwardsville
Margaret A. Shaffer, University of Wisconsin-Milwaukee
Theresa Lau, Hong Kong Polytechnic University
Anne Marie Francesco, Hong Kong Baptist University

Based on qualitative focus group data from five countries, we developed a measure of life balance as a universal approach to viewing synchrony between work and family domains. In this paper we established dimensionality and psychometric properties of the measure, measurement equivalence across cultures, discriminant validity, and relationships with established measures using data from China, Hong Kong, Mexico, and the United States. (For more information, please contact: Janice R.W. Joplin, Southern Illinois University Edwardsville, USA: jjoplin@siue.edu)

Motivation and Job Satisfaction: The Implications of National Culture
Reccia Natasha Charles, St. George's University

This study explores the relationship of culture to motivation and job satisfaction. Work motivation and job satisfaction have been examined extensively in the developed world. However, studies that address the relationship of culture and context to work motivation and job satisfaction prove to be rare. There has been very little multi-level research that links national culture and context to motivation and job satisfaction; and examines industry differences as well as organizational level cross-cultural (national) differences in motivation and job satisfaction. The purpose of this study is to conduct a multi-level analysis of the impact of culture on motivation and job satisfaction using two companies from a few of the Caribbean islands namely Grenada, St. Vincent & the Grenadines and St. Lucia.

A study of this nature can provide timely and valuable data on motivation and job satisfaction. It can provide answers to questions such as: Is there a difference in job satisfaction as it relates to national culture? Is motivation a significant determinant of job satisfaction? Given the same job design, will job satisfaction levels
Global Leadership Competence: Integrating Multiple Intelligences for Optimal Enactment of Task and Relationship Functions

Lisa Parola Gaynier, Cleveland State University
Chen Oi Chin, Lawrence Technical University

Abstract
While developed countries face the challenges of the knowledge economy, developing nations are experiencing a hybrid: a version of the industrial age intertwined with the knowledge age. Facing these global realities, leaders need to adapt their organizations in order to compete. These challenges are redefining what constitutes leadership competence. In this paper, the authors posit that cultural intelligence (CQ) integrates with rational cognition (IQ) and emotional intelligence (EQ) to comprise a new triumvirate of 21st century leadership knowledge, skills and abilities.

The authors explore the integration of these three intelligences, which when appropriately combined, give leaders a competitive edge in task and relationship functions, particularly in cross-border environments of uncertainty, complexity and competitiveness.

Further and more importantly, when leaders are able to distinguish the cultural elements (CQ) embedded in task and relationships, they are more likely to function effectively by utilizing their IQ and EQ in culturally appropriate ways. The authors discuss silence (an aspect of power distance) to illustrate their thesis. Silence is a distinct cultural phenomenon that affects interpersonal relationship and communication as well as organizational effectiveness across nationalities. (For more information, please contact: Lisa Parola Gaynier, Cleveland State University, USA: l.gaynier@csuohio.edu)

Dual Politics and Managerial Behavior: The Physician as Manager

Hsiu-Ling Wang, I-Shou University; Kaohsiung Medical University Hospital
Aij-Lie Kwan, Kaohsiung Medical University
Junying Huang, I-Shou University

This paper investigates empirically the impact of dualistic politics of authority on organization outcomes. We propose that different forms of authority in hospitals are connected to the use of budgeting information systems (BISs) for management control and then to cost consciousness behavior of physician-managers. The research model is designed to assess the relative impact of formal authority that stems from bureaucratic hierarchies and informal authority that stems from individual power and influence. The study is based on data collected by self-administered questionnaires in Jan 2006 and final sample consisted of 262 physician-managers from 18 hospitals in Taiwan. The results demonstrate the negative consequences of power of physicians on hospital functioning. Conversely, our findings indicate that the delegation of formal authority to physicians not only has a direct negative influence on the use of BIS for decision management it also decrease the likelihood of their control purposes. The characteristics of budgeting information system positively affect the impact of management control system on cost consciousness. The physician-managers do not pay much attention to the control role of BIS as this information does not fully reflect the performance of the medical unit. Overall, both authority and power doesn't improve managerial behavior of physician-managers. It is only when information systems are designed to support physician-managers that it is possible to create a commitment of resource management. We outline, so call dual political regimes, that how physician-managers manage the incommensurate dimensions of their boundary position between profession and organization. (For more information, please contact: Hsiu-Ling Wang, I-Shou University; Kaohsiung Medical University Hospital, Taiwan: d870303@cc.kmu.edu.tw)
Developing Cultural Intelligence: The Role of International Non-Work Experiences
Ibraiz Tarique, Pace University
Riki Takeuchi, Hong Kong University of Science & Technology

This study provides an initial empirical investigation of how prior international experience is related to cultural intelligence (CQ). We focused on two facets of non-work prior international experiences and examined how the number of international non-work experiences was related to the four facets of CQ and whether the length of international non-work experiences moderated these relationships. The findings suggest that the number of international non-work experiences is positively related to all four facets of CQ. Furthermore, the results show that the number of international non-work experience had a stronger, positive effect on meta-cognitive and motivation facets of CQ for individuals with shorter length of international non-work experiences while it had a weaker effect for individuals with greater length of international non-work experiences. Possible explanations for these findings are offered, and theoretical and practical implications of findings are discussed. (For more information, please contact: Ibraiz Tarique, Pace University, USA: itarique@pace.edu)

Psychic Distance and the Challenges of Expatriation: An Emerging Country's Perspective
Betania Tanure, Fundacao Dom Cabral
Erika Penido Barcellos, Fundacao Dom Cabral
Maria Tereza Fleury, University of Sao Paulo

The objective of this paper is to explore to what extent the psychic distance between countries poses challenges to the expatriation process, especially in regard to young multinational companies from emerging countries such as Brazil. To this end, we have sought to increase our understanding of the concept of psychic distance, and reviewed studies about two fields of expatriation processes are directly influenced by the challenge of expatriates’ ("expats") cultural integration, namely, selection and training. Based on a field study on Brazilian companies, we decided to compare the results of the current literature, which generally focuses on companies from developed countries, with the challenges Brazilian companies face. In conclusion, we will make some final comments that might in some way generate insights for the management of expatriation processes, especially during the selection and training stages, in view of the challenge that the psychic distance poses. (For more information, please contact: Betania Tanure, Fundacao Dom Cabral, Brazil: betaniatanure@terra.com.br)

Session: 2.4.11 - Interactive
Track: Track 8-Marketing

Marketing in Emerging Markets and Transition Economies

Presented On: June 27, 2007 - 12:30-13:45

Marketing and Advertising Practices of Turkish Entrepreneurs in Transition Economies: Empirical Evidence from Georgia
Ali Riza Apil, International Black Sea University
Erdener Kaynak, Penn State University at Harrisburg
Serkan Yalcin, Texas A&M International University

As a transition economy, Georgia has an uncertain, complex, and immature business environment, typical of transition economies in Eurasia region. In an effort to provide insights into marketing operations of foreign investors in transition economies, this study empirically analyzes the marketing environment and business practices of Turkish entrepreneurs through a survey in the state of Georgia. The findings indicated that overall
adaptation strategy is needed in Georgia; companies are advised to offer a variety of products by collaborating with local distributors and agents. Although Georgian consumers do not have high income, low-price strategy does not always work, as consumers equate low-price with inferior quality. Marketing of prestigious products are to be sold at higher prices. As well, appropriate product positioning strategies must be developed for each of the market segment a company is targeting its products to. In addition to this, merchandising strategies utilized must be congruent with the target market served and as well as retail stores/outlets utilized. (For more information, please contact: Serkan Yalcin, Texas A&M International University, USA: syalcin@tamiu.edu)

**Shopping Behavior of Supermarket Consumers: A Case of Kuwait**
Abdulla M. Alhemoud, Arab Open University

The literature on consumer behavior and store choice suggests that consumers make decisions to patronize a particular store on the basis of a set of attributes that they view as important. This study attempts to explore the determinant attributes that influence the patronage decisions of supermarket consumers in Kuwait. Based on a descriptive analysis of data collected via an accidental sampling procedure, fourteen store attributes were identified. These attributes were factor analyzed, generating four image dimensions intuitively labeled merchandise, personnel, accessibility and promotion. A stepwise regression showed that merchandise image was the most salient in determining the frequency of supermarket shopping. None of the demographic characteristics of consumers did seem to have an impact on the perceived importance of the promotion image. Most of the differences among the categories of the consumers' demographic characteristics were found in the accessibility image, providing possible explanation for why the rank of the importance of accessibility elements varies considerably from one study to another. (For more information, please contact: Abdulla M. Alhemoud, Arab Open University, Kuwait: alhemoud@arabou.org)

**Assessing the CETSCALE: Does it work in Small, Open Countries?**
J. Alexander Smith, Saint Louis University

The CETScale was originally developed to evaluate consumer ethnocentric behavior in the United States. It has since been evaluated in a number of large countries with a large internal 'domestic' market. To date, few if any studies look at small open countries where there is a high level of foreign trade. This is highlighted by the warning given by Douglas and Nijssen (2003) where they express the inherent limits of the CETscale in international business research. This study takes steps to fix this oversight by examining the CETSCALE in Kenya, a small developing country without a large domestic manufacturing environment. (For more information, please contact: J. Alexander Smith, Saint Louis University, USA: smith82@slu.edu)

**The Effects of Religious Freedom/ Values and the Diversity of Japanese Foreign Direct Investment between Countries and Religions**
Kashef Abdul Majid, University of Western Ontario

Religion constitutes a component of any society and can impact trade between countries. When introducing new investment into a country a firm must be aware of potential obstacles that would impede the success of its investment and this paper demonstrates that religion may be one of these obstacles. Firstly, when foreign firms are considering investing into a country they pursue countries that are perceived as open. This study looked at diversity of foreign direct investment (FDI) based on the degree of religious freedom (as an indicator of openness) within the society and found that those countries that were classified as having high religious freedom also had greater diversity in FDI. Secondly, this study found that religion can act as a divide between countries. Of the countries classified as having low religious freedom, those that were predominantly Muslim had lower diversity in FDI than their non-Muslim counterparts. (For more information, please contact: Kashef Abdul Majid, University of Western Ontario, Canada: kmajid@ivey.uwo.ca)
Francis M. Ulgado, Georgia Institute of Technology
Na Wen, Georgia Institute of Technology
Moonkyu Lee, Yonsei University
John R. McIntyre, Georgia Institute of Technology

As China's rapid economic growth continues to be a significant dimension of the world economy and international business, Chinese multinational firms have emerged in recent years with increased efforts towards internationalization. While manufacturing and labor efficiency and costs have been a source of their competitive advantage, one area of relative weakness has been their lack of corporate/product brand equity and recognition. Coupled with potential negative country image effects, such a deficiency has hindered a more positive perception and acceptance of brands and products from China, particularly in more developed markets such as the United States. This empirical study examines the nature of such a challenge faced by Chinese firms and their need to develop an effective branding strategy for success in the U.S. market. (For more information, please contact: Francis M. Ulgado, Georgia Institute of Technology, USA: francis.ulgado@mgt.gatech.edu)

Session: 2.4.12 - Interactive
Track: Track 9-Global versus Local Knowledge
Knowledge Transfer within Organizations
Presented On: June 27, 2007 - 12:30-13:45

Knowledge Sharing in Cross Functional Virtual Team
Jacky F.L. Hong, University of Macau

The emergence of cross-functional virtual teams has presented both benefits and challenges to the organizations. However, the unique characteristics of virtual teams make the knowledge sharing among the geographically separated members difficult. This paper attempts to address this issue by looking at how the process of knowledge transfer takes place in a cross-functional virtual team. A case study research is conducted to interview various cross-functional virtual team members in one local subsidiary of a multinational telecommunication corporation as well as its suppliers. The findings indicate that four knowledge sharing mechanisms are being employed, including shared understanding, learning climate, job rotation and coaching. Among them, shared understanding and learning climate are thought to be able to solve the challenge related to the unwillingness among the virtual team members to participate in the knowledge sharing process, whereas coaching and job rotation are argued to be the solutions for the lack of collective competence required for performing the cooperative works. Some practical implications are also suggested for the effective management of cross-functional virtual teams (For more information, please contact: Jacky F.L. Hong, University of Macau, Macau: fbaflh@umac.mo)

How Do Strategic Leadership Changes Affect Governance Effectiveness? The Moderating Role of Global Transferability of Industry-Specific Knowledge
Hong-Jen Charles Chiu, National Taiwan University
C.L. Tien, National Taiwan University

This research attempted to clarify the extent to which global transferability of CEO's knowledge could affect the leadership change – governance effectiveness relationship. Results indicated that strategic leadership change was positively related to externally-measured governance effectiveness. Moreover, high-technology industries positively moderated the leadership change – governance effectiveness relationship. Put differently, industry-
specific knowledge possessed by the CEO in a technology-intensive industry is more explicit and transferable in nature, due to the existence of industry standards. These findings bore out the argument that the readiness of CEO's knowledge for global transfers was relevant for governance effectiveness. (For more information, please contact: Hong-Jen Charles Chiu, National Taiwan University, Taiwan: hongjen@management.ntu.edu.tw)

Building Routinization Capability Based on Transaction Cost Theory and Knowledge-Based View

Chi-Yu Huang, I-Shou University and Tung-Fang Institute of Technology

Organizational routines and capabilities have become key constructs not only in evolutionary economics, but more recently also in business administration, specifically strategic management. The main purpose of this paper is to develop an integrative routinization model. For this purpose, we discuss organizational routines, capabilities and performance of a firm's routinization process. We argue that a firms' routinization capability is influenced by operational routines and learning routines. Moreover, routinization capability provide with coordination capability that can improve a firm's routinization performance that is consist of reducing uncertainty, responsiveness and intelligence/knowledge dissemination. We further suggest the managerial implications and theoretical implications at the end of this paper. (For more information, please contact: Chi-Yu Huang, I-Shou University and Tung-Fang Institute of Technology, Taiwan: amy67039@ms27.hinet.net)

Paradoxes of Creativity: Organizational Change in the Global Cultural Economy

Caroline Wong, Australian National University
Jai-Beom Kim, Sungkyunkwan University
Chong Ju Choi, City University

This paper seeks to conceptualise the paradoxical phenomena associated with the cultural economy marked by global competition, technological change and workforce diversity. It adopts a pluralistic approach to analyse the various paradoxical considerations and organizational change in the cultural industries where creativity flourishes. There is an abundance of paradoxes that can be discovered when looking at a typical/common situation through the new 'paradox/creativity' lenses and how this will impact on the managerial and organizational development of organizations. Managers need practical tools that will enable them to comprehend and better manage these emerging contradictions and fully understand the implications of paradoxical situations (Ofori & Julian, 2004) and organizational change. This paper introduces the idea that an analysis of the various paradox driven by creativity in today’s society provides hints on a deeper understanding of organizational change in the 21st century. (For more information, please contact: Jai-Beom Kim, Sungkyunkwan University, Korea, South: dreamier17@yahoo.com.au)

Session: 2.4.13 - Interactive
Track: Track 9-Global versus Local Knowledge

Experience and the Development of Capabilities

Presented On: June 27, 2007 - 12:30-13:45

Experience Effect, Transformation, and Performance
Wann-Yih Wu, National Cheng Kung University
Ching Yi Lin, National Cheng Kung University

Drawing on dynamic capabilities and core competence perspective, the purpose of this study is to investigate the various experience effect on performance of focal subunits within MNEs in transformed and untransformed context. In examining a sample of 615 Taiwanese electronic MNEs, the results indicated that transformational
experience didn't significantly contribute to performance of focal subunits performance whether the focal subunits transformed or not. Furthermore, the study presented contingencies for prior experience and current experience. We found that prior experience has an inverted U-shaped effect on performance of untransformed focal subunits, and an U-shaped effect on performance of transformed subunits. Finally, the study also showed that the inverted U-shaped relationship between the current experience and performance is stronger in transformed than untransformed focal subunits. (For more information, please contact: Ching Yi Lin, National Cheng Kung University, Taiwan: cylin@npic.edu.tw)

Opportunities or Constraints? Internationalization of Family Small and Medium-Sized Enterprises in Taiwan
I-Pin Lu, I-Shou University
Julia L. Lin, I-Shou University
Shih-Chieh Fang, National Cheng Kung University

The lack of relevant resources is one of the causes for limiting the growth of small and medium-sized family businesses in Taiwan. We discuss the challenges of entering the international marketplace faced by FSMEs and find out the generational difference and composition of shareholders that are related to the international involvement in FMBS in Taiwan. Finally, some recommendations for theoretical and management are provided. (For more information, please contact: I-Pin Lu, I-Shou University, Taiwan: luipin0618@yahoo.com.tw)

The Impact of Experiential Learning and Interorganizational Learning on Sequential Investments
Baujung Chang, National Taiwan University

This study investigates how the direct experience of one firm (experiential learning) and the experience of others (interorganizational learning) influence sequential investment decisions. Drawing on organizational learning theory, this paper jointly considers experiential learning and interorganizational learning, and investigates whether or not interorganizational learning declines while direct experience increases. After employing the longitudinal and sequential investment data of Taiwanese firms investing in China, the results highlight that experiential learning moderates the firms’ interorganizational learning behavior. While firms are experienced, they will decrease their dependence on the observation of other firms’ decision making. (For more information, please contact: Baujung Chang, National Taiwan University, Taiwan: d93724009@ntu.edu.tw)

The Effect of Institutional Environment on International Alliance Performance: A Relational Story
Charles E. Stevens, Ohio State University

Understanding determinants of alliance performance are of great importance to the field of global strategy, yet insufficient attention has been paid to the impact of informal and formal institutions on firm preferences and capabilities. Recently, the competitive/cooperative dynamics of alliances have resulted in a rise in works suggesting a role for trust in explaining alliance performance. Most influentially, Dyer and Singh’s relational view has proposed interplay between trust, relation-specific assets, and alliance performance. This paper examines the effect of both formal and informal institutional context on alliance performance, using the theoretical frame of the relational view. (For more information, please contact: Charles E. Stevens, Ohio State University, USA: stevens.316@osu.edu)
**Session: 2.5.1 - Panel**  
**Track: Track 5-Global Strategy**

*Sport Business and Sport: Facing the Challenges of Internationalization*

**Presented On:** June 27, 2007 - 13:45-15:00

**Chair:** Harald Dolles, Heilbronn Business School  
**Co-Chair:** Sten Soderman, Stockholm University

**Panelists:**
- Simon Chadwick, Co-Director, Birkbeck Sport Business Centre, Birkbeck University of London  
- Joie Chitwood III, President, Indianapolis Motor Speedway  
- André Richelieu, Université Laval  
- John B. Swarbrick, Partner, Baker & Daniels LLP  
- Riku Laanti, University of Adelaide

Sport plays one of the most significant roles in the everyday life of people around the world, for both those who actively participate in it or just watch and support it. Reflected by the mass media, sport, today has not only become great entertainment, an occupation and a lifestyle, but solid business as well. Given its importance, it is surprising that the international spread of sport-related industries has not been covered extensively in International Business research and literature so far. In this sense, our panel aims to link context, practices and institutions of a specific industry and challenge mainstream International Business approaches and theories that might be used to explain this development. *(For more information, please contact: Harald Dolles, Heilbronn Business School, Germany: dolles@hn-bs.de)*

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**Session: 2.5.2 - Panel**  
**Track: Track 2-Theory Dev. and Empirical Modeling**

*Methodological Issues in International Business: Location Choice, Knowledge Flows, and MNE Activity*

**Presented On:** June 27, 2007 - 13:45-15:00

**Chair:** Arjen Slangen, RSM Erasmus University

**Panelists:**
- Jean-François Hennart, Tilburg University  
- Timothy Michael Devinney, Australian Graduate School of Management  
- David A. Audretsch, Max Planck Institute of Economics  
- Sjoerd Beugelsdijk, University of Nijmegen

**Econometric Bias in Models of Location Choice Determination**  
Timothy Michael Devinney, Australian Graduate School of Management

**Innovation and Knowledge: The Measurement Challenge**  
David A. Audretsch, Max Planck Institute of Economics

**The Mismatch between FDI Data and MNE Activity**  
Sjoerd Beugelsdijk, University of Nijmegen  
Arjen Slangen, RSM Erasmus University  
Roger Smeets, University of Nijmegen
This panel will address three important methodological issues in international business research: (1) the likelihood of econometric biases in our studies of location choice; (2) potential problems with our measurement of knowledge creation and knowledge flows; and (3) potential problems with the use of Foreign direct investment flows as a measure of MNE activity.

Session: 2.5.3 - Competitive
Track: Track 4-Emerging Markets (EM) and MNEs

Impact of Ownership Preferences for Emerging Markets

Presented On: June 27, 2007 - 13:45-15:00

Chair: Bent Petersen, Copenhagen Business School

MNC Strategies and Linkage Effects in Developing Countries
Bent Petersen, Copenhagen Business School
Michael Wendelboe Hansen, Copenhagen Business School
Torben Pedersen, Copenhagen Business School

The paper addresses the question of which implications MNC strategies have to FDI linkage effects in developing countries. Two contrasting MNC strategies reflecting an integration-responsiveness dichotomy are scrutinized as to their job effects on local linkage partners in developing countries. It is hypothesized that compared to investments undertaken by MNCs following strategies of global integration, investments of MNCs pursuing local responsiveness create more jobs but imply less job upgrading in developing countries. The hypotheses are tested on a sample of Danish MNCs with extensive investments in developing countries. (For more information, please contact: Bent Petersen, Copenhagen Business School, Denmark: bp.smg@cbs.dk)

The Influence of Regional Differences on an Ownership Preference of Japanese Firms: The Case of Foreign Direct Investments in China
Naoki Ando, Nagasaki Prefectural University

The purpose of this study is to examine the effect of regional differences within a country on an ownership strategy of foreign investors. It has been anecdotally reported that in vast transition economies like China, there are large differences in regional characteristics within a country. This implies that in such economies, best practices for management differ across regions. Thus, this study attempts to address one of under-explored issues on foreign entry strategies: how regional differences within a host country affect the level of equity ownership in foreign affiliates possessed by foreign entrants. Choosing foreign direct investments of Japanese firms in mainland China as a sample, an empirical study is conducted to examine hypotheses with regard to determinants of their ownership position in Chinese affiliates. From the data on 1066 Japanese firms’ affiliates located in China, the proposition that regional differences affect an ownership preference is supported. Specifically, results show that efficiency of State-owned enterprises (SOEs) in a region is positively associated with the level of equity ownership in Chinese affiliates, while regional market potential, dominance of SOEs in a regional economy, and host country and regional experiences are negatively associated with their ownership preference. (For more information, please contact: Naoki Ando, Nagasaki Prefectural University, Japan: nando@nagasaki.pu.ac.jp)

How Do Ownership Structure and Transitional Environment Affect SOEs' CEO Turnover? Evidence from China
Kefei Ma, Peking University
Neng Liang, CEIBS
Using the data from state-owned listed companies during 1996-2001 in Chinese Stock and Security Exchanges, we establish that, in order to understand how power affects the chief executive officers (CEOs) succession in the transitional economy, one must distinguish among two fundamental elements in State-owned Enterprises (SOEs). One is ownership structure, which refers to the proportion of state ownership and ownership concentration; the other is the transitional environment, which is defined as firms’ dominant shareholder type and market competition. Specifically, we find that listed SOEs replace their failed CEOs only when the firm’s state ownership is at a moderate level, the ownership is highly concentrated, the dominant shareholder is state-controlled enterprises, and the market competition is fiercer. (For more information, please contact: Kefei Ma, Peking University, China: kfma@pku.edu.cn)

Session: 2.5.4 - Competitive
Track: Track 5-Global Strategy

Is It Global or Is It Regional?

Presented On: June 27, 2007 - 13:45-15:00

The Value of Cross-Border Market Penetration: A Regional Perspective
Chang Hoon Oh, Indiana University

This paper evaluates the cross-border strategic activities of U.S. multinational enterprises (MNEs) by utilizing Tobin’s q theory. Using a typical multinationality variable as well as new regional sales variables, empirical results show that cross-border activity is a two-edged sword: foreign sales increase a firm’s value, but foreign market involvements (multinationality) decrease a firm’s value. However, U.S. MNEs cannot increase their market value by raising their sales in their home region – the U.S., Canada, and Mexico – nor do they have the liability of foreignness and/or managerial complexity in their home region. Penetrating foreign regions is costly, but the rewards are great. The evidence gives clues to interpret mixed results in the multinationality and performance literature. (For more information, please contact: Chang Hoon Oh, Indiana University, USA: chaoh@indiana.edu)

Geographic Orientation and Performance of Global versus Regional MNEs
Christian Geisler Asmussen, Copenhagen Business School
Anthony Goerzen, University of Victoria

Research on multinational enterprises (MNEs) has been preoccupied with the concept of “global strategy” based on the assumption that a global presence is a natural endpoint for internationalizing firms. Recent research, however, has suggested that very few global firms exist and, in fact, those MNEs that orient their business interests towards their home regions experience superior performance. We bridge the gap between these opposing viewpoints on the nature of MNE geographic orientation (i.e., global versus regionally-based MNEs) by examining the drivers that differentiate between these organizational archetypes. We argue that the liability of foreignness creates conditions under which proprietary assets and the managerial resources to deploy those assets affect an MNE’s capacity to organize globally versus regionally as well as the suitability of that strategic choice. Using a large data set of MNEs, our results suggest that in low technology industries most firms tend to internationalize regionally and only those firms with a combination of strong marketing assets, extensive international experience, and focused product lines tend to take on a global orientation. MNEs in technology intensive industries, on the other hand, and especially those with the strongest technical assets, are more likely to have a global presence. Firms with a strong fit between marketing assets and geographic orientation tend to perform best. (For more information, please contact: Christian Geisler Asmussen, Copenhagen Business School, Denmark: cga.smg@cbs.dk)
Local, Regional, or Global? Quantifying MNC Geographic Scope  
Christian Geisler Asmussen, Copenhagen Business School

This paper proposes a multidimensional index of regional and global orientation which can be used in confirmatory studies with econometric methodologies. Unlike extant measures, the index is objectively scaled and controls for home country orientation and market size differences. The index is shown to be consistent with models of internationalization that incorporate different assumptions about strategic choice and global competition. Preliminary results show that large multinationals follow home region oriented internationalization paths, although much of the regional effect reported by previous studies in fact reflects strong home country biases. (For more information, please contact: Christian Geisler Asmussen, Copenhagen Business School, Denmark: cga.smg@cbs.dk)

Own and Other Firm Influences on Foreign Investment and Expansion  
Heather Berry, University of Pennsylvania

This paper analyzes firm foreign investment by considering interrelated decisions that firms must make when they invest in subsidiaries in foreign countries. Using path dependent arguments to allow for the conditional nature of these decisions, this paper examines how own and other firm characteristics impact firm expansion across value chain activities in foreign markets. More specifically, I explore why there are likely to be different influences on firm decisions to expand abroad across distribution, manufacturing and R&D investments for firms pursuing different types of international expansion strategies and investing in different locations. To capture the dependency across firm choices, I use a random utility maximization (RUM) discrete choice model to analyze firm foreign expansion decisions. The empirical results reveal different determinants of firm value chain activity expansion depending on the type of international expansion strategy a firm pursues, and the activity and location choices of the firm. The results also reveal the complex and interrelated nature of firm choices while highlighting multiple decisions that all firms must make whenever they undertake foreign direct investment and expansion. (For more information, please contact: Heather Berry, University of Pennsylvania, USA: berryh@wharton.upenn.edu)

Session: 2.5.5 - Special Session

Emerging Scholars in Australia and New Zealand (ANZIBA Special Session)

Presented On: June 27, 2007 - 13:45-15:00

Chair: Elizabeth L. Rose, Victoria University of Wellington

Knowledge Outflow of MNC Subsidiaries: Dual Network Embeddedness Perspective  
Zaidah Mustaffa, University of Auckland

Antecedents of Expatriate Performance: Australian Expatriates in Hong Kong and Macau  
Leanda Lee, Monash University

Innovation Opportunities, Firm Strategy and Performance in Multinational Corporations from an Emerging Economy: Knowledge-Based Industries in India  
Sangeeta Ray, University of Sydney

Multimarket Competition in the International Commercial Airframe Industry: An Empirical Study of Competitive Positioning in Product Space  
David St George, Victoria University of Wellington
Cross-Cultural Construct Equivalence Validation of Export Market Orientation: A Study of Domestic and Foreign Firms in China
Janet Y. Murray, University of Missouri-St. Louis
Gerald Yong Gao, University of Missouri-St. Louis
Masaaki Kotabe, Temple University
Joe Nan Zhou, City University of Hong Kong

In response to numerous calls for the cross-cultural validation of measures used in international research, we assessed the construct equivalence of the export market orientation (EMO) construct using 491 domestic and foreign export ventures in China. The results show that the EMO scale has factorial similarity and factorial equivalence, but not measurement equivalence between Chinese and foreign export ventures. Additional analyses have also revealed that the same results hold true for firms in the same cultural context (i.e., eastern or western). We discuss implications and suggest directions for future research. (For more information, please contact: Gerald Yong Gao, University of Missouri-St. Louis, USA: gaogy@umsl.edu)

Marketing Competencies: A Cross-Cultural Study in a Multinational Company
Lori Shore, Deakin University
Robin Neilson Shaw, Deakin University

Most research into international marketing focuses on the differences in markets across countries and cultures in terms of the variation in customers and products involved. However, very little research in international marketing examines the roles of marketing employees, and how they might vary across cultures. Arguably, if different products are developed and offered to different customers, then the roles and requirements of marketing employees may reflect these differences also. Marketing competency, in general, and cross-cultural differences in marketing competency, in particular, has been under-researched. This study used self-report measures by marketing managers and other marketing employees in a large multinational automotive company (MAC), in Australia and Britain. Initial results revealed that employees in both countries rated a set of marketing competency items in a similar way, but that Australian employees rated themselves consistently higher on marketing competency items, but lower on performance items. Using structural equation modelling, the study found that the relationship between individual marketing competencies and marketing performance varied across countries, suggesting that there may be cultural differences that influence both the role of managers in improving performance, and the degree to which a marketing employee’s intention to perform results in actual performance. (For more information, please contact: Robin Neilson Shaw, Deakin University, Australia: robin.shaw@deakin.edu.au)

Competitive Exclusion in Agglomerated Host Country Markets: Subsidiary Survival and Exit
Sonia S. Ketkar, Towson University
Ronaldo Parente, Rutgers University

The trend among multinational firms in an industry to move their subsidiaries to lower cost and resource abounding regions has been well documented in media and academic work. This pattern often leads to agglomeration in host country markets. This grouping together of foreign and domestic firms creates fierce
competition for the same resources and this affects market dynamics. Using a sample of foreign and domestic auto firms in Brazil, we analyzed the nature of this competition drawing from competition theories. We found that intense competitive conditions might lead some subsidiaries to exit and force others to differentiate in order to survive. We also found that differentiation led to better performance. *(For more information, please contact: Sonia S. Ketkar, Towson University, USA: soniak@temple.edu)*

**Knowledge-Based Approaches to International Marketing: Unleashing the Power of Tacit Local and Global Knowledge to Create Competitive Advantage**

Florian Kohlbacher, German Institute for Japanese Studies, Tokyo
Nigel Holden, University of Central Lancashire
Martin Glisby, Ole Lynggaard Asia Pacific ApS
Aida Numić, Vienna University of Economics and Business Administration

For more than 10 years the marketing literature has struggled to come to an understanding of the nature of marketing knowledge. Contributors to the debate all agree on the importance of knowledge to the marketing discipline – specifically in an international context – but beyond that there is no common ground unifying scholars. A conspicuous gap in the literature relates to the absence of empirical studies concerning knowledge management approaches to international marketing. This paper redresses that balance by contrasting the experiences of three European firms which developed marketing strategies for Japan, other Asian countries and markets in Central and East Europe. These strategies were consciously knowledge-based, depending heavily on sharing of tacit – local and global – knowledge with customers and market intermediaries. As a result the three companies were able to generate through these interactions advantageous market-specific marketing know-how. It is concluded that notions of marketing knowledge habitually focus too strongly on explicit knowledge and that for international (cross-cultural) marketing it is essential that tacit knowledge is built into constructs of marketing knowledge. *(For more information, please contact: Florian Kohlbacher, German Institute for Japanese Studies, Tokyo, Japan: kohlbacher@dijtokyo.org)*

**International Financial Markets and Ownership**

*Presented On:* June 27, 2007 - 13:45-15:00

**The Impact of Foreign Ownership and Board Membership on the Performance of Domestic Banks: Evidence from Portugal**

Mohamed Azzim Gulamhussen, ISCTE
Luis Guerreiro, Central Bank of Portugal

This study examines the effect of foreign ownership and board membership on the performance of domestic banks in Portugal, employing ordinary least-square and two-stage least-square regression analysis. The findings reveal a negative relationship between foreign ownership and bank costs. Foreign ownership implies a reduction in total costs of 4.1% while operating costs decline 1.1%. For each unit of foreign equity total costs go down 11.7% and operational costs fall 3.4%. Evidence also indicates that foreign board members introduce improvements in organizational structure and operational efficiency, according to the significant and negative relationship with operating costs. Furthermore, our results suggest that domestic banks’ dependence on traditional banking areas of business is reduced due to foreign board members’ experienced insights and understanding of markets and competition beyond the local environment. Foreign board membership reduces the interest margin on average 0.7% and increases the non-interest margin 0.4%. A 1% increase in the number of foreign board members reduces the net interest margin by 2.9%. A CEO with foreign nationality lowers the...
interest margin by 6.0%. Additionally, foreign directors with major influence on the board seem to be more willing to address the deterioration of asset quality by promoting the adoption of more prudent practices in lending and management of credit risk, which leads to higher levels of provisions for credit losses. These findings indicate that foreign ownership and board membership can play an important role in importing sophisticated managerial practices that can improve the performance of domestic banks. (For more information, please contact: Mohamed Azzim Gulamhussen, ISCTE, Portugal: magn@iscte.pt)

Why Foreign Ownership Matters for Banks in Central and Eastern Europe: Ownership, Spillovers and Performance over Time
Hein Bogaard, University of Michigan

This paper reevaluates the finding that foreign owned banks in Central and Eastern Europe (CEE) are more efficient than foreign owned banks by specifically looking at dynamic ownership effects as well as spillovers from foreign presence in the banking sector to domestically owned banks. While the paper shows that foreigners acquire banks that are more efficient than the average bank under domestic ownership, the results also show that foreign owned banks improve their efficiency faster. In addition, an increase in the market share of foreign owned banks is associated with a drop in the growth of domestically owned banks.
Overall, the findings in this paper appear to emphasize the importance of ownership as a means for improving bank performance. There is little evidence that domestically owned banks benefit from foreign presence while foreign entry appears to cause crowding out of domestic banks.
(For more information, please contact: Hein Bogaard, University of Michigan, USA: hbogaard@umich.edu)

Capital Flows, Financial Development, and Economic Growth
George J. Georgopoulos, York University

While capital flows in the form of FDI are known to contribute to economic growth, less is known about the effects of portfolio investment. In this paper we examine the effects on economic growth of three forms of capital flows: foreign direct investment, portfolio equity investment, and portfolio debt investment. Using cross country data between 1980-2003, the results show a positive effect of portfolio equity, where the contribution to growth is greater for developing countries relative to developed countries. This result is consistent with Lucas (1990), where capital returns are higher in developing countries. Evidence on the effects of FDI is unsettled, as FDI is insignificant after accounting for stock market development. Portfolio debt flows are insignificant. Of the various measures of financial market development, stock market development shows a greater contribution to growth relative to measures of banking development. This is consistent with the role of stock markets in facilitating high growth ventures. We also find capital controls do not affect economic growth. (For more information, please contact: George J. Georgopoulos, York University, Canada: georgop@yorku.ca)

Outside Directors Signal to Foreign Investors: Evidence from Korea
Mooweon Rhee, University of Hawaii
Ji-Hwan Lee, Korea Advanced Institute of Science and Technology

This study explores a signaling role of the composition of a firm’s outside directors by examining how the composition influences the growth of foreigners’ investment in the firm. Our analysis of large Korean firms shows that the growth of foreign ownership is positively affected by a higher proportion of outside directors holding advanced foreign degrees, a higher proportion of outside directors working in the governmental organizations, and a higher proportion of outside directors who have job experience in the same industry. (For more information, please contact: Ji-Hwan Lee, Korea Advanced Institute of Science and Technology, Korea, South: jihwanlee@kaist.ac.kr)
International Organizational Behavior

Workforce Diversity and Creativity: A Multiple Level Model
Jian Han, Peking University
Siqing Peng, Peking University
Chi-yue Chiu, University of Illinois at Urbana-Champaign
Angela Leung, University of Illinois at Urbana-Champaign

In this paper we introduce a multi-level theoretical framework to study the impact of different types of workforce diversity on individual employee’s creativity engagement and work team creativity. We first provide a review of workforce diversity. We then specify our framework to specify the conditions when these types of diversity affect creativity at individual and team level. In particular, we propose that both demographic diversity (DD) and knowledge and information diversity (KID) are positively related to individual employees’ creativity engagement and team-level creativity, mediated by group member’s self-verification. We also propose that staffing diversity (SD), which is caused by institutional factors and organizational strategic choices, is negatively related to both individual creativity engagement and work team creativity, mediated by group’s member’s self-categorization. Next, we propose that a company’s capability of diversity management would positively moderate the relationship between workforce diversity and work team creativity. Moreover, we also propose that at the individual level, an employee’s adaptability to diversity positively moderates the relationship between workforce diversity and individual employee’s creativity engagement. Finally, we proposed that a company’s capability of diversity management would neutralize the negative relationship between staffing diversity and team creativity. (For more information, please contact: Jian Han, Peking University, China: jianhan@gsm.pku.edu.cn)

Multi-Level Impacts on Perceived Career Opportunity from Global Integration
William Newburry, Florida International University
Pooja Thakur, Rutgers University

Using Human Capital Theory as a basis for our analysis, this study simultaneously analyzes individual-level, office-level and country-level impacts on perceived career opportunity from global integration. Analyses are conducted using a nested dataset collected from a single multinational company, consisting of 385 individual evaluations completed by employees from 44 offices located in 15 countries. On an individual level, we find that company training and serving shared clients both positively relate to perceived career opportunity, while service years in a local office has a negative relationship. On an office level, we find positive relationships for larger offices, more central offices, better performing offices, and offices with more multinational client bases. At a country level, we find that employees from high context cultures have more positive perceptions of career opportunities from global integration, while employees from more individualistic cultures have more negative perceptions. Overall, our results suggest that in addition to individual skills and capabilities, office- and country-level factors contribute significantly by providing environments where employees believe they can thrive. By examining three levels of analysis simultaneously using hierarchical linear modeling, we help to integrate multiple literatures. (For more information, please contact: William Newburry, Florida International University, USA: newburry@fiu.edu)
Cross-National Differences in the Determination of Pay Fairness Judgments: Do Cultural Differences Play a Role?

Greg Hundley, Purdue University
John Lawler, University of Illinois at Urbana-Champaign
Carlos Sanchez-Runde, IESE

Data from samples of managers from eight countries, Thailand, Nigeria, Philippines, Peru, Uruguay, Argentina, Spain, and the United States, are used to explore cross-national differences in how individuals make judgments about an individual's pay are made. A policy capturing instrument is used to elicit judgments about the ways that variations in individual employee job performance, business unit performance, seniority, schooling, and need affect judgments about pay fairness. Significant between-country differences are found in the sensitivities of pay fairness judgments. However, these differences are not well explained by differences in individualism-collectivism reflected either by a priori categorizations of national culture or direct measures of horizontal/vertical collectivism. Implications for the explanation of cross-national differences are explored. (For more information, please contact: Greg Hundley, Purdue University, USA: ghundley@purdue.edu)

Relationships among Self-efficacy, Career Planning, and Job Search Behaviors: Testing the Validity of Two Theoretical Models in Japan and Korea

Yuhee Jung, Meiji University
Norihiko Takeuchi, Tokyo University of Science
Tomokazu Takeuchi, Kawaguchi Junior College

The purpose of this study is twofold. First is to examine the theoretical validity of two different theory-based job search models based on (1) Saks and Ashforth's (2002) job search concepts and (2) Ajzen's (1985) theory of planned behavior (TPB). Second is to test cross-cultural validity of these job search models in East Asia, especially between Japan and Korea. The results based on university student samples from Japan (n=175) and Korea (n=172) indicated that both Japanese and Korean samples fitted significantly better with the TPB model than with the Saks and Ashforth's one. Moreover, a multi-group test for the TPB model between Japanese and Korean samples supported an invariance of the model across two groups, providing a strong support to cross-cultural validity of the model. Findings are used to discuss the effectiveness of planned behaviors for applicants’ job search in East Asia. Contributions to the general job search literatures of this study are also argued. (For more information, please contact: Norihiko Takeuchi, Tokyo University of Science, Japan: takeuchi@ms.kuki.tus.ac.jp)

Session: 2.5.9 - Competitive
Track: Track 9-Global versus Local Knowledge

MNC Subsidiary and Local Knowledge

Presented On: June 27, 2007 - 13:45-15:00

Chair: Mark D. Domney, University of Auckland

Asymmetries between 'Traditional' and Reverse Knowledge Flows in Multinational Firm: A Study of Acquisitions in Transition Economies
Qin Yang, Temple University

It is now widely recognized in that leveraging knowledge from geographically disparate subsidiaries is a crucial basis upon which multinational enterprises create and sustain competitive advantage. This study investigates the determinants of knowledge transfers to and from newly acquired subsidiaries in transition economies. We argue that the determinants of 'traditional' knowledge transfers from parent to subsidiary differ systematically
from the determinants of ‘reverse’ knowledge transfers from subsidiary to parent. In particular, we investigate how knowledge transfers are affected by knowledge relevance and organizational characteristics. Based on a questionnaire survey of 105 acquired subsidiaries in three Central and Eastern European countries, we find that knowledge relevance has a significant positive impact on reverse knowledge flows but not on traditional flows. Subsidiaries acquired for knowledge-intensive roles have significantly higher traditional knowledge flows, but their reverse knowledge flows are not significantly different from subsidiaries acquired for more routine roles. Thus, traditional and reverse knowledge flows in multinational firms are based on different transfer logics. We also find significant moderating effects associated with country location. Overall our study lends credence to the argument that knowledge management is highly context sensitive. (For more information, please contact: Qin Yang, Temple University, USA: anneyang@temple.edu)

**Regional Product and Market Knowledge Spillovers: The Importance of Local Knowledge in a Global Economy**

Victoria Fedotova, University of Auckland
Heather I.M. Wilson, Freelance
Mark D. Domney, University of Auckland

While considerable research has been conducted on the relationship between product knowledge spillovers and regional innovation, comparatively little is known about whether market knowledge spillovers correspondingly increase the regional stock of knowledge about offshore markets. We separate product knowledge spillovers from market knowledge spillovers in order to analyze their relationship independently and interactively to regional export activity. Using secondary data on eight 2-digit manufacturing industries in ten New Zealand regions over a seven year period, we find that regional competition, as a proxy for intra-industry product knowledge spillovers, and localisation economies and the availability of export consulting advice, as proxies for market knowledge spillovers, positively and significantly impact on regional export flows. Moreover, regional export performance is maximized when the two knowledge types co-exist rather than when either is strong in isolation. Research implications include the development and separation of potential measures of knowledge spillovers linked to export activities, while policy implications indicate variously fostering regional competition, co-location and investment in export advice agencies at the local level to facilitate participation at the global level. (For more information, please contact: Mark D. Domney, University of Auckland, New Zealand: m.domney@auckland.ac.nz)

**Localization Failure of Western Discount Stores in Korea**

Jootae Kim, Dankook University

MNC is required to balance globalization and localization. Market globalization made standardization strategy critical tool creating competitive advantage for MNC by achieving economy of scale. Currently, MNC seems to have more pressure to customize individual market. I describe the case of discount stores in Korea. Two giant MNCs, Walmart and Karrefour, failed in Korean market and exited in 2006. Major reason of the failure of these two MNCs is seen to be in insufficient localization effort. From this case, I propose five factors affecting the performance of localization of MNC. (For more information, please contact: Jootae Kim, Dankook University, Korea, South: jkim@dankook.ac.kr)

**Firm Resources, Multinationality, and Performance: An Integrated Model**

Chiung-Hui Tseng, National Cheng Kung University
Shih-Fen S. Chen, University of Western Ontario

The relationship between multinationality and performance has become one central theme in international business research over the past two decades. A mixed bag of findings has been documented thus far, and yet there still lacks a consensus on the accounts for the inconsistent relationships recorded in the literature. In this paper, we offer a new explanation, arguing that former studies have treated the level of multinationality as an
exogenous factor, although it is in fact a decision variable under the control of business managers. Further, some of the drivers for foreign expansions are also the determinants of corporate performance (e.g., firm resources and capabilities). It is, therefore, necessary to integrate the resource antecedents and performance consequences of multinationality in a single model where (1) resource heterogeneities dictate the level of multinationality across firms and (2) managers optimize the level of multinationality to maximize corporate performance. By taking the preconditions of foreign expansion into account, such an integrated framework reshapes the conceptual thinking of the multinationality-performance linkage and offers new research and managerial insights. (For more information, please contact: Shih-Fen S. Chen, University of Western Ontario, Canada: sfchen@ivey.uwo.ca)

Session: 2.5.10 - Competitive
Track: Track 4-Emerging Markets (EM) and MNEs

Foreign Direct Investment into Emerging Markets

Presented On: June 27, 2007 - 13:45-15:00

Inward FDI, Group Experience and Outward FDI of Emerging Market Firms
Xufei Ma, National University of Singapore
Jane W. Lu, Singapore Management University

This study examines a firm’s foreign direct investment (FDI) activities and business group experience in relations to its outward FDI activities. Drawing on resource-based view and organizational learning theory, our analysis of a panel data of 150 Chinese firms during the period of 2000 to 2005 shows that business group experience has a positive impact on a firm’s level of outward FDI. More importantly, business group experience positively moderates the inward-outward FDI connection. Our findings point to the direct and moderating roles of a firm’s business group experience in its outward FDI activities. (For more information, please contact: Xufei Ma, National University of Singapore, Singapore: maxufei@nus.edu.sg)

Foreign Direct Investment Subsequent Investment in China: Impacts of Origin, Experience, and Location
Laijun Luo, Fudan University
Yuze Luo, Peking University
Yan Zhu, Shanghai University of Finance and Economics

As China is an economy in a transitional and fast growing process, investment environment changed dramatically in the past decades. The determinants of entry mode choice in initial investment may be no longer effective in subsequent investment. Both foreign direct investment and its subsequent investment take on unique characteristics in China as a result of its unique institution and social background,. Therefore, to build up a framework of subsequent investment intensity choice based on Chinese unique environment is both theoretically and practically meaningful. This study investigates whether the origin, the experience, the initial location and several other factors significantly affect the subsequent investment of MNEs after they entered Chinese market. Through empirical analyses, this paper found out and justified some statistically significant factors influencing the subsequent investment in China. (For more information, please contact: Laijun Luo, Fudan University, China: 041025053@fudan.edu.cn)

The Impact of Foreign Direct Investment on Local Environment: Evidence from China
Xiaolan Feng, Peking University
Changhui Zhou, Peking University
This paper examines the impact of foreign direct investment (FDI) on natural environment in host countries. Our analysis utilizes a longitudinal dataset that encompasses aggregated information for 239 Chinese cities during 1998-2002. Results show that the presence of FDI has a positive impact on environmental protection. Our results further show that the impact of FDI is greater in the regions that are relatively higher level of economic development. (For more information, please contact: Xiaolan Feng, Peking University, China: fengxiaolan@gsm.pku.edu.cn)

Bilateral Investment Treaties and Foreign Direct Investment
Fabienne Fortanier, University of Amsterdam
Rob Van Tulder, RSM Erasmus University

Bilateral Investment Treaties (BITs) have been the dominant mechanism of international investment regulation since the 1960s, but their effect on FDI has hardly been studied. Analysing bilateral FDI stock between more than 3000 country dyads, including among developing countries, for the 1990-2002 period, this paper finds that self-selection is important in explaining the occurrence of BITs and its relationship with FDI. After controlling for the fact that BITs are primarily signed by country pairs that have relatively little FDI, the effects of BITs are distinctly positive. The positive impact of BITs on FDI is particularly strong for countries that lacked good quality domestic institutions that allows them to make credible commitments to foreign investors. At the same time, BITs are less necessary to stimulate FDI to countries that have unique and scarce locational advantages – notably in natural resources. Though these findings would suggest that all countries should engage in signing BITs if they mean to attract FDI, this paper also established that marginal impact of a BIT is reduced if more and more BITs are signed. BITs are primarily an instrument to divert and redirect investment, rather than to increase the total sum of FDI. (For more information, please contact: Fabienne Fortanier, University of Amsterdam, Netherlands: f.n.fortanier@uva.nl)

Session: 2.6.1 - Special Session

Priming for M&A Success in a Foreign Market - China (Deloitte Special Session)

Presented On: June 27, 2007 - 15:30-16:45
Chair: George Graham, Managing Tax Partner, Deloitte Indianapolis
Panelists:
Wendy Cai, Director, Deloitte National China Service Group
Jennifer Zhang, Tax Senior Manager, Deloitte Cincinnati Office
Kelly O'Brien, Partner, Post-Merger Integration Services, Deloitte Indianapolis Office

Session: 2.6.2 - Competitive
Track: Track 4-Emerging Markets (EM) and MNEs

Shaping Industry Trajectories in Emerging Markets

Presented On: June 27, 2007 - 15:30-16:45
Chair: Helena Barnard, University of Pretoria

China vs. Mexico in the Global EPZ Industry: Maquiladoras, FDI Quality, and Plant Mortality
John D. Sargent, University of Texas, Pan American
Linda Matthews, University of Texas, Pan American
In this study we examine how an external shock, specifically China’s new role as the primary supplier of export processing zone (EPZ) type products to the North American market, is shaping the quality of FDI in Mexico’s maquiladora industry. Research has found rapidly increasing Chinese exports to the US contributed to the loss of almost 300,000 maquila jobs over the 2000 to 2003 period. We utilize survey information from 101 Mexican EPZ firms in five major Mexican industrial cities collected prior to 2001 to determine the characteristics of surviving and non-surviving maquilas (in 2006 30 of the plants were no longer operating). Controlling for plant size and industry, we find no statistically significant relationship between the use of advance manufacturing technology, JIT, TQM, attractive human resource management practices, and maquila survival. Our findings indicate maquila mortality has not fallen disproportionately on lower quality EPZ firms and that the adoption of technology intensive forms of production may not represent an effective shield for Mexican EPZ producers competing in global industries. (For more information, please contact: John D. Sargent, University of Texas, Pan American, USA: jsargent@panam.edu)

The Art of Active Embedding: How Automotive Suppliers Develop Engineering Capabilities in Emerging Economies
Stephan Manning, Duke University
Joerg Sydow, Freie Universitaet Berlin
Arnold Windeler, Technische Universitaet Berlin

In response to increasing cost and innovation pressures, multinational companies have started to develop engineering capabilities in emerging economies. While these economies potentially provide qualified, low-cost engineers, they are only just bringing about the very institutional conditions that allow investors to make use of these resources effectively. Investors therefore engage in active embedding which denotes both transformative and adaptive practices of shaping the very local business contexts in which they get embedded. Based on structuration theory, two cases of automotive suppliers in Romania and China are analyzed which show how companies develop and apply active embedding as a dynamic capability to remain competitive. (For more information, please contact: Stephan Manning, Duke University, USA: sdm24@duke.edu)

Rhetoric and Reality of International Intellectual Property Regimes: The Case of Copyright Protection in the Software Industry
Srividya Jandhyala, University of Pennsylvania

The protection for intellectual property assets offered by different countries varies both in terms of the laws that govern them and the extent to which they are enforced. While few prior studies in international business account for both the adoption of legal norms and their enforcement in protecting intellectual property, this paper highlights the two by focusing specifically on copyrights in the software sector. Building on institutional theory and literature on interest groups, the paper identifies two factors that determine the extent of intellectual property protection offered by different countries – the position of the country in the international system and the strength of the domestic interest group favoring protection of IP. Preliminary results, using a unique dataset of copyright laws and enforcement for 1994-2004, suggest that states’ adoption of copyright laws and their enforcement are both influenced by their position in the international system. In addition, the presence of domestic interest groups that promote IP protection strongly influences the enforcement of the laws. These results have implications for multinational firms’ location choices and the protection of their intellectual property assets across national boundaries. (For more information, please contact: Srividya Jandhyala, University of Pennsylvania, USA: srividya@wharton.upenn.edu)

A Multi-Level Analysis of Country-Specific Factors in Developing National Offshore Software Industry
Yunxuan Han, Temple University
Arvind Parkhe, Temple University
The present study used multiple theories to explore the development of national offshore software industries in developing countries. Particularly, it proposed a multi-level analysis that integrated national factor endowment conditions, industry characteristics, and firm-specific structures in building indigenous suppliers’ capabilities. In addition, combining the elements of classic trade theory and political economics, we developed a dynamic analysis that views the development of a national offshore software industry as a path-dependent, iterative learning process. The process is characterized by sustained influence of initial factor and national institution conditions, and target-oriented adaptive government policies and initiatives. The national offshore software industry is shaped by the continuous interaction between these two components. The multi-level dynamic model opened new venues for future research, as well as significant policy implications for both state and firm decision-makers. (For more information, please contact: Yunxuan Han, Temple University, USA: tesshan@temple.edu)

Session: 2.6.3 - Competitive
Track: Track 5-Global Strategy

Entry Mode Choices

Presented On: June 27, 2007 - 15:30-16:45

Chair: Bo Bernhard Nielsen, Copenhagen Business School

Equity versus Non-Equity International Strategic Alliances: An Empirical Investigation of the Relative Importance of Partner and Host Country Determinants
Steve Globerman, Western Washington University
Bo Bernhard Nielsen, Copenhagen Business School

A substantial literature has evolved focusing on the ownership structure of international strategic alliances (ISAs). Most of the relevant studies are theoretical in nature and concentrate on the conceptual factors that influence the choice between equity and non-equity structures. A smaller number of studies provide some empirical evidence on the importance of some of the conceptual factors. The theoretical literature highlights the potential influence of relational capital and transaction costs as determinants of ISA structure; however, there is little empirical evidence on the relative importance of these potential determinants. Moreover, there is only limited and indirect evidence bearing upon the impact of host country governance attributes on ISA ownership structure. In this study, we provide statistical evidence on the importance of potential determinants of governance mode choice for a sample of ISAs involving Danish firms. Our study documents how the determinants of governance mode choice vary in importance depending upon the “quality” of the governance infrastructure of the host country. (For more information, please contact: Bo Bernhard Nielsen, Copenhagen Business School, Denmark: bn.smg@cbs.dk)

Bargaining Power, Mutual Hostages, and Governance in Cross-border Technology Alliances
Farok J. Contractor, Rutgers University
James Arthur Woodley, University of North Carolina, Greensboro

Most studies of governance modes in cross border technology alliances treat contractual alliance forms and equity joint ventures as substitutes. Our sample allows us to explore when firms are likely to adopt licensing agreements without equity arrangements, in contrast to hybrid alliances that use equity joint ventures and licensing agreements together. Findings for our data provide little support for an often repeated—and yet seldom tested—hypothesis that equity joint ventures may be formed to serve as a “mutual hostage” for alliance participants, because of the fear of partner opportunism, and its consequences. Rather, our findings point more strongly in favor of equity-based alliances being formed when the primary technology holder has stronger
bargaining power, when patents are of importance, and when the strategic objectives of the alliance envisage future technology transfers. (For more information, please contact: James Arthur Woodley, University of North Carolina, Greensboro, USA: jim_woodley@earthlink.net)

Equity Ownership Decision: Is Firm-specific Advantage Also Location Specific?
Pengji Wang, National University of Singapore

Based on a sample comprised of MNCs from Korea, Taiwan and Singapore, we examined how the firm-specific advantages affect MNCs' subsidiary equity ownership strategy in different types of host countries. We used a two-step theoretical framework: using transaction cost view to analyze the necessity of taking whole ownership; using bargaining power view to analyze the capability to realize whole ownership. Our results showed that these MNCs enjoy more advantages in terms of technology intensity, product differentiation and capital intensity, thus employing more whole ownership in less-developed countries (LDCs) than in more-developed countries (MDCs). More prior FDI leads NIE MNCs to take more joint ventures in MDCs than in LDCs. (For more information, please contact: Pengji Wang, National University of Singapore, Singapore: g0403302@nus.edu.sg)

International Market Entry and Organizational Competency Development: A Case Study of a Russian Oil and Gas Joint Venture
Paul M. Stephenson, Nova Southeastern University
Ruth Clarke, Nova Southeastern University

We present an empirical study of competency development in a new joint venture, between a western firm and a Russian firm. Using transaction cost and knowledge management approaches, we propose working models for exploring the competency development dimension of a market entry strategy of the western firm in Russia. We consider organizational competency as measurable know-how, skills, behaviors, and attitudes of key employees that allows the company to meet their performance goals. Using a triangular case study approach the paper focuses on the well-site supervisor competency building process within the joint venture. We observe the critical elements of the competency development program, conduct interviews with Russian and western employees, review published data on program success and on the financial and operating performance resulting from the program. Total risk and organizational competency are two major decision elements in determining the mode of entry to the Russian oil and gas industry. We show that Russian and western employees have different views on the competencies needed in a Russian venture. This finding supports the need to include local competencies as an integral part of the organizational competency development program. Leadership and experience play a major role in successful allocation of resources to develop appropriate structures and function in the new joint venture. (For more information, please contact: Paul M. Stephenson, Nova Southeastern University, USA: pstephen@nova.edu)

Session: 2.6.4 - Competitive
Track: Track 2-Theory Dev. and Empirical Modeling

Modeling Institutional and Political Risk

Presented On: June 27, 2007 - 15:30-16:45

Chair: Elizabeth L. Rose, Victoria University of Wellington

Beyond Porter's Single Diamond: A Dual Double Diamond Model Approach to National Competitiveness
Dong-Sung Cho, Seoul National University
Hwy-Chang Moon, Seoul National University
Min-Young Kim, Institute for Industrial Policy Studies
This article suggests the dual double diamond (DDD) model as a new model on national competitiveness, integrating the previous extensions of the Porter's diamond model, and empirically tests the validity and explanatory power of the models. The results show that the GDD and the 9-Factor model have better explanatory power than Porter's diamond model and that the DDD model is more comprehensive than the GDD and the 9-Factor model in explaining national competitiveness. (For more information, please contact: Hwy-Chang Moon, Seoul National University, Korea, South: cmoon@snu.ac.kr)

Defining Institutional Similarity: The Multidimensions of Global Industry Regulation
Susan Perkins, Northwestern University

Little is known about the variations in industry regulations across nations. Recent studies in neo-institutional economics reveal that heterogeneity in national institutions strongly affects private sector foreign investment. This study builds on Levy and Spiller's (1994) theoretical direction to develop a generalizable global regulatory framework and specify the critical dimensions of industry regulation that vary between nations. I construct and validate six dimensions of regulation that are subsequently used to compare regulatory conditions across countries. The examination of 131 telecommunications regulatory agencies in 80 countries results in a regulatory distance measure that compares each country to the recently privatized telecommunications industry in an emerging economy (Brazil). Future research extensions of this paper will demonstrate that 1) multinational corporations are likely to under perform in regulatory environments that vary dramatically from their home and prior host country experiences, 2) unstable regulatory institutions hinder industry growth post market privatization and liberalization, and 3) bilateral/regional foreign trade efficiencies improve as the regulatory policies converge through NGO participation. (For more information, please contact: Susan Perkins, Northwestern University, USA: s-perkins@kellogg.northwestern.edu)

The Impact of Political Risk on Transaction Cost – Dynamic Perspective
Massood Samii, Southern New Hampshire University
Mohana Rajamanickam, Vasanth Builders
Arul Thirunavukkarasu, Hiram College

When a multinational firm operating in a host country is faced with a politically risky environment, the operations of the firm may be affected and this impact is different for firms depending upon various factors. The potential losses due to political risk have to be understood before a MNC can commit to an international venture. The impact of political risk on a MNC has been explored by various authors from different angles. This paper takes a dynamic perspective and explores the impact of political risk on the transaction cost of doing business globally. A simulation model is built and it is shown that there are other important feedback mechanisms that cause the political risk and therefore the transaction cost to decline over time. The impact of the risk probability on the cost of political risk and the impact of political risk on the level of investment in a country over time is explored. The impact of learning rate is also analyzed and it was shown to reduce the impact of risk on the operating costs and also increase the level of investment in the risky countries. (For more information, please contact: Mohana Rajamanickam, Vasanth Builders, India: mona_simba@hotmail.com)
Cross-Cultural Mentoring: Occurrence of Positive and Negative Mentor Role Behaviors
Jean-Luc Emile Cerdin, Essec Business School
Saba Colakoglu, Rutgers University

By integrating the literatures on mentoring and national culture, we build a theoretical model of cross-cultural mentoring relationships. In our model, we focus on the full range of mentorship behaviors exploring the occurrence of both positive (i.e. career-related and psychosocial support) and negative mentor behaviors (i.e. manipulating, distancing). We propose that mentors will differentially display positive or negative role behaviors based on their national culture and that protégés’ acceptance of mentor behaviors will depend on their own national culture. Finally, we propose that the relation between mentor behaviors and mentoring outcomes will be mediated by protégés’ acceptance of those behaviors. (For more information, please contact: Jean-Luc Emile Cerdin, Essec Business School, France: cerdin@essec.fr)

Employees' Interpersonal Leadership Preferences Vary across 18 Countries - Does It Matter?
Lena Zander, Stockholm School of Economics

Results from a study of preferred leadership practices in multinational companies are presented. More than 17,000 respondents in 18 countries filled out a questionnaire with theoretically derived items that had been translated and back-translated. To arrive at internationally comparable interpersonal leadership measures, which are reliable within each studied country and vary across countries, the following procedures were taken: inter-item pattern and reliability analysis within each country, multiple analyses of variance across countries, and for additional validation, individual level factor analysis with within-country standardised scores. Employees’ interpersonal leadership preferences vary across 18 countries. According to the cultural congruence literature, it seems imperative to manage in accordance with local leadership practices. However, does it matter whether leadership practices are carried out in accordance with employees’ preferences? The response is affirmative. In this study, it is displayed how the gap between what the manager ‘does’ and what the manager ‘should do’ is correlated with employees’ job satisfaction, attitudes towards work climate, and belief in future development. Leaving the more simple ‘adapt or not adapt’ reasoning for a sophisticated analysis which varies across interpersonal leadership practices, implications and countries will contribute to both research and practice. (For more information, please contact: Lena Zander, Stockholm School of Economics, Sweden: lena.zander@hhs.se)

International Experience and Expatriate Selection: A Decision Maker’s Perspective
Ibraiz Tarique, Pace University
Jean-Luc Emile Cerdin, Essec Business School
Vishal Lala, Pace University

Multinational enterprises (MNEs) recognize that global staffing (recruiting and selection) is an important strategic human resource practice that MNEs use to develop and sustain a competitive advantage in the international marketplace. International human resource management (IHRM) researchers and professionals have recognized that identifying and selecting qualified managers for global assignments is an important goal of most organizations. We investigated how decision makers’ (e.g., managers, recruiters) prior international
experiences are related to their evaluation of candidates for global assignments, and to their willingness to offer cross cultural training. The results show that the decision makers with greater variety of international work experience perceive applicants with international work experience as more suitable for global assignments than applicants with international business education. In addition, the findings show that the decision makers with greater length of international work experience are more likely to offer cross-cultural training to candidates for global assignments. (For more information, please contact: Ibraiz Tarique, Pace University, USA: itarique@pace.edu)

Session: 2.6.6 - Competitive
Track: Track 4-Emerging Markets (EM) and MNEs

**Business Groups’ Performance in Emerging Markets**

**Presented On:** June 27, 2007 - 15:30-16:45

**Chair:** Leslie Lenn, St. Edwards University

**Ownership, Group Affiliation and International Diversification: The Determinants and the Performance Consequences**

Ajai S. Gaur, National University of Singapore

We examine the role of domestic ownership, foreign ownership and business group affiliation on international diversification during institutional transition. We also look at how domestic and foreign ownerships, and business group affiliation moderate the performance consequences of international diversification. Our results based on a longitudinal sample of more than 5000 publicly listed Indian firms during 1990-2005 suggest that higher ownership of domestic or foreign owners, and group affiliation are associated with a higher level of international diversification for emerging economy firms. Further, we find a ‘U’ shaped relationship between international diversification and firm performance, which is moderated by ownership concentration of domestic and foreign owners as well as group affiliation. (For more information, please contact: Ajai S. Gaur, National University of Singapore, Singapore: ajai@nus.edu.sg)

**Impact of Ownership and Group Affiliation on Firms’ Strategic Choices during Institutional Transition**

Ajai S. Gaur, National University of Singapore

Andrew Delios, National University of Singapore

We link agency theory and an institutional theory to predict the strategic choices firms make during a period of institutional transition. The strategic choices we investigate are the choice to exit the market, and the choice to collaborate with foreign firms. We investigate the impact of ownership concentration, ownership identity, business group affiliation and institutional transition on these strategic choices. The results based on a longitudinal sample of more than 9000 Indian firms during 1990-2005 suggest that different owners have different motivation and preferences in making the strategic choices. We also find a significant variation in firms’ strategic choices during different phases of institutional transition and for group affiliated and un-affiliated firms. (For more information, please contact: Ajai S. Gaur, National University of Singapore, Singapore: ajai@nus.edu.sg)

**The Effect of Business Group Affiliation on Firm Market and International Strategies**

Anna Lamin, Northeastern University

This paper examines how business group affiliation influences the product market and international strategies of affiliated firms. Because business groups possess advantages in product markets through their access to group
reputations, established relationships with clients, and other affiliate firms, I hypothesize that these advantages enable group-affiliated firms to serve a broader set of industry segments. In addition, business groups are likely to have trade ties or affiliates in foreign markets, who can share their knowledge of these markets, thereby lowering the barriers to entry for group affiliates. Thus, group-affiliated firms are predicted to serve a more diverse set of foreign markets. I generate competing arguments on the export orientation of group-affiliated firms. Since group-affiliated firms are likely to have ties to foreign markets, they may have a higher export orientation. Conversely, the benefits of group membership could be somewhat confined to the domestic market, suggesting that group-affiliated firms will have a lower export orientation. I test these arguments on a sample of 173 group-affiliated and 537 unaffiliated Indian software service firms from 1991-2002. (For more information, please contact: Anna Lamin, Northeastern University, USA: alamin@csom.umn.edu)

Session: 2.6.7 - Competitive
Track: Track 9-Global versus Local Knowledge

Networks and Intra-Firm Knowledge Transfer (I)

Presented On: June 27, 2007 - 15:30-16:45

Chair: Lilach Nachum, Baruch College, CUNY

Organizational Knowledge Transfer: A Meta-Analytic Review of Its Antecedents and Outcomes
Raymond Van Wijk, RSM Erasmus University
Justin Jansen, RSM Erasmus University
Marjorie Lyles, Indiana University

Research on organizational knowledge transfer is burgeoning, yet our understanding of organizational antecedents and consequences remains rather unclear. Although there have been conceptual and qualitative reviews of the organizational knowledge transfer literature, no study has attempted to summarize the quantitative findings present in the large body of empirical research. By using meta-analytic techniques to summarize relationships between organizational antecedents, inter- and intra- organizational knowledge transfer, and important consequences, this study represents a first step toward that goal. We provide a more comprehensive understanding of knowledge transfer processes by uncovering how knowledge transfer processes unfold at different levels of analysis. In this sense, our study does not only reveal new insights into levers and outcomes of organizational knowledge transfer, but also provides new insights into particularities of transfer processes between organizations and between units within organizations. (For more information, please contact: Raymond Van Wijk, RSM Erasmus University, Netherlands: rwijk@rsm.nl)

Expatriate Utilization, Knowledge Transfer, and FDI Performance
Sheng Wang, University of Nevada, Las Vegas
Hyondong Kim, Dongguk University

Multinational corporations (MNCs) often assign expatriates overseas to implement knowledge transfer, yet prior international strategy research has not specifically examined the utilization of expatriates as a strategic resource to facilitate knowledge transfer and enhance foreign direct investment performance. Drawing from the resource-based view of the firm and the related strategic human resource management literature, we develop hypotheses that utilizing certain expatriates will enhance subsidiary performance, and that knowledge transfer through effective expatriate utilization will mediate this relationship. Results based on 245 MNCs’ subsidiaries in China showed that utilizing expatriates who possessed motivation and adaptability for knowledge transfer could enhance subsidiary performance and that this relationship was mediated by knowledge transfer; utilizing expatriates with technical abilities, however, had no direct effect on subsidiary performance. The findings suggest that expatriates who are motivated and adaptable for knowledge transfer represent rare, valuable, and
inimitable resources which, when recognized and utilized, can contribute to firm performance, and that knowledge transfer plays a key role in the firm’s expatriate utilization strategy. (For more information, please contact: Sheng Wang, University of Nevada, Las Vegas, USA: sheng.wang@unlv.edu)

**Strategic Alliances and Complex Biotechnological Innovation Capabilities**

Tariq H. Malik, University of London

This study analyses the role of integrated versus disintegrated inter-firm alliance governance structure in biotechnology industry. By examining a range of inter-firm relationships between the internal hierarchies in the one end and external market contracts in the other, six types of inter-organizational governance arrangements are tested on innovation performance. Highly complex relational structures are positively associated with highly complex biotechnological innovations, and low complex relational structures positively associated with less complex biotechnological innovations. In the wider range, Merger/Acquisition (M&A) is contrasted with contracts. In the medium loop, joint-ventures (equal equity) are contrasted with partial-equity. In the internal loop; full rights to technology are contrasted with partial access to technology via licensing. The findings indicate that M&A, partial equity and full-rights to technology are better predictors of innovations. (For more information, please contact: Tariq H. Malik, University of London, United Kingdom: t.malik@mbs.bbk.ac.uk)

**Interactive (Networked) Internationalization --The Case of Swedish Firms**

Gabriel Baffour Awuah, Halmstad University
Desalegn Abraha Gebrekidan, University of Skövde
Aihie Osarenkhoe, University of Gävle

The extant literature stresses that having foreign market presence is imperative for most firms these days. However, how firms conceive of which foreign markets to enter, the entry mode to take and the resource commitments to make are not information or decision-making processes solely confined to a firm that internationalizes its activities. The purpose of this study is to provide deeper insights into the extent to which an independent actor (s) actively collaborates with the internationalizing firm so as to jointly determine the choice of market, the mode of entry and the level of investment committed in the market to be entered and even after the entry (i.e. the on-going activities). Based on two multiple case studies, one major finding of the study shows that independent actors, with their interconnected networks, have played and are still playing a major role in influencing the internationalization processes of each of the two firms in this study. (For more information, please contact: Desalegn Abraha Gebrekidan, University of Skövde, Sweden: desalegn.abraha@his.se)

**Session: 2.6.8 - Competitive  
Track: Track 5-Global Strategy**

**Liability of Foreignness in International Strategy**

**Presented On:** June 27, 2007 - 15:30-16:45

*When You Leave, Should I Go Too? Trait-Based and Location-Based Imitation by Host-Country Multinationals*

Lorraine Eden, Texas A&M University
Stewart R. Miller, University of Texas at Austin
Douglas E. Thomas, University of New Mexico
Paige Fields, Texas A&M University
Hong Zhu, Texas A&M University
Imitation strategies are one way that multinational enterprises (MNEs) cope with liability of foreignness when they enter host countries. In this paper, we argue that firms can engage in one or both of two forms of imitation strategies: trait based and location based. Trait-based and location-based imitation offer competing hypotheses for predicting the behavior of foreign MNEs seeking legitimacy in a host country. Moreover, these two forms of imitation may overlap. Where both reference groups (trait and place) engage in the same behaviors, we hypothesize that imitative behavior by the MNE should be even stronger. However, when the two reference groups differ in their behavior, which pattern dominates? Are MNEs more likely to imitate the behavior of their trait-based reference group or their location-based reference group? We hypothesize that the answer to this question depends on the relative strengths of the two imitative pressures, similar to the way that a firm’s international strategy depends on the relative pressures for global integration and national responsiveness. We argue that key antecedents predicting these pressures are local ethnic density and home country uncertainty. We test our hypotheses by examining the exit strategies of Asian banks within the United States. (For more information, please contact: Lorraine Eden, Texas A&M University, USA: leden@tamu.edu)

Global Integration versus Local Responsiveness: Formal and Informal Control in Foreign Subsidiaries
Deeksha A. Singh, National University of Singapore

Control in foreign subsidiaries can be exercised through formal as well as informal means. Equity ownership is an important formal control mechanism whereas employment of expatriate parent country nationals (PCNs) in key subsidiary positions is an important informal control mechanism. I combine the arguments from transaction cost economics and institutional theory perspective to suggest that institutional demands, and firm specific factors affect the choice of formal and informal control for MNCs in their foreign subsidiaries. Results based on a sample of 12,032 Japanese subsidiaries in 47 countries suggest that MNCs exercise formal and informal controls over their foreign subsidiaries depending on the regulative and normative distances between the home and host countries, and technological and marketing capabilities, and the host country experience of the MNC. (For more information, please contact: Deeksha A. Singh, National University of Singapore, Singapore: deeksha@nus.edu.sg)

Liability of Foreignness and the Co-internationalization of Main Banks and Firms: An Institutional Perspective
Burkhard N. Schrage, Singapore Management University
Jane W. Lu, Singapore Management University

In this study, we examine whether the presence of strong-relationship (or “main”) banks in foreign markets determines the foreign direct investment (“FDI”) patterns of Japanese firms. Specifically, we investigate whether liability of foreignness (“LOF”) is diminished for Japanese multinational enterprises though the presence of a strong-relationship bank in a given country-year and whether that consequently increases the likelihood of an FDI.

Using a sample of 192 Japanese firms undertaking 6,769 FDIs in 60 countries during the period of 1980 – 2004, we find that (1) the presence of the firm’s main bank is positively and significantly related to the likelihood of undertaking an FDI in a given country-year, and (2) that the presence of the main bank increases the likelihood of an FDI substantially more for small than for large firms. The results of this study document that the presence of strong relationship banks in host countries reduces the liability of foreignness. (For more information, please contact: Burkhard N. Schrage, Singapore Management University, Singapore: bschrage@smu.edu.sg)
Session: 2.6.9 - Competitive
Track: Track 8-Marketing

**Standardization/Adaptation Strategies**

**Presented On:** June 27, 2007 - 15:30-16:45

**Chair:** Tracy L. Gonzalez-Padron, Michigan State University

*The Impact of Marketing Control on Marketing Standardisation Strategies*

Henry F.L. Chung, Massey University

In comparison to research on marketing standardisation strategy, research on marketing control has received much less attention. Previous research concerning marketing control and marketing standardisation has been classified into two streams - the independent variable and the mediation streams. These streams of studies have separately revealed two useful frameworks for subsequent research. Despite being useful, however, these frameworks have not been examined together within an analysis. This study is mainly designed to fill this research gap by integrating the two frameworks into one. This study aims to explore its conceptual framework, by focusing on the three lesser researched elements; pricing, place and process. The proposed frameworks were empirically tested by using the experiences of one-hundred firms operating in the European Union. This study used both partial least square (PLS) as its main statistical analysis methods. The statistical outcomes reveal that the two research frameworks do exist at the same time. (*For more information, please contact: Henry F.L. Chung, Massey University, New Zealand: h.chung@massey.ac.nz*)

*When Cultures Cross National Borders: Exploring the Boundaries of Advertising Standardization*

Rick T. Wilson, Hofstra University
Karin M. Staub, Saint Louis University

In order to assess the prevalence of advertising standardization between subcultures within and across national borders, a content analysis of magazine advertisements from France and Germany as well as the French- and German-speaking portions of Switzerland is undertaken. Advertising standardization is assessed across 11 advertising dimensions. From the analysis, three general conclusions are drawn. First, despite greater distances in cultural, linguistic, and GDP per capita as compared to other countries in the sample, the French- and German-speaking portions of Switzerland had the greatest instances of advertising standardization across 11 advertising elements suggesting a national culture effect. Second, a country’s market position and the type of product have a greater influence over advertising standardization than do other environmental factors. Third, across the 11 advertising dimensions, some dimensions were found to be standardized more frequently than others and corresponded to who had greater creative control over the dimension (firm or ad agency) and how easily the dimension is able to be adapted. (*For more information, please contact: Rick T. Wilson, Hofstra University, USA: wilsonrt@slu.edu*)

*Cultural and Informational Differences in Television Commercials in the Arab World and the United States*

Morris A. Kalliny, University of Missouri-Rolla
Anshu Saran, University of Texas of the Permian Basin

Standardization versus adaptation of advertising has been a subject of great controversy (Agrawal 1995; Hill & Shao 1994) that has been debated for decades. The review of the literature indicates that the pros and cons of international advertising and adaptation versus standardization in particular continue to be debated. This paper investigates cultural differences between the United States and the Arab world in regard to individualism/collectivism, contextualization, time orientation, and human relationship with nature. Results show
that there are significant differences between the United States and the Arab world. (For more information, please contact: Morris A. Kalliny, University of Missouri-Rolla, USA: kallinym@umr.edu)

**Humour in Cross-Cultural Advertising**
Heather J. Crawford, University of New South Wales
Gary D. Gregory, University of New South Wales

**Purpose** - Synthesis of the literature on humour in cross-cultural advertising and conceptualising the link between culture and the effectiveness of humorous appeals in advertising.

**Methodology/Approach** - Literature review and conceptual models, future research

**Findings** - Existing research into the use of humour in advertising fails to adequately address a number of central concerns. These issues include (i) definition of humour and types, (ii) the effect humorous advertising appeals have on an individual, (iii) how the effects of humour in advertising are moderated by culture and, (iv) establishment of a link between intended and perceived humour in advertising.

**Practical implications** - Building a framework that will determine what adaptation in development of humorous appeals is necessary to optimize effectiveness of cross-cultural advertising.

**The Originality/value of paper** - Measures of the effectiveness of humour in advertising have been tested extensively within a national context, but little work has been published on the use of these measures in a cross-cultural context. (For more information, please contact: Heather J. Crawford, University of New South Wales, Australia: h.crawford@unsw.edu.au)

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**Session: 2.6.10 - Panel**
**Track: Track 6-International Entrepreneurship**

**Global Business Research and Teaching Tools: The Case of the Global Marketing Management System Online (GMMSO) ©**

**Presented On:** June 27, 2007 - 15:30-16:45

**Chair:** Basil John Janavaras, Minnesota State University, Mankato

**Panelists:**
- Basil John Janavaras, Minnesota State University, Mankato
- Mirela Miresan, St. Mary's University of Minnesota
- Emanuel Gomes, Coventry University

**Abstract**
It has been argued that the effects of globalization and the integration of information technology in the classroom are two of the most dynamic forces that will determine the future course of international business education in the 21st century. Therefore, it is pivotal that educators use leading-edge pedagogical systems and methodologies designed to facilitate and expedite the learning process in a cost effective and efficient matter both locally and around the world. The GMMSO tool discussed in this session supports students and business practitioners alike in their roles as managers and decision makers in a global setting. More specifically, the software will enable users to perform a situation analysis of a company, determine best markets for a company’s products/services and develop an international business plan online. The purpose of this session to demonstrate the GMMSO, explain the virtues of the system, share teaching experiences with and provide feedback from faculty and students based on the use of the software. The GMMSO is user-friendly, interactive, and integrative and allows the user to engage in a cognitive and web based learning environment. Most importantly, it provides connectivity across academic institutions around the world.
(For more information, please contact: Basil John Janavaras, Minnesota State University, Mankato, USA: basil.janavaras@mnsu.edu)
ABSTRACTS FOR THURSDAY, JUNE 28, 2007

Session: 3.1.1 - Special Session

Farmer Dissertation Award Presentations

Presented On: June 28, 2007 - 08:10-09:25

Chair: Elizabeth L. Rose, Victoria University of Wellington

*When is Trust Produced and When Does it Matter? Taking a Closer Look at Trust and International Alliance Performance (Ph.D. awarded by Tilburg University)*
  Rekha Krishnan, Simon Fraser University

  Susan Perkins, Northwestern University

*Knowledge Transfer in Multinational Enterprises: A Language and Information Processing View (Ph.D. awarded by University of Minnesota)*
  Margaret Spring Schomaker, University of Kansas

Session: 3.1.2 - Competitive

Track: Track 3-International Finance and Accounting

Cross Listing Effects

Presented On: June 28, 2007 - 08:10-09:25

Chair: Robert Grosse, Standard Bank

*Legal Internationalization and US Cross-Listing to Bond by Emerging-Market Firms*
  Paul Martin Vaaler, University of Illinois at Urbana-Champaign
  Burkhard N. Schrage, Singapore Management University

An emerging "bonding hypothesis" holds that a firm's geographic domicile may not determine its corporate governance destiny. Firms from countries with weaker corporate governance regimes can internationalize their legal (but not necessarily operational) presence by cross-listing their securities on overseas financial markets. They can “bond” with legal systems and enforcement policies in foreign corporate governance regimes providing stronger investor protection. We document evidence of cross-listing to bond with stronger legal systems and rule of law by more than 700 firms from 23 emerging-market countries cross-listing their securities on US financial markets from 1996-2002. We find that: 1) US cross-listing levels are lower for firms from Common Law countries providing stronger investor protection, but only in Common Law countries with weaker rule of law; and 2) US cross-listing levels are higher for firms from Civil Law countries providing weaker investor protection, but only in Civil Law countries with stronger rule of law. Emerging-market firms exhibit behavior consistent with bonding hypothesis considerations and internationalize their legal presence as a commitment to a more rigorous corporate governance regime, but the behavior is contingent and depends on examination of both legal system and rule of law effects individually and in interaction.  *(For more information, please contact:  Paul Martin Vaaler, University of Illinois at Urbana-Champaign, USA: pvaaler@uiuc.edu)*
Regime Switching Analysis of ADR Home Market Pass-Through
Hui He, George Washington University
Jiawen Yang, George Washington University

This paper takes a different approach looking at the home market effect and US effect on ADR returns. It adopts the regime switching model to nest two regimes - “home market pass-through” and “pricing-to-market” for ADRs, and treats the changes of these two regimes probabilistically, while taking into account the time-varying price of risks and time-varying variance and covariance with the market. A proxy for home-market pass-through is developed for Japan, Germany, Argentina and China by their time-varying regime probabilities. Interestingly, for the two developed economies, we have average pass-through about 20% for Japan and 48% for Germany (100% represents complete pass-through), and for emerging economies, Argentina and China, we have an average pass-through over 50%. The results clearly show a wide range of pass-through degrees and its sensitivity to the country studied, as a satellite test, and demand for further investigations on country variations. (For more information, please contact: Hui He, George Washington Univ., USA: huihe@gwu.edu)

Listing Status of Local Partners and Equity Shares of Foreign Companies: Evidence from U.S. Investment to P.R. China
Yao Lu, University of Michigan

I explore the impact of financial markets measured by the listing status of local partners (i.e. privately held, exclusively-locally listed and cross-listed in Hong Kong or U.S. stock market) on equity share and controlling ownership allocation between foreign and local partners. Employing a standard principal-agency model, I propose two channels through which listing status of local partners affects the choice of equity shares and controlling ownership. The first is through improving financial transparency and hence the precision of performance data; the second is through increasing in capital availability to listed companies, and hence changing the relative importance of inputs between partners. Using data from 203 U.S. investment deals in China between 1995 and 2005, I find that listed local partners, in particular cross-listed companies have been associated with fewer foreign shares and lower probability of foreign controlling ownership after controlling for industry and year average levels. (For more information, please contact: Yao Lu, University of Michigan, USA: yaolu@bus.umich.edu)

Excess Control, Corporate Governance, and Implied Cost of Equity: International Evidence
Omrane Guedhami, Memorial University of Newfoundland
Dev R. Mishra, University of Saskatchewan

Recent research shows that public firms, outside the U.S., have controlling shareholders who tend to use different mechanisms (e.g., pyramidal and cross-holdings, multiple class shares) to enhance the separation between ownership and control rights, providing them with strong incentives and power to expropriate minority shareholders. According to prior research, however, this potential for expropriation can be costly to controlling shareholders and firms in terms of capital-raising costs. In this paper, we investigate whether excess control (i.e., the wedge between voting and cash flow rights of the ultimate owner) is associated with increased cost of equity, and whether legal institutions effectively serve a corporate governance role by reducing agency costs embedded in ultimate ownership structures evident in firms’ cost of equity. We use a panel of 1,335 firms from eight Asian and thirteen Western European countries and estimate the cost of equity implied by analyst earnings forecasts and growth rate. As predicted by theory, we find robust evidence that the implied cost of equity is increasing in excess control. Consistent with recent empirical literature on the cost of equity capital, we find evidence that firms from countries with strong legal systems and enforcement have lower implied cost of equity. Finally, we find strong evidence that the implied cost of equity is lower for firms with higher market to book ratio, higher analyst coverage, lower price volatility, lower variance of analyst forecasts and lower leverage. (For more information, please contact: Dev R. Mishra, University of Saskatchewan, Canada: mishra@commerce.usask.ca)
**Assessing Semiglobalization: Construct Validity and Comparison of Formative and Reflective Models**

Ronald M. Rivas, Canisius College  
Carter Rakovski, California State University, Fullerton  
Maria Skaletsky, Bentley College

We contribute to the Semiglobalization perspective by defining Comparative Economic Globalization and validating two of its constructs: Product-market integration (PMI) and Factor-market integration (FMI). In doing so, we highlight the role of the inter-country level of analysis in IB research. We compare the effectiveness of two methods of representing PMI and FMI: formative, estimated with PLS-Graph, and reflective, estimated with AMOS. We report strong support in favor of formative models. Our models portray a story of significant and strengthening worldwide semiglobalization approaching the last decade of the twentieth century. Overall, the period from 1970 to 1982 had more stability than the period from 1983 to 2000, suggesting an accelerating globalization after 1983. We evaluate construct validity and measurement invariance of PMI and FMI on a worldwide random sample of 8,000 dyadic observations with missing data for each year from 1970 to 2000. PMI is measured with trade-integration and foreign-direct-investment-integration, and FMI is measured with price-integration, capital-integration, labor-integration, and knowledge-integration. Finally, we discuss the inclusion of PMI and FMI as moderators of the relationship strategy-performance of multinational enterprises, and advance three propositions for future research to test the corresponding impact of PMI, FMI and their interaction. (For more information, please contact: Ronald M. Rivas, Canisius College, USA: rivasr@canisius.edu)

**A Three-Level Framework for Accessing the Universality of Constructs in Cross-Cultural Management**

Hugo Zagorsek, University of Ljubljana

Cross-cultural scholars diverge sharply on the extent of the influence they believe culture has on managerial behavior. The culture-specific perspective argues that the occurrence and effectiveness of managerial practices is likely to be unique to a given culture. The culture universal perspective argues that management behavior is comparable across cultures and that universality effective management behaviors do exist.

Paper argues that the universal and culture-specific perspectives are not mutually exclusive categories, but can in fact co-exist within a single culture at the same time. It argues that the universality of a theory or concept in cross-cultural management has to be examined at three relatively independent levels. At the construct level the main question is whether the structure and meaning of the construct is the same across cultures. At the score level, the equivalence of construct means across cultures is assessed. At the functional level, the key issue is whether the relationship between two or more constructs is the same across cultures. On each level different degrees of cross-cultural variation can be present. If there is no or little variation between nations, the construct exhibits a strong form of universality at that level. If the similarities outweigh the differences, the construct exhibits a moderate or weak form of universality. If the differences outweigh the similarities the construct is culturally contingent or culture-specific. In addition to providing a theoretical framework for understanding the nature of the universality in cross-cultural management, the article also provides guidance on how to statistically operationalise and assess the degree of universality on each level by using classical (e.g. factor analysis) and recent (e.g. structural equations modeling) statistical techniques. (For more information, please contact: Hugo Zagorsek, University of Ljubljana, Slovenia: hugo.zagorsek@ef.uni-lj.si)
Is The Potential Fully Exploited? Application of Structural Equation Modeling (SEM) Technique in International Business Research: Year 1985 to 2006 Perspective

Anant Ravindra Deshpande, University of Texas, Pan American
Jesus Tanguma, University of Texas, Pan American

Structural equation modeling is a technique which evaluates models of linear relationships among a set of observed/unobserved variables in terms of a generally smaller number of observed variables with summarization of variables. The use of structural equation modeling presents a complex challenge because the application of the technique requires several methodological considerations. This paper identifies the critical issues involved in the use of structural equation modeling through extensive literature review. The paper also addresses the gap in the international business literature, in terms of a lack of an extensive analysis of reporting of the structural equation modeling in international business studies. Articles, using the structural equation modeling technique in premier academic journals such as Journal of International Business Studies (JIBS), Journal of World Business (JWB), International Business Review (IBR), Management International Review (MIR), and Journal of International Management (JIM) are identified and a systematic review is carried out from the year 1985 to 2006. General findings of the study reveal flaws in reporting of structural equation modeling. Recommendations are offered for better implementation of structural equation modeling in international business research. (For more information, please contact: Anant Ravindra Deshpande, University of Texas, Pan American, USA: ardeshpande@broncs.utpa.edu)

Meta Analysis: A Necessary Ingredient for Knowledge Development in International Business?

Ahmet H. Kirca, Michigan State University
Attila Yaprak, Wayne State University
S. Tamer Cavusgil, Michigan State University

The authors suggest that the more frequent use of meta-analytic techniques would enrich knowledge development in international business field. Accordingly, in this paper the authors discuss the role of meta-analysis in international business research and explicate how meta-analytic approaches have enhanced knowledge development in other disciplines (i.e., marketing). Finally, the authors also provide a summary of meta-analytic research process in efforts explain how meta-analysis can be more useful in international business research in future. (For more information, please contact: Ahmet H. Kirca, Michigan State University, USA: kirca@bus.msu.edu)

Session: 3.1.4 - Competitive
Track: Track 5-Global Strategy

International Strategies and Export Trade

Presented On: June 28, 2007 - 08:10-09:25

Chair: Klaus E. Meyer, University of Reading

Distance, Production, and Trade
Don Philip Clark, University of Tennessee

This paper investigates the relationship between geographical distance and both the extent of trade and foreign production. Industries engaged in exporting and coproduction activities across national boundaries are identified through their use of the Off-shore Assembly Provisions in the U.S. tariff code. Findings counter the conventional wisdom. Trade and foreign production activities are found to drop off rapidly over the first third of the distance scale, rise over the middle portion, reach a peak in the final third, and decline thereafter. This
pattern suggests frictions associated with distance can be offset by government policies and other country attributes. Management control, information and communications costs, and the ability to implement just-in-time delivery strategies may not be as distance sensitive as previously thought. Theorists should re-evaluate the role of distance in trade models and refrain from using distance as a proxy for transport costs. (For more information, please contact: Don Philip Clark, University of Tennessee, USA: dclark3@utk.edu)

**ICT Development and a Multi-Dimensional Measure of Distance for International Location Strategy**

Linghui Tang, College of New Jersey

This paper examines how the development of information and communication technology (ICT) affects the negative role of distance for international commerce. It is found that ICT advances in a home country encourage international trade while ICT development in a host country increases inward FDI. A multi-dimensional distance measure that encompasses economic, cultural, geographic, administrative, and ICT differences between countries is derived to assist strategic location decision. (For more information, please contact: Linghui Tang, College of New Jersey, USA: Linghui_Tang@yahoo.com)

**The Learner Perspective to Cognitive Gains from Global Trade**

Roberto Gamarra, Kean University

What does the interdependent relationship between the export of manufactures and technological learning strategies yield for firms in emerging-market economies? To answer this question, this paper explores a cognitive perspective to international business called the learner perspective. Extensive empirical research was done to build an understanding of the synergistic interdependence of exporting and technological learning strategies. We argue here that the international companies’ experience of interacting with sophisticated customers, firms, and institutions in technologically sophisticated markets in industrialized economies greatly facilitate technological learning and cognitive gains from global trade. The cognitive approach to international business activities is an attempt to break new ground in the field of International Business. (For more information, please contact: Roberto Gamarra, Kean University, USA: rgamarra@kean.edu)

**The Export Propensity and Intensity of Subsidiaries in Emerging Economies**

Saul Estrin, London School of Economics and Political Science

Klaus E. Meyer, University of Reading

Mike Wright, Nottingham University

This paper investigates the interaction between foreign investment and exports from foreign subsidiaries. In particular, we investigate the global and local factors affecting the propensity and intensity of exports from foreign owned affiliates in emerging economies. Subsidiary strategies are designed in the interplay between firms’ global strategy and the local environment. The MNE strategy determines to a large extent what the subsidiary does, and thus its export propensity. Local influences, especially the institutional context, have a stronger bearing on the scale of the subsidiary activities, and thus its export intensity. We provide support for these arguments through an empirical analysis based on a unique primary dataset of 513 foreign owned affiliates in Hungary, Poland, India and South Africa, Egypt and Vietnam. (For more information, please contact: Mike Wright, Nottingham University, United Kingdom: mike.wright@nottingham.ac.uk)
Understanding the Internal Dynamics of International Joint Ventures: A SYMLOG Perspective
Muthu Subbiah, University of Texas at Dallas
David Ford, University of Texas at Dallas

Multiple calls for reconceptualization of International Joint Venture (IJV) research has resulted in considerable progress in terms of focus on process research and the methodology adopted in understanding the internal dynamics of IJVs. This paper advances this evolving research stream by utilizing theory and methodology from the field of social psychology called SYMLOG (Systematic Multiple Level Observation of Groups). We explicitly identify some key mechanisms through which the internal dynamics of the IJV affect its performance and present propositions for testing in empirical studies. Future research directions and extensions are discussed, along with managerial implications. (For more information, please contact: Muthu Subbiah, University of Texas at Dallas, USA: vplnsm@yahoo.com)

Success and Failure in Managing Foreign Acquisitions in South Korea and Japan: Lessons from Renault, General Motors and DaimlerChrysler
Fabian Jintae Froese, Waseda University

In recent years, there has been a sharp increase in foreign M&A activity in Japan and South Korea. This study analyzes the integration management processes of the Renault-Samsung and General Motors-Daewoo acquisitions in South Korea as well as Renault-Nissan and DaimlerChrysler-Mitsubishi in Japan. Based on more than 30 interviews with involved managers and external experts, this study investigates the reasons for success and failure in managing foreign acquisitions in South Korea and Japan. We paid special attention to the reasons why Renault was more successful than the other two companies as well as the differences between integrating acquisitions in South Korea and Japan are analyzed. Surprisingly, Renault did neither have a systematic integration approach nor coordinated integration approaches between the two acquisitions in South Korea and Japan. More willingness to accept changes among employees and less influence of conglomerates were the main reasons that distinguished the environment of South Korea from Japan. Reasons and implications of success factors in integrating companies are discussed. (For more information, please contact: Fabian Jintae Froese, Waseda University, Japan: fabian@fuji.waseda.jp)

Acquirer Nationality and Trade-off between Post-Acquisition Integration Approach Implementation and Synergy Potential Exploitation
Shlomo Yedidia Tarba, Ben-Gurion University and Rishon Lezion
Yaakov Weber, College of Management
Arie Riechel, Ben-Gurion University

Most management researchers and practitioners point out that cultural differences and integration efforts during the post-merger integration period are critical to performance. However, the interrelationships between corporate and national cultures, and their influence on merger success are not clear, and the results of empirical studies are contradictory. The major objective of this paper is to provide a framework that addresses the effects of national and corporate cultural distance on various integration approaches, and thereby explain international M&A performance. Specifically, it suggests that international M&A that approximate its 'ideal types' of integration approaches is hypothesized to be more effective than other M&A. Based on this framework
propositions that can serve as a guide for future research are suggested. Finally, the framework can assist managers of international mergers in analyzing, evaluating, and planning before the merger and in implementing the chosen integration approach after the merger. (For more information, please contact: Shlomo Yedidia Tarba, Ben-Gurion University and Rishon Lezion, Israel: shlomo.tarba@gmail.com)

Session: 3.1.6 - Competitive
Track: Track 5-Global Strategy

Local Market Factors in Market Entry Decisions

Presented On: June 28, 2007 - 08:10-09:25

Chair: Attila Yaprak, Wayne State University

How Much Distance Do We Need? - Revisiting the “National Cultural Distance Paradox”
Huanglin Wang, University of Western Ontario
Jean-Louis Schaan, University of Western Ontario

The study revisits the “national cultural distance paradox” based on a sample of Japanese FDI in 53 countries and regions over 30 years. While earlier studies on cultural distance assumed linear relationships, we found that there is a nonlinear (inverted U-shape) relationship between cultural distance and the choice of a joint venture as the preferred market entry mode on the one hand and between cultural distance and performance on the other hand. This is the first study that explores nonlinear relationships between CD and entry mode as well as between CD and performance. We also found that the relationship between cultural distance and performance is moderated by entry mode choice: the nonlinear relationship between CD and performance is stronger for wholly owned subsidiaries than for joint ventures. These relationships are robust across samples of different parent equity ownership levels, different countries and different time periods. Further, in line with Barkema and Vermeulen (1997), we once again provide evidence that culture is stable. (For more information, please contact: Huanglin Wang, University of Western Ontario, Canada: hwang@ivey.uwo.ca)

The Effects of Corporate Governance on FDI Location Decisions
Roger Strange, King’s College London
Igor Filatotchev, King’s College London
Jenifer Piesse, King’s College London
Yung-chih Lien, National Taiwan Ocean University

Many recent studies have demonstrated that corporate governance factors have an impact upon firm performance, but few have focused on the strategic decisions made by these firms that give rise to their performance outcomes. In this paper, we focus on the effects of corporate governance factors on a key strategic decision, namely the decision about where to locate an overseas investment. We use a dataset of 112 Taiwanese publicly-listed firms, and examine the determinants of their choices of location for 444 projects within the People’s Republic of China. The geographic distribution of these projects is not uniform, and the majority of these projects are located in the coastal provinces of south and central China. We have incorporated three variables related to governance factors and shown that these have a significant effect both individually and together upon the FDI location decision. We found that family control in terms of share ownership and board dominance is positively associated with FDI in the Middle and South Coast provinces. Companies with larger boards tend to invest in the North Coast and Inland areas. Traditional variables also mattered: FDI location decisions are influenced by agglomeration economy effects and more developed infrastructure (For more information, please contact: Roger Strange, King’s College London, United Kingdom: roger.strange@kcl.ac.uk)
MNEs’ Ownership Structure Under Uncertainty: TCE vs. Real Options and Institutional Theory Explanations
Kenny (Kyeungrae) Oh, University of Texas at Dallas

How does a MNE choose its ownership structure when it enters into transition nations where the level of corruption is largely high? We examine how uncertainty stemming from corruption affects a MNE’s choice of governance using the data of 463 MNEs in 24 transition countries. Drawing on three theoretical perspectives such as TCE, real options logic, and institutional theory, this study proposes two sets of competing hypotheses regarding firms’ selection of entry modes and ownership structure. Results show that TCE predictions have a better explanatory power on the choice of governance over those of real options logic and institutional theory as a whole. In particular, this study find that an MNE is more likely to adopt wholly owned subsidiaries in highly arbitrary environment of corruption whereas they intends to cope with a joint venture form of governance under highly pervasive corruption environment. Consistently, an MNE which has more familiar with corruption tends to adopt a joint venture form of governance. (For more information, please contact: Kenny (Kyeungrae) Oh, University of Texas at Dallas, USA: kko041000@utdallas.edu)

Session: 3.1.7 - Competitive
Track: Track 6-International Entrepreneurship

New Ventures in the Knowledge Economy

Presented On: June 28, 2007 - 08:10-09:25

Chair: Mary Han, Ryerson University

Do US VC Firms Make a Difference? An Analysis of Liquidity Events in Foreign Biotechnology Firms
Elisa Alvarez-Garrido, University of Pennsylvania

This paper argues that a venture’s performance is driven by the composition, experience and country of origin of its investors. I predict that the greater the experience of the investors with previous successful IPOs or trade-sales, the more likely the venture will witness such successful performance. I also predict that the participation of a U.S. investor in the syndicate will increase the performance of the venture by increasing the likelihood of a successful exit and the likelihood of IPOs over trade-sales. To test these hypotheses I collect a panel of 493 foreign biotechnology investments, from 1990 to 2004, and follow them until they experience a liquidity event. Using an event history analysis, and controlling for endogeneity, I find that the greater the average IPO experience of the investors, the greater the likelihood of a liquidity event. Besides, the presence of a U.S. venture capital firm in the syndicate increases the likelihood of an IPO though not of a trade-sale. (For more information, please contact: Elisa Alvarez-Garrido, University of Pennsylvania, USA: eagarrid@wharton.upenn.edu)

Exit Decisions of Entrepreneurs in International Markets
Ilgaz Arikan, Georgia State University

Dynamics of competition by firms on product and resource markets are fully applicable in strategic factor markets for the sale of privately held firms themselves. The ability of firms to generate and appropriate rents hence depends on how these firms are exchanged. Using RBV arguments I study how one buys resources in factor markets and examine the market mechanisms that govern the exchanges. In this paper I decompose a single decision “to sell the firm” and test five factors that determine the discrete choice of selling a privately held firm: bargaining power, market thickness, resource value, risk propensity and search costs. Using a sample of 2820 IPOs and 34109 M&As consummated between 1975-1999 in the manufacturing sector, I test for the exit choices of entrepreneurial firms. I find that the given the propensity scores for each entrepreneurial firm,
the model predictions hold. This paper develops a new model for determining the exit decisions of entrepreneurs based on these factors. (For more information, please contact: Ilgaz Arikan, Georgia State University, USA: iarikan@gsu.edu)

Internationalization, OLI Advantages and Performance of Small- and Medium-Sized Enterprises in the U.S. Pharmaceutical Industry

Lei Li, University of Portland
Weilei (Stone) Shi, University of Pittsburgh
Dan Li, Indiana University

This study examines firm internationalization antecedents and performance of single business small- and medium-sized enterprises (SMEs) in the U.S pharmaceutical industry. A longitudinal comparison between internationalizing and domestic SMEs shows that firm size and performance are the main antecedents of international expansion rather than intangible assets (e.g., R&D intensity) as emphasized by the core FDI theories. Internationalization per se is not a significant determinant of internationalizing SMEs’ performance relative to domestic ones.

Our analysis of internationalizing SMEs indicates that OLI (Ownership, Location and Internalization) advantages are, in general, positively associated with firm performance. Firm age moderates the internationalization-performance relationship negatively whereas R&D intensity appears to exert a positive moderating effect. (For more information, please contact: Lei Li, University of Portland, USA: lil@up.edu)

Session: 3.1.8 - Competitive
Track: Track 4-Emerging Markets (EM) and MNEs

Knowledge Management in Emerging Markets

Presented On: June 28, 2007 - 08:10-09:25

An Ambidextrous Learning Model for the Internationalization of Firms from Emerging Markets

Yuanyuan Wu, McGill University
Christian Keen, McGill University

Emerging economies are playing an increasingly important role on the global economy. As a critical and rising phenomenon, the internationalization process of firms from emerging markets (EMFs), particularly their capacity to increase their presence in developed economies markets, has been insufficiently studied. The unique characteristics of emerging economies make some of the assumptions of traditional international models irrelevant and out of context. This paper provides a theoretical framework that explains the importance of different types of knowledge in the internationalization process and their relationships. We delineate an ambidextrous kind of learning strategy contingent to different levels of firm competitiveness. (For more information, please contact: Yuanyuan Wu, McGill University, Canada: yuanyuan.wu@mail.mcgill.ca)

Managing Knowledge Transfer in Emerging Economies: Will MNEs Transfer Tacit or Explicit Knowledge to their IJVs?

Ping-Shan Cheng, National Cheng Kung University

International joint ventures (IJVs) have been viewed as effective ways that enable multinational enterprises (MNEs) to exploit their knowledge for corporate benefits in multiple markets. In this paper, I develop a framework to depict how institutional environments influence IJV managerial mechanism in emerging
Knowledge Management and Innovation Strategy in Emerging Markets: The Challenge for Latecomers

Jiatao Li, Hong Kong University of Science & Technology
Rajiv Krishnan Kozhikode, Hong Kong University of Science & Technology

Motivated by our observation of a growing class of firms that started off as technologically inferior 'me too' firms in technology intensive industries, and which went on to attain legitimacy and global market dominance, we ask the question, "how do technology lagged latecomer firms develop sustainable technological competence?" We propose a model to address this question. Drawing from the literature on social learning, we classify the latecomer firms as either emulators or blind imitators. We argue that latecomer firms with superior complementary assets and highly related absorptive capacity would choose emulation as opposed to blind imitation. Emulation would lead to the formation of flexible routines, while blind imitation would lead to the formation of rigid routines. When there is a need for resource renewal, firms that have flexible routines are better adapted to respond faster. (For more information, please contact: Jiatao Li, Hong Kong University of Science & Technology, Hong Kong: mnjtli@ust.hk)

Negligence to Benevolent and Endorsement to Malevolent Technologies: A Diffusion Paradox

Tariq Arif, King Faisal Research Centre
Tariq H. Malik, University of London
Oskar Kayasan, University of London, Birbeck

Technological capabilities high technology industry is a strategic resource for economic prosperity. However, not all technologies contribute to innovation, and not all innovations get diffused. Some technologies get endorsed while some others are ignored. The cases of nuclear technology versus biotechnological capabilities of Pakistan show that the former gets endorsed despite its little explicit benefits, while the latter gets neglected despite its explicit implication in social arena and industries. This paper examines why nuclear technology is endorsed while biotechnology is neglected in the business and social context. An ethnographic approach reveals that the endorsement of nuclear technology is institutionalized, while the biotechnology is not. The malevolent dimension of the nuclear technology is heralded, while the benevolent biotechnology (bio-medicinal application) is neglected. Homogenous and clear perceptions seem to be driving the rationalization of the economically irrational technologies, and ambiguities created by knowledge gaps seem to be driving the irrationalities from the economically rational technologies. The paper deals with the scale and scopes of the institutions, the conditions and the potential possibilities. (For more information, please contact: Tariq Arif, King Faisal Research Centre, Saudi Arabia: institutemgt@googlemail.com)
Control & Coordination Mechanisms in Knowledge Transfer (II)

Presented On: June 28, 2007 - 08:10-09:25

Attributes of Operating Experience and Failure of International Joint Ventures
Lailani Laynesa Alcantara, University of Tsukuba
Yasuo Hoshino, University of Tsukuba

This study explores the relationship between foreign firms' operating experience in a host country and international joint venture (IJV) failure from an organizational learning perspective. It argues that different attributes of foreign firms' operating experience in a host country generate variations in learning outcomes and may not necessarily benefit international joint ventures. Also, it explores how operating experience impacts international joint venture failure when partnering foreign and local firms move from traditional equity international joint ventures to extensively specific and integrated international joint ventures such as when backward venturing occurs. By disentangling different attributes of operating experience and examining the effect of each attribute on IJV failure rates, this study found support to its assertion that the quality of operating experience, not only its quantity, should be taken into account. Results suggest that leveraging operating experience in IJVs appears to be more complex and restricted than often predicted and imply that foreign firms with operating experience in a host country should be no less strategic and cautious in managing international joint ventures. (For more information, please contact: Lailani Laynesa Alcantara, University of Tsukuba, Japan: laynesa@sk.tsukuba.ac.jp)

What Is International Experience? Unpacking the Black Box
Ryan J. Orr, Stanford University

This inductive study investigates the firm-level routines and strategies — or so-called global process knowledge — that firms develop as they successively open up multiple new markets and accumulate global experience. It offers a multi-case research design with interview data from four different types of entrant firms: general contractors, systems contractors, developers and project engineering consultants. Interview data is presented from two firms of each type (for a total of eight firms in the sample) and from two projects for each firm (for a total of 16 projects in the sample), which fortifies the validity and generalizability of the findings. Overall, the study strengthens the theoretical bridge between the knowledge-based view of the firm and the field of international business studies. It identifies and articulates three generic strategies that lie at the heart and core of global process knowledge and that entrant firms use again and again across projects and countries: increasing the supply of local knowledge; decreasing the demand for local knowledge; and reducing the consequence of a local knowledge deficit. Finally, by recognizing this triad of generic strategies, which are hypothesized to be exhaustive from a knowledge-based perspective, the study disconfirms the popular myth that an entrant’s performance is tied to climbing a country learning curve. Instead, the evidence shows that a strategy of avoiding the need to climb a steep learning curve, or a strategy of avoiding the costs of not understanding anything about the host market setting, can also contribute to success. (For more information, please contact: Ryan J. Orr, Stanford University, USA: rjorr@stanford.edu)

The Impact of ISO 9000 Diffusion on Trade and FDI: A New Institutional Analysis
Joseph Clougherty, Wissenschaftszentrum Berlin (WZB) and CEPR-London
Michał Grajek, European School of Management & Technology (ESMT)
The effects ISO 9000 diffusion on trade and FDI have gone understudied. We employ panel data reported by OECD nations over the 1995-2002 period to estimate the impact of ISO adoptions on country-pair economic relations. We find ISO diffusion to have no effect in developed nations, but to positively pull FDI (i.e., enhancing inward FDI) and positively push trade (i.e., enhancing exports) in developing nations. (For more information, please contact: Joseph Clougherty, Wissenschaftszentrum Berlin (WZB) and CEPR-London, Germany: clougherty@wz-berlin.de)

Session: 3.1.10 - Competitive
Track: Track 8-Marketing

Cross-Cultural Consumer Behavior

Presented On: June 28, 2007 - 08:10-09:25

Chair: Susan Douglas, New York University

Culturally Customizing Websites for Hispanic-American Consumers: An Application of Levels of Acculturation Differences
Nitish Singh, Saint Louis University
Arun J.A. Pereira, Saint Louis University
Daniel W. Baack, Ball State University

This study extends national culture-based international marketing research to the study of a specific subculture within the United States – Hispanics. By applying the national culture framework introduced in Singh and Pereira (2005), this paper investigates, through both focus groups and an online survey, Hispanic consumer preferences for web content. Additionally, the paper investigates how differences in acculturation levels may influence these web content preferences. The results of the study are that national cultural frameworks can be applied to subcultures, that Hispanics have unique preferences for web content that are rooted in their origin country cultures, and that acculturation level is an important segmentation variable for this group of consumers. (For more information, please contact: Daniel W. Baack, Ball State University, USA: dwbaack@bsu.edu)

The Importance of Intangible Social Attributes in Individual Purchasing Decisions: A Multi-Country Comparative Study
Pat Auger, Melbourne Business School
Timothy Michael Devinney, Australian Graduate School of Management
Jordan J. Louviere, University of Technology, Sydney

This paper examines the role that intangible attributes—brand, country of origin and environmental and labor conditions—play in product choice. Our results show that: 1) brand is more important for consumers in developing countries purchasing high involvement products, 2) social attributes are generally more influential in developed countries, and 3) some country consumers exhibited very strong domestic country biases when making decisions about purchases. We believe that our results offer a more accurate picture of the role of intangibles since they are based on multi-cue, multi-product design that forced consumers to make tradeoffs between tangible and intangible attributes. (For more information, please contact: Timothy Michael Devinney, Australian Graduate School of Management, Australia: t.devinney@agsm.edu.au)

Psychic Distance and Directional Equivalence: A Theoretical Application of Assimilation and Contrast Bias
Ronaldo Parente, Rutgers University
Daniel W. Baack, Ball State University
Victor Almeida, Federal University of Rio de Janeiro
Our paper focuses on an examination of perceived psychic distance in the presence of two potential individual level biases — assimilation and contrast — associated with the levels of familiarity with a specific culture. We argue that psychic distance is not directionally equivalent and that these biases affect the decision-maker’s perception of cultural differences. This bias leads to a difference between the individual perceptions of cultural differences and the actual cultural differences in the environment. The implications of this distinction on entry mode decisions is reviewed with four different cases considered: 1) higher control entry mode than appropriate; 2) lower control entry mode than appropriate; 3) high home country resistance; and 4) host country lack of opportunities. A theoretical framework is developed and research propositions are discussed in light of qualitative data collected through personal interviews with individuals from the United States, Brazil, Taiwan, and Singapore. (For more information, please contact: Daniel W. Baack, Ball State University, USA: dwbaack@bsu.edu)

The Role of Ethnicity and Political History in Attitude Formation: Canadian Attitudes towards China, India and the United States
Masud Chand, Simon Fraser University

Canada’s vital economic relationship with the United States and its rising trade and investment ties with China and India are to a large extent dependent on Canadian perceptions of these countries. This empirical study examines Canadian attitudes towards China, India and the United States. It investigates if ethnicity and political history play a part in determining people’s attitudes towards these countries. It also tries to ascertain the role that China and India’s perceived human rights record plays in determining attitudes towards them in Canada. (For more information, please contact: Masud Chand, Simon Fraser University, Canada: mschand@sfu.ca)

Session: 3.2.1 - Special Session

The UNCTAD World Investment Report (WIR): Emergent Trends in International Business and Development

Presented On: June 28, 2007 - 09:50-11:05

Chair: Peter Buckley, Leeds University

Panelists:
- Anne Miroux, Division on Investment, UNCTAD
- Hafiz Mirza, Division on Investment, UNCTAD
- John H. Dunning, University of Reading and Rutgers University
- L. Jeremy Clegg, Leeds University

This panel will present UNCTAD’s research on International Business and Development, with particular emphasis on: (i) FDI in Extractive Industries (the theme of WIR 07); (ii) TNCs and Infrastructure (the theme of WIR 08); (iii) FDI in Tourism; and (iv) the 2007 Global Prospects Survey. (For more information, please contact: Hafiz Mirza, Division on Investment, UNCTAD, Switzerland: hafiz.mirza@unctad.org)
Session: 3.2.2 - Panel  
Track: Track 1-The Historical Dimension in IB

**International Business Negotiations Research: Past, Present and Future Perspectives**

**Presented On:** June 28, 2007 - 09:50-11:05

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

**Panelists:**
- Stephen E. Weiss, York University
- Mary Ann Von Glinow, Florida International University
- Rosalie L. Tung, Simon Fraser University
- Verner Worm, Copenhagen Business School
- Rajesh Kumar, University of Aarhus

**International Business Negotiations Research: Its Development, Current State, and Contributions to International Business**

Stephen E. Weiss, York University

**The Polycontextuality of Cross Cultural Negotiations**

Mary Ann Von Glinow, Florida International University  
Debra Shapiro, University of Maryland

**Sino-Western Negotiations Revisited – 30 Years after China’s Open Door Policy**

Rosalie L. Tung, Simon Fraser University  
Verner Worm, Copenhagen Business School

**Negotiating in India**

Rajesh Kumar, University of Aarhus

Collectively, the four papers in this symposium present some past, present and future perspectives associated with international business negotiations (IBN) research. The first paper by Weiss offers a survey of the literature on this subject over the past 35 years, including classification schemes based on levels of analysis and objectives of such studies. The second paper by Von Glinow and Shapiro builds upon their work on polycontextualization in cross-cultural research to emphasize the need to incorporate the observables as well as the “not readily observables” in cross-cultural transactions into the context of IBN research. Following the polycontextualization recommendation, the third paper by Tung and Worm refines Tung’s earlier work on Sino-western negotiations to illustrate the need to understand the moderating roles that time, geographic distance, gender and age can play in affecting the dynamics, processes and outcomes of cross-cultural negotiations. The fourth paper by Kumar fills an important gap in the literature by addressing how historical and current aspects of Indian culture/society could affect business negotiations with the Indians. Together, these four papers present what has been done and offer new directions for research in the area of IBN.
How and When to Offshore

Presented On: June 28, 2007 - 09:50-11:05

Chair: Jonathan Doh, Villanova University

Whether and What to Offshore?
Peter Ørberg Jensen, Copenhagen Business School
Torben Pedersen, Copenhagen Business School

In this article, we explore the idea that offshoring of services and technical work should be regarded as a dynamic process that evolves over time. Inspired by Kakabadse and Kakabadse’s (2000) point that a “new outsourcing paradigm” is emerging, our approach is based on the idea that a qualitative shift in offshoring is occurring: Firms gradually move from offshoring of simple, standardized activities towards offshoring of advanced activities when they accumulate experience with offshoring, and this type of offshoring comes with an entirely different set of characteristics compared to traditional, cost-seeking offshoring. Based on survey data from Denmark, we analyze some of the dynamics of this process through a model that incorporates two stages. First, we establish a baseline that investigates the determinants of firms’ participation, or lack hereof, in offshoring. As a subsequent stage of the process, we analyze the determinants of the offshoring of advanced, high-end technical and service activities in the firm value chain. The findings are consistent with the notion of offshoring as a dynamic process as they show a change from the initial stage to the later stage of the process. (For more information, please contact: Torben Pedersen, Copenhagen Business School, Denmark: tp.smg@cbs.dk)

Exploring the Risk-Return Paradox of Global Contractual Suppliers: A Competence-based Perspective
Chia-Wen Hsu, National Taiwan University

Risk-return research has been recognized as an essential issue in strategic management. Previous literature offerings have proven meaningful for explaining risk-return paradox as a whole; however, these studies have difficulty offering a theoretical rationale to explain how a firm should make the trade-off in a risk-return relationship? By taking this weakness into research consideration, the present research evaluates the performance consequences of contractual manufacturing from a competence-based perspective, with particular emphasis on the trade-off between risk and return relative to these strategic moves. Using a longitudinal data set comprising firm-level operation information for the period 1997-2002, our empirical investigation found that, by managing the competence leveraging practices in contractual manufacturing supply, a global contractual supplier is able to achieve a favorable risk-return performance. Implications of this result to Bowman’s paradox and suggestions for future research are discussed. (For more information, please contact: Chia-Wen Hsu, National Taiwan University, Taiwan: kevinjubi@yahoo.com.tw)

From Offshoring to Globalization of Human Capital
Arie Y. Lewin, Duke University
Silvia Massini, University of Manchester
Carine Peeters, Université libre de Bruxelles

Using 2005 and 2006 data from multi year Offshoring Research Network (ORN) project, this paper presents and analyzes U.S. firms’ offshoring practices and strategies. Although “taking out costs” continues to be an important driver behind offshoring, participating companies are increasingly and surprisingly offshoring innovation and knowledge creation activities that conventional wisdom suggests are a core competence of the
firm. The empirical results show that offshoring of innovation activities are partially explained by emerging shortage of technical talent in the U.S., the need to access talent globally and that cost considerations are not a significant driver of offshoring innovation activities. (For more information, please contact: Arie Y. Lewin, Duke University, USA: ayl3@duke.edu)

Free Trade Zones: Concept and an International Business Perspective  
Shavin Malhotra, Carleton University  
Nicolas Papadopoulos, Carleton University

In spite of the increasing popularity of Free Trade Zones (FTZs) in developing and developed countries, there is little or no research in this area by International Business scholars. Much of the research on FTZs has been in the area of developmental and regional economics. It is likely that overemphasis on the developmental aspects of FTZs has resulted in overlooking its importance for business firms. The authors address this issue by examining the relationship between firm’s operations in FTZs and international business strategy. Drawing on multiple theoretical perspectives, the authors propose a conceptual model delineating the drivers and outcomes for firms operating in FTZs. The authors suggest that FTZs can offer firms, (1) with increased “location” and “internalization” benefits over the host country’s mainland, and (2) an environment that decreases the existing international market risk. This leads to an acceleration in the internationalization process of firms and in building their international competitive advantage. Increase in research on FTZs in the field of International Business is encouraged. (For more information, please contact: Shavin Malhotra, Carleton University, Canada: shavinmalhotra@yahoo.ca)

Session: 3.2.4 - Competitive  
Track: Track 2-Theory Dev. and Empirical Modeling

Debating Theoretical Perspectives in IB

Presented On: June 28, 2007 - 09:50-11:05

Chair: Roberto Gamarra, Kean University

Beyond Induction and Deduction: The Case for Retrospective Research in International Business  
Cliff Bowman, Cranfield University  
Andreas Birnik, Cranfield University

This paper advocates the use of the retrospective research strategy in international business. We believe that the methodology’s focus on underlying structures and generative mechanisms, offers the potential to develop practitioner-oriented theories that can help to bridge the relevance-gap currently separating academia and practice. The paper reviews the inductive, deductive and abductive research strategies before presenting the retrospective research strategy. We provide an integrated design framework that can be used both to conduct literature reviews and carry out empirical research. (For more information, please contact: Andreas Birnik, Cranfield University, United Kingdom: andreas.birnik@cranfield.ac.uk)

EVLN Applied to a Macro Level: Underlying Conditions for National R&D Reform in the Transnational Economy  
Kazuhiro Asakawa, Keio University  
Mark Lehrer, Suffolk University

By applying the Hirschman’s (1970) individual-level framework to the organizational level, the paper extends the original argument to show its extensive applicability to the macro-level issues. National R&D reform in the transnational economy presents an ideal setting for such a purpose, for firms dissatisfied with the surrounding
weak home-country R&D environment are likely to resort to “exit” and “voice” options, along with “loyalty” and “neglect.” We frame conditions under which firms resort to differing options, in combination with the way government is expected to react to them. We demonstrate the power of applying the EVLN framework to the multiple-level analysis (such as firms and government), and suggest further research opportunities. (For more information, please contact: Kazuhiro Asakawa, Keio University, Japan: asakawa@kbs.keio.ac.jp)

The Human Learner - CICS Framework of International Competitiveness  
Roberto Gamarra, Kean University

This paper addresses the following question: What analytical framework can be developed to guide the coordination of exporting and technological learning strategies in companies in emerging-market economies? We attempt to break new ground in the field of International Business by linking cognitive sciences and ethnology with international business research. Thus, we apply a cognitive perspective to develop an organizing conceptual framework – the Human Learner- CICS framework – that underscores the role and importance of the cognitive dimension of individual economic actors, business organizations, institutions, and business environments in the analysis of international competitiveness. (For more information, please contact: Roberto Gamarra, Kean University, USA: rgamarra@kean.edu)

Climbing Ladders: A Legitimacy-Based Perspective on the MNE's Internationalization Process  
Claes Fredrik Bohman, Stockholm School of Economics  
Jesper Edman, Stockholm School of Economics

Behavioural theories of the multinational enterprise have previously used MNEs’ incremental knowledge-acquisitions (Johanson & Vahlne 1977) or personal networks (Johanson & Mattson 1988) to explain internationalization processes. This paper takes an alternative approach to suggest market entry and expansion also critically depend on host country constituents’ understandings and acceptance of the foreign firm and its practices; we thus view legitimacy as a key but largely neglected factor in the internationalization process. Drawing on previous work, we suggest host country environments exhibit heterogeneous levels of “legitimacy barriers” towards foreign entrants; the level of acceptance and understanding for foreign firms and their practices thus vary among domestic actors. Based on an original case study, we show that MNEs entering host countries with core but deviant strategic practices may instead incrementally increase legitimacy by initially partnering with less-embedded firms that have greater acceptance of foreign practices and thus exhibit lower legitimacy barriers. As other actors in the host country become more accepting of the MNE’s practices, the firm’s legitimacy increases and it can gradually move up a “legitimacy ladder” to initiate partnerships with centrally-embedded firms exhibiting higher legitimacy barriers. We offer a number of propositions to formalize our suggested theory and conclude with potential theoretical and managerial implications. (For more information, please contact: Claes Fredrik Bohman, Stockholm School of Economics, Sweden: claes.bohman@hhs.se)
International Marketing of Services (II)

Presented On: June 28, 2007 - 09:50-11:05

Chair: Liesl Riddle, George Washington University

Indian Consumers’ Attitudes and Ethnocentric Tendencies towards US Fast Food Providers
Virginie Pioche Khare, Progressive Insurance
Rajshekhar (Raj) G. Javalgi, Cleveland State University
Robert F. Scherer, Cleveland State University
Andrew C. Gross, Cleveland State University

More and more service companies are now expanding their markets outside their borders, and particularly to emerging or transitional economies. This study answered multiple calls for more empirical research on the marketing of foreign services. Specifically, it focused on how Indian consumers form their attitudes and their decision processes to use US foreign fast food providers.

Six of this study’s eight hypotheses were supported by the data. Age and customer sophistication are significant variables when analyzing US fast food providers present in India. Consumer ethnocentrism was found to be significant in influencing Indian consumers’ purchase decisions of a US fast food provider while intention to use was demonstrated to be positively influenced by both experience with US fast food and image of US service providers. (For more information, please contact: Virginie Pioche Khare, Progressive Insurance, USA: virginiekhare@yahoo.com)

A Dynamic Model of the Internationalization Decisions of Franchisors
Qian Sun, Old Dominion University
Deepak Sethi, Old Dominion University

The conceptual model developed by Eroglu (1992) explains the conditions why franchising firms decide to expand overseas. The model however presents only a fragmented picture of the overall international franchising decision, since the intent to internationalize is only one of its elements. Other elements of that decision like where (which country) to expand to, and who to partner with, are not explained. This study presents an integrated conceptual framework that can holistically view all elements of the internationalization decision of franchising firms. It builds on to Eroglu’s model, insights from the notion of strategic fit, and also the Industrial Network Approach, which can better explain the other elements of that decision. This conceptual refinement also facilitates analysis of international franchising trends over time, and is thus useful to both academics and practicing managers. (For more information, please contact: Qian Sun, Old Dominion University, USA: qsun@odu.edu)

Effects of Customer Relationship Programmes on Customer Loyalty in Insurance
Yung-Ming Shiu, National Cheng Kung University
Tsu-Wei Yu, National Cheng Kung University

The rapid development of information technology enables businesses to promptly assimilate customer information, understand their needs and create values for them. Through the improvement of the operation process, channel integration, enhancement of employees’ capability, prompt and flexible responses, customer segmentation, value analysis and customised service, customer relationship management maintains the current customers, attracts the potential customers and enhances customer value. Based on the literature reviewed and the theories generated, this study builds a model to examine the impact of the process/channel and
customisation functions of the relationship programme on relationship commitment and customer loyalty. To gain insight into the relationship, a questionnaire was distributed to life insurance policyholders of five largest Taiwanese life insurers in terms of market share. The empirical analysis was carried out using a structural equation model. We find that the customisation function poses a greater influence on customer loyalty than the channel function and that the mediating role of affective commitment is supported. (For more information, please contact: Tsu-Wei Yu, National Cheng Kung University, Taiwan: a11111@ms19.hinet.net)

Do Local Differences in Human Capital Investment Affect Exports?
Susan M. Mudambi, Temple University
Farok J. Contractor, Rutgers University

With the increasing disaggregation of the global supply chain, many explanations for country differences in the level of goods and services exports have been offered. Yet little attention has been given to country differences in human capital investment. This paper contributes to the development and application of human capital theory for global marketing. An analysis of exports from 25 countries from 1989 to 2003 provided insights on country differences. Human capital investment has a significant effect on both services and goods exports. Human capital investment is not significantly more important for services than for goods. The nature of the effect of human capital investment differs between emerging Asia and developed countries. (For more information, please contact: Susan M. Mudambi, Temple University, USA: susan.mudambi@temple.edu)

Session: 3.2.6 - Competitive
Track: Track 5-Global Strategy

International Merger and Acquisition Activity

Presented On: June 28, 2007 - 09:50-11:05
Chair: Shlomo Yedidia Tarba, Ben-Gurion University and Rishon Lezion

Analyzing Post-Acquisition Success in International Biotech Mergers
Andreas Al-Laham, TU Kaiserslautern
Lars Schweizer, Grenoble Ecole de Management
Terry Amburgey, University of Toronto

This study analyzes the “M&A as R&D” type of acquisition (Bower, 2001) addressing the question whether acquisition experience and target familiarity influence the postacquisition integration success in terms of innovation. We measure the relationship between general acquisition experience of the acquirer, pre-acquisition alliance experience with the target, and industry familiarity (national versus international) of the target on the postacquisition patent rate of the acquirer. The results of our event history analysis of the complete U.S. biotech population support the importance of target familiarity, but do not confirm the importance of general acquisition experience. Furthermore, acquiring international, e.g. non-U.S. targets decreases the acquisition success. (For more information, please contact: Andreas Al-Laham, TU Kaiserslautern, Germany: al-laham@wiwi.uni-kl.de)

The Effects of Geographical Proximity on Foreign Acquisitions by U.S. Firms
Roberto Ragozzino, University of Central Florida

This paper examines cross-border acquisitions undertaken by firms to determine whether geographic distance directly affects the investment decisions made by firms seeking international growth via acquisitions. We find that ownership stakes are higher in more geographically proximate targets. The paper also investigates the
moderating effect of geographic distance on two other country-level determinants of entry mode — cultural distance and political risk — and shows that as these two hazards increase, acquirers tend to prefer shared ownership for proximate deals, and full ownership for acquisitions of remote targets. Several additional insights on the role of geographic distance on firms’ international growth strategies are offered. (For more information, please contact: Roberto Ragozzino, University of Central Florida, USA: roberto.ragozzino@bus.ucf.edu)

Learning to Acquire Abroad: The Impact of Prior Experience and TMT Composition
Anna Nadolska, RSM Erasmus University

This study examined the dynamics of the companies’ international expansion process by acquisitions on a sample of 1038 international acquisitions. By taking into account behavioral and cognitive aspects that have an impact on managerial decision to undertake an acquisition we provided insights into the way in which organizations learn and into the process of expansion by acquiring abroad. The results suggested that the pace of making foreign acquisitions is first increasing, then decreasing and subsequently increasing again as a function of experience with international acquisitions. We also find a U shaped relationship between experience with international acquisitions and greenfields and foreign acquisitions performance. We also investigated the moderating role of educational and tenure diversity as well as team size. (For more information, please contact: Anna Nadolska, RSM Erasmus University, Netherlands: anadolska@rsm.nl)

Learning from Merger and Acquisitions: The Role of Domestic and International Experience
Ilya R.P. Cuypers, Tilburg University
Youtha K. Cuypers, Tilburg University
Xavier Martin, Tilburg University

Extending research on the link between prior M&A experience and the amount and distribution of value generated by an acquisition, we examine and contrast the roles of the target’s and the acquirer’s M&A experience. Using a sample of 281 M&As, we show that both the target’s and the acquirer’s M&A experience determine how much value is created through the M&A. Furthermore, we distinguish between domestic and international M&A experience and find that international experience is a stronger determinant of how much value is created than domestic M&A experience. Finally, the value distribution amongst the M&A parties depends on the difference in their respective M&A experience. We discuss implications for M&A research and for research on organizational learning. (For more information, please contact: Ilya R.P. Cuypers, Tilburg University, Netherlands: i.r.p.cuypers@uvt.nl)

Session: 3.2.7 - Competitive
Track: Track 9-Global versus Local Knowledge

Networks and Intra-Firm Knowledge Transfer (II)

Presented On: June 28, 2007 - 09:50-11:05

Sharing Knowledge of Interpersonal Networks during Foreign Assignments and Knowledge Flows in Multinational Enterprises
Brendan Philip Boyle, University of Sydney
Rebecca Joy Mitchell, University of Newcastle
Stephen Nicholas, University of Newcastle

This paper explores the role of foreign assignments in the sharing of knowledge within multinational enterprises (MNEs) by outlining how employees sent on expatriate assignment share knowledge of interpersonal networks.
Interview data from 21 managers sent on foreign assignments in 14 MNEs is analyzed to explore how knowledge of interpersonal networks is shared during assignments and to consider the significance of this in the context of the flow of knowledge in MNEs. This paper demonstrates that knowledge of interpersonal networks is a category of knowledge shared during foreign assignments and that this knowledge plays a key role in the dissemination of knowledge in MNEs due to the time and access to knowledge advantages created through the possession of and application of knowledge of interpersonal networks during assignments. (For more information, please contact: Brendan Philip Boyle, University of Sydney, Australia: bnboyle@hotmail.com)

Shuwen Wang, National Taiwan University

This study examines whether the positions of network affect firm performance or not. A sample set involves 35 firms in semiconductor industry including four main subsidiary industries, fables, IC manufacturing, packaging and testing. Different from prior research, this study tests the relational indicators and firm performance. We collected patent citation data to represent diverse organizations and provided evidence that positions within networks, as defined in terms of contact and controlled positions within networks are related to firm performance. As hypothesized, firm performance was positively related to degree centrality and betweenness centrality in networks, and negatively related to constraints in networks. Findings show that betweenness centrality was significantly and positively related to firm performance. (For more information, please contact: Shuwen Wang, National Taiwan University, Taiwan: d93724003@ntu.edu.tw)

Johan Lindeque, University of Bath
Mark Lund, Lund Research Ltd
Steven McGuire, University of Bath

Corporate political activity (CPA) can be an important element in any firm’s effort to gain competitive advantage. This has been particularly true in the area of international trade, where domestic producers seek to bar or disadvantage foreign competitors in the home market though the imposition of trade protection. In the United States the imposition of anti-dumping duties (AD) or countervailing duties (CVD) is among the most popular policy demand made by firms, and as such is a focus of corporate political activity. This paper seeks to understand how and why some firms make more effective use of this process. It does so by drawing on social capital (SC) theory to illuminate the qualitative aspects of effective corporate political activity. Resilient trust between firms and their attorneys is revealed as a prominent aspect of effective CPA. The paper also adds to the literature by including foreign as well as US firms in the sample. (For more information, please contact: Steven McGuire, University of Bath, United Kingdom: s.m.mcguire@bath.ac.uk)

Two Models of Innovation Networks: Examining the Impact of Business Group Networks on the Innovation and Global Learning of Japanese Firms
Yanli Zhang, Rutgers University

The literature has long recognized the important role that the closed kind of Japanese business group network has played in the innovative strengths of Japanese firms, yet at the same time the constraint that this type of network places upon the firms’ technological connections to the rest of the world. In this article, this phenomenon is revisited taking into account the critical difference between two types of business group networks: the horizontal type and the vertical type. Using data on the US patents granted to the largest Japanese industrial firms, the results show that there are important differences between the impacts of these two types of networks on firm innovation and global learning. First, both horizontal and vertical networks promote innovation, but in different ways. In the horizontal network, its inter-industry conglomerate character
works to facilitate novel re-combinations and wider applications of knowledge across different industries; while in the vertical networks, its intra-industry supply chain nature works to facilitate integration and coordination of interdependent technologies in the manufacturing of complex multi-technology products or systems. Furthermore, horizontal networks are shown to constitute a substitute for and thus a constraint upon developing global networks for diverse knowledge access, while vertical networks do not show this negative effect on the development of global knowledge networks. Thus, it is argued that these two types of business group networks represent two distinct models of innovation networks: they each facilitate different knowledge creation and technological innovation processes, and they have different capacities to engage with and learn from more open international networks. (For more information, please contact: Yanli Zhang, Rutgers University, USA: yanli@pegasus.rutgers.edu)

Session: 3.2.8 - Competitive
Track: Track 7-Managing People across Cultures

Virtual Teams in International Context

Presented On: June 28, 2007 - 09:50-11:05

Chair: Ben L. Kedia, University of Memphis

Learning and Performance during an Offshore Transition
Christopher Williams, Birkbeck College, University of London

This paper tracks learning and performance in an outsourced offshore team during the period in which knowledge-intensive project work was transitioned from one of its clients – a Multinational Corporation (MNC) competing in the information services industry. I attempt to shed fresh light on the dynamics of offshoring knowledge-intensive work by examining changes in learning and performance of the outsourced offshore team during the transition period. I do this using a longitudinal analysis of team composition and project status data over a four year period. The key findings are threefold: (1) the identification of four distinct phases of the transition: offshore penetration, offshore embedment, offshore ramp-up and end-state stabilization, (2) evidence that the rate of learning varies considerably across these phases, (3) indication that performance of the team also varies considerably across these phases. These explorative findings have implications for theory, developing the idea that offshoring knowledge-intensive work is a co-evolutionary process of alliance innovation. They also have implications for practice and these are also discussed in this paper. (For more information, please contact: Christopher Williams, Birkbeck College, University of London, United Kingdom: christopher.williams@mbs.bbk.ac.uk)

The Power of Individual Cultural Values in Global Virtual Teams
Audra I. Mockaitis, Victoria University of Wellington
Elizabeth L. Rose, Victoria University of Wellington
Peter Zettinig, Victoria University of Wellington

This paper investigates the perceptions of members of 43 culturally diverse global virtual teams, regarding team processes and outcomes. Despite widespread acknowledgment of the challenges presented by cultural differences in the context of global teams, little is known about the extent of these differences on team dynamics in the absence of face-to-face interaction. We study the relationship between global virtual team members’ individualistic and collectivistic orientations and their evaluations of trust, interdependence, communication and information sharing, and conflict during the team task. Our results suggest that a collectivist orientation is associated with more favorable impressions regarding global virtual team processes and that cultural differences are not concealed by virtual means of communication. (For more information, please contact: Audra I. Mockaitis, Victoria University of Wellington, New Zealand: audra.mockaitis@vuw.ac.nz)
A Model of Organizational Identification for Virtual Team Workers: Role of Individualism-collectivism and Uncertainty Avoidance
Debmalya Mukherjee, University of Memphis
Ben L. Kedia, University of Memphis

This article aims to provide a model of organizational identification for virtual workers and attempts to examine the role of cultural dimensions in a virtual setting. Specifically, it explores individualism-collectivism and uncertainty avoidance as potential situational contingencies. Organizational identification concerns the perception of ‘oneness’ with an organization. The proposed research framework delineates how the cultural dimensions are related to virtual-work related individual factors (interpersonal trust and need for affiliation) and virtual environmental factors (spatial and cultural dispersion and ICT enabled communication) and organizational identification. Several testable propositions for future research are offered. (For more information, please contact: Debmalya Mukherjee, University of Memphis, USA: dmukhrj1@memphis.edu)

Session: 3.2.9 - Competitive
Track: Track 7-Managing People across Cultures

Cultural Variations in Work and Non-Work Contexts

Presented On: June 28, 2007 - 09:50-11:05

Chair: Anna Murdoch, Warsaw School of Economics

Predicting Work-Related Culture: A Multilevel Multivariate Meta-Analysis
Vas Taras, University of Calgary
Piers Steel, University of Calgary

Traditionally, cross-cultural studies have been based on the following assumptions: cultural values are extremely stable; culture is the cause, not the effect; geographic boundaries are most appropriate for clustering cultures; matched samples should be used to study cultural differences; and mixing individual and national levels of analysis is inappropriate. We challenge these assumptions using a meta-analysis of 508 empirical papers. We approach culture as a consequence, explore factors that shape cultural values, analyze the relationship between cultural values at the individual and national levels, and provide a basis for explaining cultural change. (For more information, please contact: Vas Taras, University of Calgary, Canada: taras@ucalgary.ca)

Power Distance and R&D Working Environment (An Employee Comparison in China-based R&D Companies)
Yi Zhang, University College Dublin

Different companies have their own polices and practices that are influenced by their national cultures and companies environment. Power distance and environment factors on R&D employees learning and knowledge transfer cause differences between Chinese-owned and American-owned R&D companies in China. Eight hypotheses are advanced about the relationships. These hypotheses are illuminated empirically with two sets of questionnaires, one set from indigenous Chinese professionals working for Chinese-owned R&D companies, and another from indigenous Chinese professionals working for American-owned R&D companies. Four of eight hypothesized relationships are supported. (For more information, please contact: Yi Zhang, University College Dublin, Ireland: yi.zhang@ucd.ie)
Cross Cultural Variations in Work-Family Conflict: A Closer Look at Vertical and Horizontal Individualism and Collectivism

Tejinder K. Billing, University of Memphis

The objective of this study is to explore the significance of the contextual differences of horizontal and vertical individualism and collectivism in five countries in fostering work-family conflict. Research in the area of work-family conflict has been conducted in individualistic cultures where the incidence of such conflicts has traditionally been higher. We explore the values of four types of cultural archetypes in examining the external validities of work-family research. Another objective of this study is to examine the relationship between work-family conflict and turnover intentions in five national contexts. Implications of the study are explored for sustaining dialog across borders and cultures. (For more information, please contact: Tejinder K. Billing, University of Memphis, USA:tkbilling@memphis.edu)

Unexpected Consequences of Cultural Identity Awareness

Stacey R. Fitzsimmons, Simon Fraser University

I propose a model that illustrates the cognitive process by which awareness of cultural differences can lead to bigger perceived differences between cultural groups, using social identity theory (Tajfel & Turner, 1986) and self-categorization theory (Turner, Hogg, Oakes, Reicher, & Wetherell, 1987). Specifically, when people become aware of cultural differences, their own cultural group becomes more salient as an important part of self-identity. This, in turn, prompts people to take on characteristics typical of their own cultural group, and to perceive other cultural groups (out-groups) as more internally homogeneous. The result is an increasingly divided workforce by cultural groups, which has been shown to lead to dissatisfaction, disharmony, and a poor working environment (Lau & Murnighan, 2005). This result can be moderated by positive affect, a bicultural self-identity or a strong self-concept. (For more information, please contact: Stacey R. Fitzsimmons, Simon Fraser University, Canada:sfitzsim@sfu.ca)

Session: 3.2.10 - Competitive
Track: Track 5-Global Strategy

Networking, Capabilities and Complementarity

Presented On: June 28, 2007 - 09:50-11:05

Chair: Sylvie Chetty, Massey University

The Impact of Nationality of Ownership on the Networking Intensity of Firms

Lilach Nachum, Baruch College, CUNY

I argue that nationality of ownership, whether foreign or local, affects firms’ needs for complementary assets sought via networking and their ability to establish such relationships. Hence, foreign firms represent a special case in the use of networking as a means of organizing value added activities. Combining networking theories with the theory of the MNE, I conceptualize intra- and inter-organizational interactions as two related aspects of affiliates’ activities, and show that internal MNE interaction partly explains why affiliates network considerably less than local firms. I bring these findings as an important contribution to the understanding of the MNE as a distinctive organizational form. (For more information, please contact: Lilach Nachum, Baruch College, CUNY, USA: lilach_nachum@baruch.cuny.edu)
How Do Internal Capabilities and External Partnerships Affect Innovativeness?
Yu-Shan Su, Chang Jung Christian University
Eric W.K. Tsang, Wayne State University
Mike W. Peng, University of Texas at Dallas

How do a firm’s internal capabilities and external partnerships contribute to its product and process innovativeness? How do their impacts differ? Based on the theoretical framework of exploitation and exploration, we develop an integrative model linking the impacts of both internal capabilities and external partnerships on product and process innovativeness. Survey responses from 78 Taiwanese biotechnology firms indicate that research and development, marketing, and manufacturing capabilities have different effects on product and process innovativeness. Overall, it is the combination of a firm’s internal capabilities and external partnerships that impacts its innovativeness. Of the four types of external partnerships, only partnerships with universities and research institutes seem to add value, whereas partnerships with suppliers, customers, and competitors do not contribute to innovativeness. (For more information, please contact: Yu-Shan Su, Chang Jung Christian University, Taiwan: belle@mail.cju.edu.tw)

Cohesive Capacity: Managing Network Evolution in Global Competition
Faith Hatani, University of Surrey

By incorporating evolutionary perspectives and the dynamic capabilities approach into interfirm network analysis, this study conceptualizes a network-specific advantage, ‘cohesive capacity’. Cohesive capacity is defined as the organizational ability, residing in an internationally operating interfirm network, by which member firms intensively mobilize their resources in respective target areas based on intra-network division of labor while constantly interconnecting with each other in the international sphere for the global advancement of the network as a whole. It enables the network to speed up best practices collectively as the network evolves. Deriving from the case study of the Toyota Group, this exploratory study analyzes how cohesive capacity can evolve in a network, and why it is important for an interfirm network to grow in today’s global competition. The paper provides a dynamic perspective of network evolution and identifies the key factor underlying international competitive advantage of multinational networks. (For more information, please contact: Faith Hatani, University of Surrey, United Kingdom: f.hatani@surrey.ac.uk)

Session: 3.3.1 - Panel
Track: Track 2-Theory Dev. and Empirical Modeling
Multi-Level Issues in International Business Research

Presented On: June 28, 2007 - 11:15-12:30

Chair: Bo Bernhard Nielsen, Copenhagen Business School
Co-Chair: Koen Heimeriks, Copenhagen Business School

Panelists:
Anthony Goerzen, University of Victoria
Jean-François Hennart, Tilburg University
Ram Mudambi, Temple University

International Business (IB) phenomena are inherently complex and multi-disciplinary in nature. Accordingly, many scholars have emphasized that it is fundamentally important to approach international business research at a variety of levels of analysis (Lewin and Volberda, 1999; Krishnan, 2006). Such levels include individuals, teams, dyads, businesses, corporations, industries, and national and regional contexts. At each level there is
vast heterogeneity. However, while most levels have been analyzed in the past in IB research, typically these have been analyzed in relative isolation without due attention to cross-level effects.

In spite of an evident need, IB research has had only limited success with respect to addressing and testing multi-level frameworks. While it is debatable whether or not IB research “is running out of steam” (Buckley, 2002; Buckley and Ghauri, 2004; Peng, 2004), we conjecture that a systematic multi-level inquiry in IB will generate new theoretical as well as empirical insights. Hence, the workshop will seek answers to a) WHY multi-level research is necessary in IB research; b) WHAT multi-level questions in IB should be asked; and c) HOW these questions should be analyzed methodologically. *(For more information, please contact: Bo Bernhard Nielsen, Copenhagen Business School, Denmark: bn.smg@cbs.dk)*

**Session: 3.3.2 - Competitive**  
**Track: Track 5-Global Strategy**

**Market Entry and Local Institutions**

**Presented On:** June 28, 2007 - 11:15-12:30

**Chair:** Daya Shanker, Deakin University

*How Do Transaction and Institutional Traits Interact and Affect FDI Strategy? Evidence from Exporters in Emerging Market*

Hui-Mei Wang, FuJen Catholic University

This study aims to explore the interaction between institutional and transaction characteristics and its effect on firms’ FDI strategy. Institutional isomorphism and transaction costs have been two major theoretical lenses adopted in much literature to examine the choice between wholly owned subsidiaries and joint ventures. However, existing studies mainly focus on the complementary or competing explanatory power of the two theories. Little is known about how social and economic contexts interact and affect firms’ decision of FDI strategy. This study suggests that the institutional effects can be contingent upon certain conditions, in which we suggest to be transaction traits that determine the firm’s strategic approach toward passive compliance or strategic choice. In specific, a firm’s institutional response on FDI strategy may be conditioned on asset specificity and external uncertainty. A hierarchical regression analysis of survey data of 116 Taiwanese exporters largely supports the hypothesized moderating effects of transaction traits on institutional effects in predicting the propensity of choosing a wholly-owned subsidiary over a joint venture in entering USA, Japan, Hong Kong, and China. *(For more information, please contact: Hui-Mei Wang, FuJen Catholic University, Taiwan: hueimei_tw@yahoo.com)*

**Radical Institutional Change: Strategic Responses of Local and Foreign Firms to Regulatory Punctuations in Emerging Markets**

Luis Antonio Perez-Batres, Appalachian State University

Radical transformations of the business landscape have taken place as a result of globalization. However, the study of both domestic and multinational firms’ strategies and characteristics that facilitate or hamper firm performance, under radical change, has not received enough attention. The present paper offers theoretical and empirical insights about the strategies and characteristics of domestic and foreign banks operating in the Mexican banking industry after radical changes took place during the 1990s. Results show that foreign banks from countries with stronger commercial ties to the focal emerging market were less likely to exit the industry than foreign banks with weaker ties. Also, the likelihood of exiting the industry, by foreign banks, decreased for those that followed more aggressive strategies such as acquisitions and high loan growth. For domestic banks, those with higher levels of international diversification were more
likely to survive than those with lower levels of diversification. In contrast, domestic banks that followed aggressive growth loan strategies were more likely to exit the industry than less aggressive domestic banks. This study contributes to knowledge about the influence of radical institutional change and the characteristics and strategies that allow domestic and foreign firms to be successful in emerging markets.  (For more information, please contact: Luis Antonio Perez-Batres, Appalachian State University, USA: perezbatresl@appstate.edu)

MNC Subsidiaries and Country Risk: Internalization as a Safeguard against Weak External Institutions
Susan Feinberg, Rutgers University
Anil Gupta, University of Maryland

Literature on how MNCs deal with country risk has focused almost exclusively on how such risk affects the design of entry strategies. It tells us that, other things being equal, country risk reduces foreign direct investment (FDI) and also leads MNCs to hold a lower equity stake in the focal subsidiary. Notwithstanding these findings, considerations such as rapid economic growth and lower factor costs are driving MNCs to significantly increase FDI into high risk countries. These developments make it imperative that we also address the question of how MNCs deal with country risk on an ongoing basis after they have established majority or wholly owned operations in a high risk country. In this study, analyses of panel data on a large sample of subsidiaries of U.S. headquartered MNCs spanning the period 1983-1996 support our prediction that MNCs will respond to high country risk by increasing the extent to which the focal subsidiary sells its goods and services within the MNC’s internal global market rather than externally. Our analyses also support the prediction that trade internalization as a response to country risk will be weaker in the case of MNCs which have greater prior experience at operating in high risk countries. (For more information, please contact: Susan Feinberg, Rutgers University, USA: feinberg@business.rutgers.edu)

Session: 3.3.3 - Panel
Track: Track 9-Global versus Local Knowledge

Study Abroad Programs in International Business in a Post-9/11 Environment: Is the Book Being Re-written on Overseas Educational Opportunities?

Presented On: June 28, 2007 - 11:15-12:30

Chair: Daniel Rajaratnam, Baylor University

Panelists:
Daniel Rajaratnam, Baylor University
Terry Clark, Southern Illinois University
Daniel Brenenstuhl, Arizona State University
Stephen Gardner, Baylor University

In this special session, a panel of four international business educators with over 80 years of combined experience in international business study abroad programs, will present an in-session SWOT analysis of international business study abroad programs in the context of the post 9/11 environment.

Discussion in this session will focus on the educational outcomes of international business study abroad programs for both students and faculty, concentrating on the potential effects of current world conditions on both the demand for these programs and future itineraries. In addition to discussion, study abroad materials produced by the presenters will be provided to the attendees.  (For more information, please contact: Daniel Rajaratnam, Baylor University, USA: dan_rajaratnam@baylor.edu)
Drivers of Developing Country Firm Success in the USA
Helena Barnard, University of Pretoria

This article seeks to relate the drivers of firms' competitiveness to the level of development of their home country. It argues that firms from less developed countries will not only tend to be relatively less successful in the USA than firms from more advanced countries, but specifically that the drivers of their competitiveness will differ. Three main points are evident. First, the data point to the marginal status of developing country firms: There are relatively few developing country firms in the USA, and they are also much smaller than firms from the developed world. Second, the USA is a challenging environment for developing country firms, and firms have scope and indeed need for capability upgrading. Finally, capital (rather than human) assets represent the most important capability base for developing country firms in the USA. In sum, home country effects are important in explaining the investment behavior and success of firms from developing countries in a more developed country. (For more information, please contact: Helena Barnard, University of Pretoria, South Africa: barnardh@gibs.co.za)

Export and Productivity of Chinese Manufacturing Firms
Jiangyong Lu, Tsinghua University
Zhigang Tao, University of Hong Kong

In this paper, we investigate determinants of exporting and benefits from exporting for China's indigenous firms and foreign affiliates in China, respectively. Consistent with the situation in most other countries, China's indigenous firms self-select into exporting and learn by exporting. However, for foreign affiliates in China, most productive firms chose to serve China's domestic market. In addition, the fact that the productive level of foreign affiliates in China declines after starting exporting provides evidence of transfer pricing in intra-firm trade. (For more information, please contact: Jiangyong Lu, Tsinghua University, China: lujy3@sem.tsinghua.edu.cn)

How Are Chinese Firms Coping with Global Competition? An Empirical Assessment
Nitin Pangarkar, National University of Singapore
Jie Wu, National University of Singapore

In this study, we extend the research on global integration to a new environmental context (emerging market; China). We explore the extent to which global integration of an industry, including both import integration and export integration, affects the accounting performance of member firms. We track the global integration and performance of 166 public listed firms, from six different industries, over the period 1996-2001. The results of random effects and pooled OLS regression estimations validate our major premise: high levels of global integration of an industry positively impact the performance of member firms. Among the two dimensions constituting global integration, we find that import integration has a stronger impact on performance than export integration. (For more information, please contact: Nitin Pangarkar, National University of Singapore, Singapore: bizpn@nus.edu.sg)
Impact of Institutional Quality and Institutional Distance on Subsidiary Performance: Evidence from Korean MNCs
Chinmay Pattnaik, Yonsei University
Soonkyoo Choe, Yonsei University

To examine the impact of the quality of host country institutions and the institutional distance between the home and host country, we develop a comprehensive set of measures based on six dimensions that capture the broad spectrum of institutions relevant for foreign subsidiary corporations. Our empirical analysis shows that institutional distance explains a significant variance in the subsidiary performance using a sample of Korean MNC subsidiaries. Moreover, the desegregation of constructs reveals the negative impact of institutional distance in product market and labor market regulations together with the distance in political system on subsidiary performance, whilst the impact of distance in capital market, labor market and degree of openness for foreign investors are not found to be significant. However, host country institutional qualities do not significantly explain the variation in subsidiary performance. Our evidence highlights that host country institutions matter substantially when considered with their relative similarity and difference with home country institutions, rather than with their absolute level of development. (For more information, please contact: Chinmay Pattnaik, Yonsei University, Korea, South: chinmay@yonsei.ac.kr)

Session: 3.3.5 - Competitive
Track: Track 5-Global Strategy

Choosing Locations for R & D

Presented On: June 28, 2007 - 11:15-12:30

Chair: Rakesh B. Sambharya, Rutgers University-Camden

The Effects of National Patent Protection on Firm Innovation
Brent B. Allred, College of William & Mary

Countries enact various mechanisms, such as patent protections, to encourage, protect, and reward firm innovation. The degree to which these mechanisms afford firms protection over their intellectual property influences the innovation strategy that firms pursue and innovation investments they make. To date, empirical evidence on the relationship between patent protections and firm innovation is lacking, despite the relationship being the subject of intense theoretical and policy debate. To further consider the influences on firm innovation, we test the influence of a country’s patent rights and changes in them on firm-level investment in innovation. Data for 706 firms competing in ten industries across 29 countries were gathered and analyzed. Even after controlling for various firm, industry, and national, factors, there is a strong positive influence of patent rights and changes in patent rights on a firm’s propensity to invest in innovation. In addition, we consider the sensitivity of this result to alternative measures of patent and other intellectual property protection. We also find that the influence of patent rights on firm-level innovation vary across industries; for example, the impact appears greatest in the scientific instruments and industrial chemicals industries. (For more information, please contact: Brent B. Allred, College of William & Mary, USA: allred@mason.wm.edu)

The Effects of Country Environments on the Internationalization of Research & Development Expenditures in Multinational Corporations
Rakesh B. Sambharya, Rutgers University-Camden
Rajaram Veliyath, Kennesaw State University
Kamal Fatehi, Kennesaw State University
This paper investigated the factors in country environments that influence the internationalization of R&D expenditures among transnational corporations (TNCs). A country’s physical infrastructure, existing levels of technological activity, the availability of human capital, and a reduction in country risk profile were all proposed to motivate increased international R&D spending by TNC affiliates. While no support was found for levels of technological activity, the country’s physical infrastructure and available human capital exhibited a significant influence on international R&D expenditures. Net Foreign Direct Investment inflows into the country, a variable that measured the business confidence in a country, had no significant effect. (For more information, please contact: Rajaram Veliyath, Kennesaw State University, USA: rveliyat@kennesaw.edu)

Home Base-Substituting R&D: A Coevolutionary Framework for National R&D Reform
Kazuhiro Asakawa, Keio University
Mark Lehrer, Suffolk University

This paper presents a coevolutionary framework of national R&D reform triggered by firm-level choices on the location of R&D. The framework highlights the R&D policy effects of “home base-substituting” R&D by a country’s domestic firms in the transnational economy. The process is conceived as a two-level game in which firms and policy-makers respond sequentially to weaknesses in the national innovation system. In this model, R&D “exit” by multinational corporations produces two effects stimulating reform: a cognitive effect (a shock to policy makers) and an ecological effect (an opening for new entrants in the sector concerned, leading to intensified competition). (For more information, please contact: Kazuhiro Asakawa, Keio University, Japan: asakawa@kbs.keio.ac.jp)

Drivers of Multinationals’ R&D in China
Nir Kshetri, University of North Carolina at Greensboro
Lailani Laynesa Alcantara, University of Tsukuba

Developing economies such as China are rapidly moving from the periphery to the center of the global economic system. Among many events that illustrate this trend, one is particularly telling: a rapid increase in foreign MNEs’ R&D activities in these economies. By analyzing foreign firms’ R&D operations in China, this paper develops a model that incorporates characteristics of a host country affecting amount and quality of MNEs’ R&D activities in the country. (For more information, please contact: Nir Kshetri, University of North Carolina at Greensboro, USA: nbkshetr@uncg.edu)

Session: 3.3.6 - Competitive
Track: Track 6-International Entrepreneurship

Entrepreneurial Venturing in Different Global Contexts

Presented On: June 28, 2007 - 11:15-12:30

International Entrepreneurial Capability: A Comparison Between Born Global Firms and Traditional Exporters in China
Man Zhang, Bowling Green State University
Patriya Tansuhaj, Washington State University
James McCullough, University of Puget Sound

This paper compares international entrepreneurial capability between born global firms and traditional exporters in China. Based on a sample of 171 firms, born global firms were found to have a higher level of international experience, international learning capability, international marketing capability, and international networking.
capability. Moreover, there is an empirical support for the positive relationship between international entrepreneurial capability and firms’ global market performance. Contributions and managerial implications are also provided. (For more information, please contact: Man Zhang, Bowling Green State University, USA: mzhang@cba.bgsu.edu)

The German Miracle Keeps Running: How Germany's Hidden Champions Stay Ahead in the Global Economy
Bernd Venohr, Berlin School of Economics
Klaus E. Meyer, University of Reading

Despite mediocre macro-economic performance of the German economy, German companies continue to be very successful players in global trade. This article explores the strategies of one of the pillar of this export success, the 'Hidden Champions', and the institutional context that makes these strategies possible. Our empirical analysis focuses on leading companies identified by Hermann Simon in the early 1990s, and investigates their long-term progress over one decade. These companies prosper with strategies of market leadership in global niches, and disaggregation of the value chain to locate only high value added activities in high cost Germany. (For more information, please contact: Klaus E. Meyer, University of Reading, United Kingdom: k.meyer@reading.ac.uk)

Interaction Effects of Time Performance and Market Knowledge Competence on Product Success in Global New Product Development
William H.A. Johnson, Bentley College
Željana Piccolotto, University of Padova
Roberto Filippini, University of Padova

Speed of development and speed to market are often recommended in the New Product Development (NPD) literature as keys to successful product launches. However, the question concerning any moderating and contingency relationships with the direct effect of time on product success remains such that we still do not know if speed alone is enough? In this paper we consider the influence of Time Performance on Product Success and the interaction effect on this relationship of Market Knowledge Competence. To do this we utilized a sample of 256 manufacturing firms settled in four countries: Italy, Germany, Japan and USA. The findings of this research shed some light on this noteworthy topic. In particular, we found evidence of both direct and indirect interactive effects of Time Performance and Market Knowledge Competence on Product Success. These findings should be of considerable interest to both academics concerned with global product development practices and to NPD managers by offering potential new guidelines regarding the use of project acceleration approaches. (For more information, please contact: William H.A. Johnson, Bentley College, USA: wjohnson@bentley.edu)

Session: 3.3.7 - Competitive
Track: Track 8-Marketing

Buyer-Seller Relationships

Presented On: June 28, 2007 - 11:15-12:30

Chair: Janet Y. Murray, University of Missouri-St. Louis

Social Capital, Strength of Ties and Foreign Market Entry
Henrik Agndal, Stockholm School of Economics
Sylvie Chetty, Massey University
This paper explores the role of social capital in 121 new foreign market entries of 24 Swedish and New Zealand SMEs in the early and later phases of their internationalization. We separate the elements of social capital into enabling and triggering roles of social capital and the nature of relationships forming the basis for social capital into strong ties and weak ties. The most frequently observed role was the triggering role, occurring mainly through weak ties. Contrary to what was expected, the triggering role was especially prominent in the later phases of internationalization. Overall, the Swedish firms were more reactive in their stance towards international expansion than the New Zealand firms, the former benefiting from proximity to main foreign markets and greater likelihood of being approached by foreign intermediaries and customers. The New Zealand firms had to work harder to make such contacts, due to greater distance to large markets. Overall, strong ties and weak ties were equally important, but strong ties were relatively more important in early phases and weak ties in later phases; As firms internationalize they form new relationships that link them into new networks that provide them with new business opportunities. (For more information, please contact: Henrik Agndal, Stockholm School of Economics, Sweden: henrik.agndal@hhs.se)

Relational Embeddedness, Network Centrality, and Incremental Innovation
Heng-Chiang Huang, National Taiwan University
Chia-Wen Chang, National Taiwan University

Drawing on embeddedness theory and network theory, this study develops a comprehensive model that explains the incremental innovation process in the supplier-manufacturer relationship. The study also investigates the effect of network centrality on incremental innovation. Utilizing the partial least squares (PLS) technique, we assess how incremental innovation can be explained by a group of determinants. The results strongly support our hypotheses. Our findings reveal that relational embeddedness and network centrality are important for developing incremental innovation. We seek to make two contributions. First, this study examines the incremental innovation process through the theoretical lens of the embeddedness perspective. Second, this study examines the relationship between a firm's centrality in a network and its incremental innovation. The implications of the study are discussed, along with limitations and suggestions for future research. (For more information, please contact: Heng-Chiang Huang, National Taiwan University, Taiwan: bhchuang@management.ntu.edu.tw)

Antecedents and Consequences of Trust and Commitment – Importer Perspective from a Developing Country
Md Abu Saleh, Queensland University of Technology
M. Yunus Ali, Queensland University of Technology

Importer commitment plays a dominant role in the exporter-importer relationships and facilitates the process of internationalization. Further, trust as a pledge of relationship has received scholarly attention in other buyer-seller relationship contexts. These critical relationship aspects and their animating factors are, however, overlooked in the international business literature. What factors influence importer trust and commitment and what are the consequences of trust and commitment in the importer supplier relationship are inconclusive in the literature. This study strived to investigate the spectrum of importer commitment and has explicitly examined antecedents of trust and commitment to a foreign supplier by integrating them in a comprehensive model. Primary data from a sample of 232 industrial and commercial importers in a developing country have been used for empirical verification of the model using SEM. The analysis of the proposed structural model revealed that thirteen out of fifteen hypotheses are highly significant including four direct paths as antecedents of importer commitment. These findings extend the application of the underpinned theories and their tenets in explaining the importer-supplier trust and commitment relationship and contribute to the body of knowledge. Implications of the findings are discussed and future research directions are recommended. (For more information, please contact: M. Yunus Ali, Queensland University of Technology, Australia: y.ali@qut.edu.au)
Knowledge Processes for Innovation (II)

Presented On: June 28, 2007 - 11:15-12:30

Chair: Sjoerd Beugelsdijk, University of Nijmegen

Technological Effects of Cross Border M&A in Spanish Manufacturing Industries

Raquel Marin, Universidad Complutense de Madrid
Isabel Alvarez, Universidad Complutense de Madrid

Recent trends in the internationalisation of companies reveal how mergers and acquisitions (M&As) have achieved one of the most crucial roles among FDI flows; their growth rates have being spectacular during the last decade. Technological consideration is one of the critical aspects in the decision to internationalise via M&As. However, the impact of M&As on technological activities at company level is still a controversial question in the literature. This paper explores whether FDI via M&As generate changes in companies' technological profile according to the R&D intensity of industries. The availability of microdata for company acquisitions in the Spanish manufacturing industries allows for a comparison of the impacts on the innovative behaviour of the acquiring firms, making the difference between cross-border and domestic M&As. (For more information, please contact: Isabel Alvarez, Universidad Complutense de Madrid, Spain: isabel.alvarez@ccce.ucm.es)

Of Leaders, Laggards and their Motives for FDI

Roger Smeets, University of Nijmegen

Despite the tradional literature's argument that firms need a competitive advantage to engage in Foreign Direct Investment (FDI), more recently it has been argued that laggard firms may also choose to become Multinational Enterprises (MNEs). The reason to still engage in FDI in this case is to source technology from leading foreign firms. In this paper I take issue with this claim, essentially by arguing that FDI is too drastic a measure to access more advanced technology for laggard firms. The following result is then established formally: Technology sourcing by means of FDI turns out to be a strategy that is mainly adopted by technological leaders, whereas laggard firms will mainly source technology while staying at home, which I term local sourcing. The first part of this result is in accordance with (recent) empirical evidence, whereas the second part has not been empirically tested yet. (For more information, please contact: Roger Smeets, University of Nijmegen, Netherlands: r.smeets@fm.ru.nl)

Sensing the Globe for External Knowledge: Uncovering the Technology Scouting Process

L. Felipe Monteiro, London Business School

This paper aims at contributing to the existing literatures on multinational management, technological search and open innovation by providing a detailed account of the process through which large multinational corporations systematically search for new technologies across geographic and organisational boundaries. Our data collection effort has extended over the period of two years; involved more than 50 semi-structured interviews with managers in three continents; numerous field observations and the use of both internal and publicly available archival data. Our findings seem to indicate that this process of search for knowledge across firm and geographic boundaries is filled with many nuances that a simple search-transfer model is not able to capture. Our data also indicate that external knowledge may be internalised not because it is new to a focal firm but because it comes with the market provenness that a technology developed internally does not have. Finally, and most interestingly, we found out that even when the external knowledge is related to the firm's knowledge base, it may be not internalised if it is "dissonant knowledge", i.e. if it challenges the firm's dominant logic. (For
Legitimacy and Control of International Operations

Presented On: June 28, 2007 - 11:15-12:30

Chair: Mikelle A. Calhoun, Ohio State University

Subsidiary Control in Multinational Corporations
Markus Pudelko, University of Edinburgh

Comparative research has mainly focused on the overall extent of subsidiary control. We investigate more specifically the degree to which MNCs from various national backgrounds employ different kinds of foreign subsidiary control. Furthermore, we will examine to which degree different management functions are subject to different control regimes. Finally, we will explore the context between control and conflicts. These issues are of paramount theoretical and practical relevance, as MNCs are not able to implement a global strategy without controlling their foreign subsidiaries. In order to investigate subsidiary control we employed a very carefully matched research design in which 617 subsidiaries of American, Japanese and German MNCs have been surveyed in each of the other two respective countries. (For more information, please contact: Markus Pudelko, University of Edinburgh, United Kingdom: markus.pudelko@ed.ac.uk)

The Pulse of Liability of Foreignness - Dynamic Legitimacy and Experience Effects in the German Car Market
Ulrich Kaiser, University of Southern Denmark
Wolfgang Sofka, Centre for European Economic Research (ZEW)

Globalization has provided many companies with new opportunities for growth and efficiency. This requires them to operate successfully across cultural and social borders. These can be stumbling blocks to internationalization and have been found to cause frequent errors and delays for multinational companies. Such liabilities of foreignness are persistent in nature. We investigate the causes behind these detrimental effects. We identify two major factors conceptually: a lack of legitimacy in the host country on the demand side and a lack of responsiveness on the side of the multinational corporation. We test these hypotheses empirically using a comprehensive sample of the German car market, which is especially suitable due to its established domestic producers and international competitors. Our results suggest that the two factors interact. For less experienced customer groups, we find that legitimacy is the dominant factor behind the effects of liability of foreignness. As customer experience increases, liability of foreignness caused by a lack of responsiveness becomes more of an issue. (For more information, please contact: Wolfgang Sofka, Centre for European Economic Research (ZEW), Germany: sofka@zew.de)

Coping with Liability of Foreignness: Mitigating Host Country Employee Goal Misalignment and Information Asymmetry
Mikelle A. Calhoun, Ohio State University

This theoretical development brings together and extends two critical theories spanning international management and strategy. Recent discussions have challenged international management scholars to better define the unique contributions of the field. One phenomenon born in the international business context and rich in its implications for our field is the liability of foreignness ("LOF") faced by firms expanding into new
countries. LOF work began with confirmatory research intended to prove the existence of the phenomenon. However, as the LOF literature has matured, we have begun to learn much more about the sources and coping mechanisms related to this amorphous issue. This paper extends LOF literature further by shifting the level of analysis to the individual employee and relying on agency theory to develop a better understanding of the problem and the potential solutions for foreign firms addressing LOF-related issues within their foreign subsidiary operations. Ultimately, this work will detail a model reflecting the problems of increased goal misalignment and information asymmetry and will explain how to balance monitoring and outcome-based incentive structures to mitigate the manifestation of LOF at the employee level. This paper is a work in progress that builds on prior work of a somewhat more limited nature. (For more information, please contact: Mikelle A. Calhoun, Ohio State University, USA: calhoun_88@cob.osu.edu)

Session: 3.3.10 - Competitive
Track: Track 4-Emerging Markets (EM) and MNEs

Societal Effects of Corporate Investment in Emerging Markets

Presented On: June 28, 2007 - 11:15-12:30

A Critical Stance on Corporate Incremental Capabilities in Corporate Citizenship
Gabriele Suder, CERAM Sophia Antipolis
Nina Nicolas, CERAM Sophia Antipolis

Corporate citizenship initiatives currently grow under the influence of globalization, stakeholder expectations and fundamental conflict prevention initiatives. This paper reviews existing theories in the field of corporate citizenship and focuses on the reasons and benefits of initiatives and partnership as well as the key beneficiaries. May corporate citizenship be a solution to an increasing social divide and the way to a successful market-based economy? The findings of this research are used to conceptualize the phenomenon of corporate citizenship, and to prepare a taxonomy of its levels of implications along a scale of involvement and impact for the firm on an incremental level. (For more information, please contact: Gabriele Suder, CERAM Sophia Antipolis, France: gabriele.suder@ceram.fr)

Exploring China’s Interior from a Socioeconomic Competitiveness Perspective
Chang Liu, Trinity College, University of Dublin
Louis Brennan, Trinity College, University of Dublin
Yunfu Huo, Dalian University of Technology
Deli Yang, Dalian University of Technology

Over 80% of FDI flows to China have been concentrated in its south-eastern coastal belt. The majority of these flows are accounted for by low value added manufacturing firms. This has lead to increases in land and labour costs and deterioration in the environment in China’s coastal belt. The Chinese government has recently imposed requirements on FDI entering the coastal regions to secure high value added activities. At the same time, one of the main goals of China’s ‘open up the west’ policy launched in 2000 is to distribute labour intensive foreign investments to its interior area. This paper demonstrates that the socio-economic differences among China’s western provinces are huge. It is important for multinationals considering investing in China to select their location destination based on a thorough understanding of western China’s socio-economic competitiveness. (For more information, please contact: Chang Liu, Trinity College, University of Dublin, Ireland: liuc@tcd.ie)
Does FDI Influence Country Welfare? Looking at Country Indices and Infrastructure
Kevin Lehnert, Saint Louis University

What role do MNCs have in determining the overall welfare of their host country? How much influence does the MNC have in shaping the infrastructure of the host country? The purpose of this paper is to highlight the effects of foreign direct investment (FDI) and how it concerns host country development and welfare. Does FDI have a positive or negative impact on host country welfare and infrastructure development? I pose an empirical formula that looks into the relevance of FDI and its propensity to affect welfare and infrastructure. This formula will serve to highlight the empirical measurements of welfare, the utilization of government resources to enhance welfare and the functional effects of FDI. Its’ impact will be to note the overarching effects of FDI, and provide initial groundwork for host countries in determining the appropriateness of addressing FDI inflows. (For more information, please contact: Kevin Lehnert, Saint Louis University, USA: dieboldk@slu.edu)

Session: 3.4.1 - Interactive
Track: Track 2-Theory Dev. and Empirical Modeling

Real Options: Real or Imagined?

Presented On: June 28, 2007 - 12:30-13:45

The Values of Investing vs. the Costs of Managing: A Real Options Perspective on International Joint Ventures
Sangcheol Song, Ohio State University
Jaideep Anand, Ohio State University

This paper aims at revealing costs of creating and managing international joint ventures as real options. By referring to the four main attributes of the Black and Scholes model, we contrast the effect of enhancing real option value with that of enhancing management cost associated with those attributes. The point of this paper is that the value of positively correlated with the cost of managing flexibility embedded in international joint ventures. Not only by finding reasons that this investment mode is not managed well as real option logic proposes but also by drawing different decision predictions, this paper draws implications to real option theory, strategic alliance, and management practices. (For more information, please contact: Sangcheol Song, Ohio State University, USA: song.203@osu.edu)

Controversies in the Real Option Explanation of International Joint Ventures: Uncertainty, Learning, and Flexibility
Sangcheol Song, Ohio State University

This exploratory paper mainly deals with controversies existing in the real option literature where international joint ventures have been considered a real option for retaining flexibility under high uncertainty. Additionally this study tries to suggest relevant parsimonious models for testing and resolving those controversies in the relationship among two uncertainty types (exogenous vs. endogenous uncertainty), learning, and flexibility. In the last section, a possible application of points of this paper from the international business prism is made. In specific, formal and informal institution is each associated with two types of uncertainty. (For more information, please contact: Sangcheol Song, Ohio State University, USA: song.203@osu.edu)
Political Risk and Productivity

Presented On: June 28, 2007 - 12:30-13:45

Testing the Importance of Industry on Political Risk
Charles E. Stevens, Ohio State University

Recent theoretical papers on political risk have suggested that the traditional emphasis placed on the initial firm-level bargain has been misguided. Instead, political risk is best considered an industry-level phenomenon strongly affected by host government public policy decisions. While it is suggested that industry-level characteristics will affect the balance of bargaining power between industries and host governments, that link has not been empirically tested. If the claims of the new theory of political bargaining are correct, support for political risk and bargaining as an industry-level phenomenon should emerge. Furthermore, the importance of the ongoing relationship between investing industries and host governments will prevail, rather than simply the initial bargain as theorized by Vernon. Finally, the paper addresses the nature of shifts in bargaining power between industry and government to test Vernon’s claim of inevitable obsolescence, thrown into question by recent theoretical developments. Using empirical methods to address critical tensions in the literature, this paper will lead to clarification of the sources and mitigating forces of political risk and add support to the emerging Political Bargaining Theory. (For more information, please contact: Charles E. Stevens, Ohio State University, USA: stevens.316@osu.edu)

Exploring the Relationship between Exporting and Productivity in Canada
Ramdas Chandra, Nova Southeastern University

International trade theory has long considered export growth an unambiguously attractive goal for an economy. Within Canada, for instance, the Export Development Corporation, a Crown company clearly states its objective as "...maximizing exports and not profits", and since 1944, has been receiving substantial subsidies from the federal government to stimulate and grow exports, particularly among small and medium sized firms. There are several other federal and provincial bodies that promote and in most cases, subsidize exporting efforts. The basic economic rationale is drawn from "endogenous growth theory" arguing that externalities such as knowledge spillovers within and across industries lead to gains in productivity for the economy. However, casual observation of time-series data on exports and productivity shows trending. Two questions therefore arise- is there a long-term relationship between exporting and productivity? If so, in what direction is causation, i.e. does exporting lead gains in productivity, or vice versa? This study uses co-integration analysis and Granger causality tests to research these questions. (For more information, please contact: Ramdas Chandra, Nova Southeastern University, USA: cramdas@nova.edu)

Assessing the Contribution of Leading Marketing Journals to International Marketing
Leonidas C. Leonidou, University of Cyprus
Constantine S. Katsikeas, Leeds University
Bradley R. Barnes, Leeds University
Constantinos N. Leonidou, Leeds University
Ronika Chakrabarti, Leeds University

Recent decades have witnessed the accelerated growth of globalization, which has been responsible for the increasing involvement of firms in international marketing operations. This has induced considerable research on the subject, which has appeared in publication outlets specializing in international marketing or business, as
well as in mainstream marketing journals. Although valuable, the contribution of mainstream marketing journals to international marketing is scattered, disconnected, and to some extent hidden. This paper reports the findings of a study that provides an assessment of all international marketing articles published in the top ten marketing journals during the period 1975-2004, on five major dimensions: authorship type, research designs, scope of research, investigation methods, and thematic areas covered. Several conclusions are extracted from the study findings, as well as directions for future research. (For more information, please contact: Leonidas C. Leonidou, University of Cyprus, Cyprus: leonidas@ucy.ac.cy)

Session: 3.4.3 - Interactive
Track: Track 3-International Finance and Accounting

Societal Impacts on Accounting Compliance

Presented On: June 28, 2007 - 12:30-13:45

Sarbanes-Oxley in Foreign Issuers: Ceremonial Compliance or Concrete Concurrence?
Cecily Raiborn, Texas State University – San Marcos
Miguel P. Caldas, Loyola University New Orleans

This paper summarizes and extrapolates the results of an empirical study on the extent of compliance of the Sarbanes-Oxley Act of 2002 ("SOX") by foreign issuers in Latin America. The study was conducted in three South American countries, and which included 32 interviews with partners of global accounting firms, and foreign issuers’ CFOs. Based on the empirical material collected, the paper first reviews some of the potential problems created by SOX for U.S.-listed foreign issuers, and subsequently addresses the issue of ceremonial versus substantive (or "actual") adoption of SOX regulations by foreign issuers. The paper concludes by focusing on distinctive characteristics of Latin American cultures that may maximize the potential for ceremonial implementation of Sarbanes-Oxley by managers in those emerging markets. (For more information, please contact: Miguel P. Caldas, Loyola University New Orleans, USA: mpcaldas@loyno.edu)

Constituent Participation and the IASB's International Financial Reporting Interpretations Committee
Robert K. Larson, University of Dayton

While international convergence of accounting standards is becoming more of a reality, the International Accounting Standards Board (IASB) continues to seek greater acceptance and legitimacy as an institution. Constituent participation is one key component for an organization to obtain legitimacy and success. This exploratory study investigates constituent participation of one significant part of the IASB, the International Financial Reporting Interpretations Committee (IFRIC). IASB/IFRIC constituents are classified two ways: 1) geographically (by country and region); and 2) stakeholder interest group (the accounting profession, regulators, preparers, and users).

Respondents writing comment letters in regards to IFRIC’s first 18 Draft Interpretations are examined. 272 respondents from 40 countries generated 714 comment letters. The European Union provided a majority of writers and letters, with the UK being the largest contributor. The US, Canada, and developing countries generated few letters. Constituent participation significantly increased over IFRIC’s predecessor committee, but responses remain concentrated with 35 respondents, mostly from the accounting profession and regulators, generating 58% of comment letters. Users accounted for only 5% of letters. While improved constituent participation may support the notion of increased legitimacy, limited participation by some IFRIC constituents suggest that the IASB should further promote constituent participation to achieve greater legitimacy. (For more information, please contact: Robert K. Larson, University of Dayton, USA: robert.larson@notes.udayton.edu)
An Empirical Analysis of the Relationship between the Existence of an Audit Profession Oversight Body, Requirement to Practice Auditing, and a Country’s Perceived Level of Corruption

Chad Albrecht, ESADE Business School
Vicenta Sierra, ESADE Business School
Lee Radebaugh, Brigham Young University

This study investigates whether countries that have established audit profession oversight bodies are perceived to be less corrupt than countries that have not established audit profession oversight bodies. This study also investigates whether countries that have certain mandatory requirements for auditors to receive and retain professional accounting licenses are perceived to be less corrupt than countries that do not have these requirements. Results from an analysis of 89 countries suggest that countries that have established audit profession oversight bodies are perceived to be less corrupt than countries that have not established audit profession oversight bodies. Results also show that countries that require practical experience, academic study, and a licensing examination in order to practice auditing are perceived to be less corrupt than countries that do not have such requirements for auditors. On the other hand, our analysis shows that those countries that require certified professional accountants to fulfill continuing education requirements does not appear to be associated with a lower level of perceived corruption than countries which do not have continuing education requirements for auditors. (For more information, please contact: Chad Albrecht, ESADE Business School, Spain: chad@albrechtfamily.com)

Session: 3.4.4 - Interactive
Track: Track 4-Emerging Markets (EM) and MNEs

Governance Structures and Emerging Markets

Presented On: June 28, 2007 - 12:30-13:45

The Governance of Cross-Sector Partnerships in Developing Economies
Geoffrey Michael Kistruck, University of Western Ontario

Although the debate surrounding the role of multinational corporations in addressing global social problems continues to rage within the walls of academe, many businesses themselves have already progressed past this issue and are actively involved in combating societal ills such as poverty, disease, and environmental degradation. Interestingly, many multinationals are not undertaking such initiatives on their own, but rather in conjunction with non-governmental organizations (NGOs) whom, until fairly recently, played more of an adversarial rather than cooperative role. This paper forms a number of propositions as to how such organizational forms will engage in the activity of corporate governance, a previously unaddressed topic within the literature. While informal mechanisms are hypothesized to be more effective and efficient than formal mechanisms in general, there are a number of moderating factors that may impact the likelihood of either being employed. (For more information, please contact: Geoffrey Michael Kistruck, University of Western Ontario, Canada: gkistruck@ivey.uwo.ca)

Asian Biotechnological Firms’ Foreign Partner Selection in Liberal & Coordinated Market Economies
Tariq H. Malik, University of London

This study explores and explains how Asian biotechnological innovation systems select strategic partners for knowledge acquisition and allocation. The prior literature examines biotechnology firms’ alliances from the perspectives of Western Europe and North America. Asian perspectives are either poorly understood or under-represented. The current paper is an effort to examine the dynamics of strategic partner selection from the
liberator versus coordinated market structures by the Asian biotechnology firms. This may add to our understanding on the co-evolution of the national innovation systems with their counter-parts in the context of the alliances between the Asian firms and the foreign firms, namely in Western Europe, North American, and Australia. The regression models predict six Asian biotechnological systems’ probability of selecting or not selecting a strategic partner from ten most biotechnologically active countries. The evidences from a large dataset over 12 years show some intersecting and useful results. (For more information, please contact: Tariq H. Malik, University of London, United Kingdom: t.malik@mbs.bbk.ac.uk)

Session: 3.4.5 - Interactive
Track: Track 4-Emerging Markets (EM) and MNEs

Knowledge Management in Emerging Markets

Presented On: June 28, 2007 - 12:30-13:45

Managing Tacit and Explicit Knowledge Transfer from the Triad to Asia

Linghui Tang, College of New Jersey
Len J. Trevino, Washington State University

This paper examines R&D spillovers from Europe, Japan, and North America to nine Asian economies through trade, FDI, and information technology. Results indicate that spillovers from North America via trade channels and FDI occur in countries with lower absorptive capacity while spillovers from Japan are associated with higher absorptive capacity. When knowledge is transferred through information technology from North America, it requires higher absorptive capacity than that from Japan. Results for R&D spillovers from Europe to Asia are mixed. (For more information, please contact: Len J. Trevino, Washington State University, USA: ltrevino@wsu.edu)

Horizontal Knowledge Spillovers from MNEs to Local Firms in Ghana: The Influence of MNE and Local Firm Characteristics

Jennifer W. Spencer, George Washington University

Under what conditions does a multinational enterprise’s (MNE’s) investment in a developing country produce knowledge spillovers for local firms operating in the same industry? This paper proposes that the strategies pursued by an MNE and characteristics of the local firm will determine whether the investment will create positive knowledge spillovers to indigenous enterprises. Empirical results from a survey of MNE and local managers support hypotheses that MNEs that have more partial local ownership, participate in local industry associations, and engage in an export strategy produce more knowledge spillovers for local Ghanaian firms. Likewise, results support a hypothesis that local enterprises who hire employees who once worked at the MNE receive more spillovers from that MNE. Contrary to expectations, a negative relationship arose between MNE spillovers and two variables—local firms’ recent investments in new technologies and local firms’ use of the same suppliers as the MNE. (For more information, please contact: Jennifer W. Spencer, George Washington University, USA: jspencer@gwu.edu)
Session: 3.4.6 - Interactive  
Track: Track 5-Global Strategy 

Various Issues Concerning China 

Presented On: June 28, 2007 - 12:30-13:45

Which China Strategy? An Empirical Study for Taiwanese Firms Operating in Mainland China  
Weihwa Pan, National Yunlin University of Science and Technology

This research attempts to investigate which strategy suit foreign enterprises operating in the Chinese mainland, the attractive labyrinth for overseas investors. By exploring Taiwanese manufacturers in mainland, it will be beneficial for foreign firms to understand the nature of the Chinese market. As Taiwanese enterprises are widely regarded as the ones with ‘better understanding to Chinese environment and culture,’ their environmental perception and respondent strategies will have significant implication. Based on the strategic choice literatures, Miles and Snow’s typology on strategy is introduced and developed to measure the causal relationships between environmental perception and strategic orientations. Statistical evidences suggest that Taiwanese firms perceive China as an environment of mainly dynamism and secondly hostility. In responding to high environmental dynamism, they tend to take more risk-taking measures. However, in terms of performance, risk-taking measures does not yield better performance while the firms with cautious defensive strategy tend to perform better. (For more information, please contact: Weihwa Pan, National Yunlin University of Science and Technology, Taiwan: panwh@yuntech.edu.tw)

Internationalization Strategies of Chinese Manufacturing Firms  
Gloria Lan Ge, Griffith University  
Daniel Zhiqiang Ding, City University of Hong Kong

As Chinese economy continues to expand rapidly, it will inevitably pass through the stage of “world factory” and lead to a surge in outward foreign direct investment (FDI). During 2001-2004, Chinese outward FDI reached $3 billion per annum. In the period of the Eleventh Five-Year Plan, China is going to invest overseas $60 billion or more. China is now becoming the leading FDI exporter among developing countries. However, few empirical studies have been conducted in exploring the internationalization process and strategies of emerging Chinese multinational enterprises (MNEs). This paper, based on in-depth analysis of three Chinese MNEs, seeks to address some critical issues in this area, in an attempt to answer research questions such as, Are traditional FDI theories developed in the Western countries applicable in explaining China’s outward FDI? What are the motivators for Chinese MNEs to invest abroad? What are the internationalization strategies of Chinese MNEs? Findings of this paper supplement and enrich internationalization theory and research frameworks in international business literature. (For more information, please contact: Gloria Lan Ge, Griffith University, Australia: gloria.ge@griffith.edu.au)

An Institutional View on Target Selections in Horizontal Acquisitions in Transition Economies: Evidence from Chinese Beer Industry  
Yuping Zeng, Peking University  
Changqi Wu, Peking University

This study investigates acquiring firms’ target selection decisions from an institutional perspective. We argue that an acquiring firms’ target selection is influenced by the acquiring firm’s normative rationality of confirming to external and internal institutional pressures. Specifically, we propose that: (1) to confirm to internal institutions, the acquiring firms tends to select targets that are similar with themselves; (2) to confirm to external institutions, acquiring firms with alien institutional identity tend to select targets that enjoy a high
institutional status in the general and industry specific institutional system; (3) the acquiring firm’s tendency of selecting similar targets is weaker when the acquiring firms are acquiring in an other institutional system with an alien institutional identity. We found support for the first two propositions and partial support for the third one with data from Chinese Beer Industry from 1995 to 2004. (For more information, please contact: Yuping Zeng, Peking University, China: zengyuping@gsm.pku.edu.cn)

Strategies for Achieving and Managing Business Success in China
Usha Haley, University of New Haven

Through in-depth interviews with 29 CEOs and Directors of major, profitable Chinese, European and American companies, this paper proposes a strategic model for achieving sustainable profitability in China. Profitable foreign MNCs modified their management practices and strategic decision styles on eight key dimensions which affected the kinds of information on which they relied, their interpretation of this information and their execution of strategic decisions. Profitable foreign MNCs also adopted traditional Chinese methods of strategic planning and relations with key stakeholders, especially the government. Conversely, in China’s exploding markets, profitable Chinese companies modified their management practices to bring them more in line with Western norms. Despite this convergence, managing for success in China differed significantly from that in other emerging markets. (For more information, please contact: Usha Haley, University of New Haven, USA: uhaley@asia-pacific.com)

Session: 3.4.7 - Interactive
Track: Track 5-Global Strategy

Small Countries and Internationalizing

Presented On: June 28, 2007 - 12:30-13:45

Cultural Effects on Order of Entry Decisions
Bernadine Johnson Dykes, Michigan State University

Most of the existing knowledge on order of entry decisions is based on assumptions grounded in American management theories. Consequently, limited research exists regarding the influence of national culture on the timing of market entry decisions. Using a sample of project-based investments across 95 countries, this study finds that order of entry decisions vary across cultural contexts. These findings have implications for research in strategic decision-making, national culture and sources of competitive advantage. (For more information, please contact: Bernadine Johnson Dykes, Michigan State University, USA: john2128@msu.edu)

Entry Speed, Liability of Foreignness and Subsidiary Survival
Deeksha A. Singh, National University of Singapore
Andrew Delios, National University of Singapore

We draw upon arguments based on the concept of liability of foreignness to investigate the relationship between speed of entry and foreign investment survival. Further, we integrate the organizational learning and institutional theory perspectives to propose the contingency condition on which this relationship is dependent. Based on a sample of 12,057 Japanese foreign investments in 47 countries, we find support for the argument that less the time between the establishment of a new subsidiary and a firm’s first investment in a particular host country the lower the survival rate of the new subsidiary. This relationship is contingent on the mode of entry and the institutional distance between the home and the host countries. Further, while a firm’s aggregate host country experience is not related to subsidiary survival, experience obtained from the preceding entry
improves the survival chances. (For more information, please contact: Deeksha A. Singh, National University of Singapore, Singapore: deeksha@nus.edu.sg)

Decision-Making Process of Entry Mode Choice: Case of Finnish MNCs
Irina Jormanainen, Helsinki School of Economics

Entry mode choice is a critical decision which MNC makes when expanding its operations abroad. Although previous studies shed light on various determinants underlying entry mode choice including transaction cost, resource-based and institutional variables, the overall understanding of how managers incorporate them into a decision-making process of entry mode choice, and what is the decision heuristic still remains fragmented and incomplete. Acknowledging significance of the research gap this paper examines entry mode decision-making process, and on the basis of evidence from multiple cases of Finnish MNCs distinguishes several stages in the mode choice. Furthermore, the study identifies factors influencing managers’ decision on each stage of the process and analyzes the extent of their impact on mode selection. Therefore, the paper contributes to the entry mode literature by providing a thorough description of the rationales and assessment criteria adopted by managers in entry mode choice and illustrating how various theoretical perspectives, namely resource-based, transaction costs, and institutional theories are integrated in the process of mode selection. (For more information, please contact: Irina Jormanainen, Helsinki School of Economics, Finland: irina.jormanainen@student.hse.fi)

Session: 3.4.8 - Interactive
Track: Track 5-Global Strategy
Perspectives in Global Strategy (II)

Presented On: June 28, 2007 - 12:30-13:45

International Diversity, Product Diversity, Institutional Distance and Firm Performance of Multinational Corporations: An Integrated Framework
Mike Chen-Ho Chao, Baruch College, CUNY
Seung H. Kim, Saint Louis University
Hongxin John Zhao, Saint Louis University
Chin-Chun Hsu, University of Nevada, Las Vegas

International and product diversities both play important roles in large firms’ strategic behaviors (Hitt, Hoskisson, and Ireland, 1994). International diversity refers to firms’ “expansion across the borders of global regions and countries into different geographic locations, or markets” (Hitt, Hoskisson, and Kim, 1997, p. 767) and product diversity refers to “expansion into product markets new to a firm” (Hitt, Hoskisson, and Kim, 1997, p. 768). International and product diversities have become dominant research streams in the international business and strategic management literature, but both have progressed relatively in isolation (Sambharya, 1995). However, since “corporate strategies may include both product and geographic international diversification components” (Hitt, Hoskisson, and Ireland, 1994, p. 297), this study proposes an integrated framework to analyze both the direct and combined effects of international and product diversities on multinational enterprises’ (MNEs’) performance by applying the transaction cost economics, the resource-based view of the firm, and organizational learning theory.

In addition, institutional distance (i.e., the extent of similarity or dissimilarity between two countries in regulative and normative institutions) is proposed to negatively moderate both the direct and combined effects of international and product diversities on firm performance in this study, which is another major contribution. (For more information, please contact: Mike Chen-Ho Chao, Baruch College, CUNY, USA: chen-ho_chao@baruch.cuny.edu)
The Impact of Coordination Capability and Coordination Cost on Inter-Firm Relationship: A Supplier's Point of View

FanChan Tai, National Taiwan University

This research aims to examine the factors which determine the formation and modes of inter-firm relationship. The authors stress the importance of coordination and argue that coordination capability (of the transacting firm) and coordination cost (of the transaction) are two essential determinants of inter-firm relationship. Data obtained from automotive supplier networks in China is used to demonstrate that a more (coordinatively) capable supplier engages less dedicated relationship with assemblers, whereas suppliers producing components with high coordination cost will engage more. The unit of analysis is per dyad relationship on the product level, and the data is obtained from the supplier side, covering all major suppliers of world-leading automakers from Europe, U.S. and Japan in China. The contribution of this paper is to demonstrate that the modes of inter-firm relationships are in fact coordination patterns, which are determined by considerations beyond safeguarding possible exposures; the more dominating factors are how and with whom to jointly generate maximum value, which is, by its origin and definition, the objective of all transactions, whether governed by market, firm, hybrid, network, or social principles. (For more information, please contact: FanChan Tai, National Taiwan University, Taiwan: d92724004@ntu.edu.tw)

The Influence of Global Brand Alliance on Behavior Intentions among USA, Japan and Taiwan

Wann-Yih Wu, National Cheng Kung University
Kuan-Ping Lee, National Chen Kung University

Brand alliances are becoming more commonly found in the marketplace. This study uses path analysis to explore how quality, equity and prestige of brand alliance influence purchase intention. Meanwhile, it also focuses on the key factors that construct of brand alliance concepts on consumers. Customers of Sony Ericsson are chosen as the sample of this study from Taiwan, Japan and USA. The results also indicate that brand awareness, brand association and brand image have significant effects on perceive brand alliance. Other marketing strategies such as standardization of advertising, brand celebrity and the advantage information of origin and ally brand could also enhance the perception of brand alliance. Brand alliance is positively related to purchase intention on the segmentation of the cell-phone customers. The results confirm that brand alliance could give consumers the feeling of high quality, equity and prestige, and these characteristics further give rise to the motivation of purchase is obviously significant. (For more information, please contact: Kuan-Ping Lee, National Chen Kung University, Taiwan: kplee_kevin@yahoo.com.tw)

The Impact of Global Business Environment on Development of Global Strategies: The Case of Technology and Knowledge Intensive Firms

Mika Gabrielsson, Helsinki School of Economics
Paula Kilpinen, Helsinki School of Economics
Markus Pietari Paukku, Helsinki School of Economics
Anna Salonen, Helsinki School of Economics
Jody Wren, Helsinki School of Economics

The increasing impact of the global business environment on firms, driven by changes in the government, market, cost, and competitive factors, has been significant, particularly in the technology and knowledge intensive fields. A general trigger to this development has been the improvement of the general international trade environment driven by global and regional economic integration as well as country-level governmental activities. The globalization impact, however, varies based on the development stage of the firm. In the internationalization phase the globalization impact is twofold: on one hand the market drivers are pulling the firms to expand abroad, but on the other hand the level of competition dictates the speed of that process. That is, if the level of competition is low the firm can afford to have a slower expansion speed. In the globalization
phase the cost drivers become paramount as the firm seeks to optimize its value chain activities across the
globe. A main theoretical finding of the study is that the impact of globalization is found to be dependent on the
firm’s development stage. For managers struggling with how to deal with globalization the findings suggest that
the firms should increasingly mirror their current state of global strategy levers against their industry’s
globalization potential, and direct their strategy towards identified gaps. (For more information, please contact: Mika Gabrielsson, Helsinki School of Economics, Finland: mika.gabrielsson@hse.fi)

Session: 3.4.9 - Interactive
Track: Track 6-International Entrepreneurship

Unleashing the Powers of International Entrepreneurship

Presented On: June 28, 2007 - 12:30-13:45

Entrepreneurship Orientation as a Remedy for Liability of Foreignness
Arpita Joardar, University of Texas, Pan American
Sibin Wu, University of Texas, Pan American

We integrate two areas of study, that is entrepreneurship orientation (EO) and liability of foreignness (LOF), to
examine if EO can be a remedy to help overcome LOF for international entrepreneurs. We propose a 4S
framework where we classify entrepreneurs into four categories based on their EO and foreignness. This paper
attempts to predict how each group will perform relative to the other groups in a systematic manner. (For more
information, please contact: Sibin Wu, University of Texas, Pan American, USA: sibinwu@utpa.edu)

Born Global or Born Regional? Evidence from an Exploratory Study in the Costa Rican Software Industry
Luis Lopez, INCAE
Sumit Kumar Kundu, Florida International University
Luciano Ciravegna, INCAE

This paper provides empirical evidence about Born Global firms in the software industry of a small developing
country with an open economy: Costa Rica. The paper is based on data collected through interviews with CEOs
or founders of forty Costa Rican software companies. Findings show that there are few born global firms
among Costa Rican software providers. We find that most companies followed a gradual approach to
internationalization, and they did not export immediately upon birth. A careful analysis of firms that exported
soon after they were born reveals that most firms are actually "born regional." (For more information, please
contact: Sumit Kumar Kundu, Florida International University, USA: kundus@fiu.edu)

Factors of Early Internationalization for Born-Global Firms
J. Alexander Smith, Saint Louis University
Karin M. Staub, Saint Louis University

In contrast to traditional theories of internationalization, a new phenomenon of early internationalizing firms is
increasingly apparent. Firms enter foreign markets at or quickly following inception and often ignore the
domestic market initially. These firms are thus aptly termed “Born Globals” and do not follow the traditional
stages of internationalization where firms first gather knowledge and experience before increasing their
international commitment. Previous research has identified the existence of the born-global firm and verified
that it internationalizes differently from the traditional stages model. To date, no research has attempted to
determine the factors that facilitate early internationalization. This paper presents a model that incorporates

Qihai Huang, Manchester Metropolitan University

This paper tests the role of social capital in financing business start-ups in China’s private sector. It firstly examines the literature and proposes hypotheses. Then, based on a clearly defined cadre concept, it analyses the unpublished 1995 national survey on private enterprises in China, focusing on social capital of private entrepreneurs, their business start-up financing, and the association between start-up financing and their social capital. A surprising finding is that being a cadre or having close cadre connections does not confer better access to public sources for financing business start-up as the available literature claims. The reasons are then discussed. It is argued that being a cadre and having close connections with cadres are only two of the channels producing social capital. The widespread practice of guanxi may have contributed to the finding in the other ways. (For more information, please contact: Qihai Huang, Manchester Metropolitan University, United Kingdom: q.huang@mmu.ac.uk)

Expatriate Management

Presented On: June 28, 2007 - 12:30-13:45

The Contribution of the Host Culture to Expatriate Learning - How Can International Assignments Enhance Creativity?

Anthony Fee, University of Sydney
Sidney Gray, University of Sydney

International assignments are widely seen as a way for managers to fast-track the development of important knowledge and skills. Creativity is a highly valued capability in global managers; yet while extant literature suggests that the unique work and cross-cultural experiences of an international assignment might promote the development of a person’s creative capabilities, little explanation has been offered for the ways in which this might occur. This paper aims to fill this void by presenting a conceptual framework that shows how the unique cultural and work mechanisms of an international assignment can provide both the stimulus and means for expatriates to enhance their creative capital. A major contributor to this is the way in which the expatriate internalises influences from the local culture, including the work practices, values and ideas of host culture colleagues and clients. From this framework, a number of propositions about the type of assignments that may be most conducive to boosting an expatriate’s creativity are presented. (For more information, please contact: Anthony Fee, University of Sydney, Australia: a.fee@econ.usyd.edu.au)

Circumstances for Staffing Expatriates to Japan-Based Foreign MNC Affiliates

Ralf Bebenroth, Kobe University
Donghao Li, Wakayama University

The purpose of this study is to analyze the circumstances of expatriation for 643 foreign MNC affiliates based in Japan. Our study is a unique attempt to investigate Japan-based foreign MNC affiliates, not the other way around, as is usually done in the case of Japan. This research covered specifically the circumstances concerning
performance and expatriation and did this in three specific fields: the relative size, the level of ownership in percentage, and the age of the affiliates in Japan. We basically find a positive correlation between expatriation and the performance of the Japan-based foreign MNC affiliates. Better performing affiliates tend to be led by expatriate top managers and there are also more expatriates on the board. The higher the ownership share of the affiliate, the higher the chance of expatriate top manager representation and the more expatriate board members are sent to the Japan-based foreign MNC affiliates. The performance correlates positively with the percentage of ownership. Concerning relative size and expatriation, we find part confirmation. The relative size of the affiliates correlates positively (at least) to expatriate board members but negatively to performance. The age did not show any correlation with either expatriation or performance. (For more information, please contact: Ralf Bebenroth, Kobe University, Japan: rbeben@rieb.kobe-u.ac.jp)

Some Costs of Culture Shock in the Process of Adaptation of Human Capital during Temporary Migration
Anna Murdoch, Warsaw School of Economics

Research study „Some costs in the process of adaptation of human capital in temporary migration” investigated the role of culture dimensions (as defined by Geert Hofstede) in the process of overcoming (or failing to overcome) culture shock while being relocated from one’s own country. The background study was qualitative. It consisted of in-depth interviews on the sample of 15 foreign exchange students from 11 countries. The core study had a quantitative character. The research tool was a one-choice-only questionnaire, where the respondents had to choose from a set of pre-determined answers. The qualified sample consisted of 60 foreign executives from 11 countries, currently living and/or working in Poland. The analysis of their answer choices allows to tentatively claim that some costs may have a longer lasting effect (therefore being a more serious cost that anticipated), as they do not disappear after the initial period of adjustment. It seems that expatriates in Poland have most problems with the high indices for Power Distance and Uncertainty Avoidance which were ‘translated’ into ‘irritating’ behaviors in public and professional life. A follow-up study on the benefits of relocation (conducted on the same sample of respondents) is necessary to provide a more balanced picture. (For more information, please contact: Anna Murdoch, Warsaw School of Economics, Poland: amurdo@sgh.waw.pl)

Examining the Impact of Cross-Cultural Training on Expatriate Adjustment: Empirical Evidence from German MNCs
Markus G. Kittler, University of Erlangen-Nuremberg
Jonas F. Puck, University of Erlangen-Nuremberg

Cultural adjustment is considered to be a prerequisite for expatriate success abroad. One way to enhance and fasten the process of adjustment is to provide knowledge and awareness of appropriate norms and behaviors of the host country. As a consequence, MNCs offer cross-cultural training (CCT) to prepare their employees for the foreign environment of the host country. The objective of this article is to find out that CCT-participation and the comprehensiveness of the training have an impact on expatriate adjustment. A study employing data from 339 expatriates from 20 German Multinational Corporations (MNCs) did not find empirical support for these assumptions. However, an enormous impact of foreign language capabilities was found for all three dimensions of expatriate adjustment. (For more information, please contact: Markus G. Kittler, University of Erlangen-Nuremberg, Germany: markus.kittler@wiso.uni-erlangen.de)

Family Matters: Antecedents of Work-Family Conflict, Marital Commitment and Life Satisfaction among Expatriates and their Spouses
Romila Singh, University of Wisconsin-Milwaukee
Margaret A. Shaffer, University of Wisconsin-Milwaukee
David A. Harrison, Penn State University
Janice R.W. Joplin, Southern Illinois University Edwardsville
The investigation of various aspects of work-family interface among expatriates is a burgeoning area of inquiry. In this study we examine the antecedents of both types of work-family conflict and marital commitment using a differential salience approach. Using expatriate and spousal sources, our results demonstrate that work-family conflict and marital commitment are predicted by unique work and family demands. In addition, work-family conflict and marital commitment is reduced in the presence of certain enabling resources. Finally, we examine the impact of work-family conflict and marital commitment on the life satisfaction of both expatriates and their spouses and observe some interesting patterns. (For more information, please contact: Romila Singh, University of Wisconsin-Milwaukee, USA: romila@uwm.edu)

Session: 3.4.11 - Interactive
Track: Track 7-Managing People across Cultures

Role of Culture in Organizational Processes

Presented On: June 28, 2007 - 12:30-13:45

Addressing a Theoretical Framework by Integrating Sub-cultural Influences on Individual Innovation Determinants
Yi Zhang, University College Dublin

The study is to explore differences and similarities in professional subcultures in terms of individual perception of power distance and perception of organizational climate related to innovation determinants. It is also to examine whether their perception of power distance influences their perceptions of those innovation determinants. Endogenous professional perception in power distance may change when they work in different subcultures. In those subcultures the perception of high power distance may influence the perception of reward. The perception of power distance moderates the positive relationship of team participation with empowerment. This paper concludes that in different degrees of power distance, the relationships of power distance and innovation determinants remain different. (For more information, please contact: Yi Zhang, University College Dublin, Ireland: yi.zhang@ucd.ie)

Keeping in Touch and Having a Say: The Influence of Employee Cultural Values and Communication with the Work Group on Commitment in Global Virtual Settings
Aparna Joshi, University of Illinois at Urbana-Champaign
Mila Lazarova, Simon Fraser University

In virtual settings, commitment is of critical importance for maintaining the psychological connection between employees and the organization. This study integrates a rich body of research on employee cultural values with research on communications in virtual teams to consider the joint effects of employee communication with the work group and cultural values on affective commitment to the work group. Based on survey data from 234 customer service employees in a Fortune 100 information technology company with operations in over 35 countries, this study examined employee cultural values (idiocentrism and allocentrism) as a moderating influence on the relationship between employee communication with their work group (i.e., face-to-face interactions with work group members and participation in the work group’s decision-making) and commitment. Our findings indicate that face-to-face interactions with the work group had a moderated effect (with vertical and horizontal idiocentrism) on commitment to the work group. Perceived participation in decision-making was positively related to commitment to the work group. Horizontal allocentrism had a negative moderating influence on this relationship. (For more information, please contact: Mila Lazarova, Simon Fraser University, Canada: mbl@sfu.ca)
Toward a Refined Alternative of the Cultural Distance Index
Hamid Yeganeh, Winona State University
Zhan Su, Laval University
Daniel Sauers, Winona State University

The cultural distance index (CDI) is a widely employed measure in international business research that suffers from major inaccuracies. By recognizing the importance of cultural distance and its operational utility, this article intends to examine the conceptual robustness of this measure and to propose a more accurate alternative. Specifically, a new formula is proposed, its properties are discussed and some avenues for future research are pointed out. (For more information, please contact: Hamid Yeganeh, Winona State University, USA: hyeganeh@winona.edu)

Session: 3.4.12 - Interactive
Track: Track 8-Marketing

Cross-Cultural Promotion

Presented On: June 28, 2007 - 12:30-13:45

Partnering to Beckon Them Home: Cross-Sector Cooperation for Diaspora Foreign Investment Promotion
Liesl Riddle, George Washington University
Tjai Michael Nielsen, George Washington University

Diaspora foreign investment is viewed by many homeland governments as key to their economic development. Yet, many national investment promotion agencies (IPAs) struggle to identify ways to effectively target, cultivate, and facilitate diaspora homeland investment on their own. It is becoming increasingly common for these public-sector entities to identify and leverage key partnerships in the third (NGO) sector to accomplish these goals. This paper describes the services IPAs offer and enumerates the challenges associated with diaspora homeland investment that they face. Then three example cases of IPA-NGO partnerships that have been established to promote diaspora homeland investment are discussed. We conclude by drawing on the cross-sector partnership literature to develop several research questions for consideration in future research. (For more information, please contact: Liesl Riddle, George Washington University, USA: lriddle@gwu.edu)

Appealing International Tourist by Creating Dual Attractiveness of Winery
Feng-Chuan Pan, Tajen University
Suh-Jean Su, Tajen University
Mei-Chin Pan, Taiwan Postal Service Company

After deregulation of wine (including all kinds of alcoholic drinks) and tobacco monopoly system, numerous wineries are established to attract tourists. Taken the wine was not viewed as conventional alcoholic drinks, consumers prefer to have wines imported or brewed under foreign procedures, particularly French or European countries. This research follow the concepts on the relationship between of atmospheric cues, consumers emotion states, and purchasing behavior, and conduct investigation on selected samples from two groups of wineries, traditional style and European style. Findings suggest foreignism cues of winery visitor centers significantly affect consumers' emotional state, and consequently the favorable purchasing behavior. Some implications are also provided. (For more information, please contact: Feng-Chuan Pan, Tajen University, Taiwan: taiwan.pan@msa.hinet.net)
Strategic Fit in International Sponsorship – The Case of the Olympic Games in Beijing 2008
Harald Dolles, Heilbronn Business School
Sten Soderman, Stockholm University

The aim of this exploratory research is to contribute to the understanding of sponsorship effectiveness through the development of a conceptual “actions-performance scheme” linking sponsorship to brand equity factors to performance. In doing so, we seek to respond to calls in the literature for greater attention to the strategic role played by sponsorship. The action factor consists of “image factors”, “revenue streams” and “fan community approaches”. The performance factor, also based on current research, is also presented as a three dimensional view: a “product image”, a “corporation image” or a “region image”. Our proposed framework enables matching with real data consisting of 200 randomly chosen advertisement excerpts from Chinese newspapers and the web revealing six types of patterns of action-performance. Also, according to our estimations the effectiveness on an aggregate level is low. The empirical conclusions thus constitute an outsider’s view on actual performance and on assumed corporate actions. (For more information, please contact: Harald Dolles, Heilbronn Business School, Germany: dolles@hn-bs.de)

Session: 3.4.13 - Interactive
Track: Track 9-Global versus Local Knowledge

Cultural Influences on Knowledge Transfer

Presented On: June 28, 2007 - 12:30-13:45

Global Risk Evolutions in Socio-Cultural Contexts: Bird Flu in Laos
Gabriele Suder, CERAM Sophia Antipolis
Saynakhone Inthavong, CERAM Sophia Antipolis

Avian flu has been identified as one of the most challenging new risks that are global in impact due to the ‘highly interconnected and integrated world economy along with other unpredictable events such as the Asian financial crisis and global terrorism’ (Tan and Enderwick 2006). Since avian flu has been known for a few years now and there is so far still no a competent mechanism to protect or eradicate the disease efficiently, many regions start to feel its impact with various degree in terms of health policy and business resilience. We have chosen the case of Laos to shed light on an area in which local people consume chicken as one of their staple food. Our research was undertaken so as to find out how much the disease has impacted the poultry business in a high-risk country and how the government reacts against the disease. The geographic choice is also motivated by the recent EIU report on Catastrophe Risk Management that indicated that Asian-Pacific companies are better prepared to such risks as bird flu than European business is, despite the many cases found in both regions. (For more information, please contact: Gabriele Suder, CERAM Sophia Antipolis, France: gabriele.suder@ceram.fr)

A New Model for Cross Cultural Knowledge Transfer: A Transnational Perspective
John Elshaw, Purdue University
Meow Lan Chan, Purdue University

ABSTRACT: With many organizations increasingly moving toward the transnational form, there has been a new surge of research in the area of knowledge transfer which offers a new competitive advantage for corporations who effectively manage this process. This paper explores the relationship between national and organizational culture and its impact on knowledge transfer. We also incorporate tacit and explicit knowledge as moderator variables to show its affect on organizational learning. These two types of information categories have been especially important in the transfer of knowledge when dealing with different cultural environments, however
they have rarely been studied as moderators. Finally, this paper concludes by providing insight into the relationship between knowledge transfer and the performance of the transnational corporation. (For more information, please contact: John Elshaw, Purdue University, USA: jelshaw@purdue.edu)

Cross Cultural Influences on Knowledge Sharing Activities in a French Chinese Joint Ventures
Rizwan Tahir, Auckland University of Technology
Yuwei Wu, University of Auckland
Victoria Fedotova, University of Auckland

The purpose of the present study is to explore how national and organizational cultural differences between the partners influence the knowledge sharing activities in a French Chinese joint venture in China. There is a substantial body of literature that focuses on similarities and differences across national and organizational cultures. Although these studies and their findings provide some important insights into national and organisational cultures, knowledge sharing and IJVs, none of the research has linked these themes together. To the best of our knowledge, this is apparently the first study trying to explore how the national and organizational cultural differences have influenced the knowledge sharing activities in the international joint venture context in China. The findings of the present study are as follows. Firstly in the case of cultural differences, it is found that the differences in the national cultures of the IJV partners have adversely influenced the knowledge sharing process. Secondly, in the case of national versus organizational cultural differences and knowledge-sharing activities in the IJV context, it is found that organizational cultural differences represent the visible differences as opposed to the latent effects of national cultural differences and they may cause greater interaction problems related to the knowledge-sharing activities in the IJV context. Finally it has been found that active knowledge-sharing activities between the IJV partners have contributed to contribute a harmonious new IJV organizational culture and has less conspicuous the national differences between the partners become overtime. (For more information, please contact: Rizwan Tahir, Auckland University of Technology, New Zealand: rizwan.tahir@aut.ac.nz)

Does Cultural and Psychic Distance Impact on the Market Entry Strategies Used in the Globalisation of US Firms?
David M Holliman, Open University
Geoff R Mallory, Open University
Howard P. Viney, Open University

Improvements in technology and communications have facilitated the growth of international business. This growth necessitates entry into foreign markets and although there is a great deal of research in the fields of both culture, and market entry strategy, very few papers have combined the two. This paper considers the impact of cultural and psychical distance on the selection of market entry strategy, and examines if organisations that consider the aforementioned factors stand a greater chance of success than those who do not? The selection of an appropriate market entry strategy will contribute to an organisations success and market penetration. This is achieved by considering the importance of global and local business knowledge to organisational success. By drawing on established literature and case study research this paper identifies that there is much debate regarding the impact of culture on market entry strategy among academics. In contrast, business practitioners are unanimous in support of the adaptation of entry strategy to incorporate cultural variations. The outcome of this research makes a contribution to the fields of culture and management, by emphasising the need to understand the impact of cultural variations on the selection of successful market entry strategies. (For more information, please contact: David M Holliman, Open University, United Kingdom: d.holliman@open.ac.uk)

Routinizational Degree and National Culture in Manufacturer - Overseas Distributor Relationships
Chi-Yu Huang, I-Shou University and Tung-Fang Institute of Technology
Organizational routines and capabilities have become key constructs not only in evolutionary economics, but more recently also in business administration, specifically strategic management. The main purpose of this paper is to investigate whether cooperative performance is improved if building shared interorganizational routines is fostered within the manufacture and foreign distributor relationship. For this purpose, we discuss the shared routinizational process, national culture and performance between manufacturer and foreign distributor (M-D) relations. Research on M-D relations has neglected inter-organizational routines despite their importance for the process of coordination and interaction, as well as their prominence in organization theory. This study using the routinization in M-D relations to explore: First, building shared routines across national culture boundaries is considered. Second, the focus moves to different routinization degree in terms of partnership relations. Moreover, degree of interorganizational shared routinization provide with coordination capability that can improve both partners’ routinization performance that is consist of reducing uncertainty, responsiveness and intelligence/knowledge dissemination. We further suggest the managerial implications and theoretical implications at the end of this paper. (For more information, please contact: Chi-Yu Huang, I-Shou University and Tung-Fang Institute of Technology, Taiwan: amy67039@ms27.hinet.net)

Implementation of Manufacturing Best Practices: Effect of Culture
Jonathan Lee, University of Windsor
David McCalman, University of Central Arkansas
Sam Kelley, Bloomington Healthcare System

It has been suggested that an important factor involved in the development of Japanese manufacturing was Japanese culture. If so, following the congruence premise, one would expect that organizations with cultural values similar to those of Japan would find it easier to implement Japanese practices and exhibit more extensive implementation of Japanese manufacturing practices. It is only necessary to observe a particular Hofstedian cultural dimension in Japan in order to make and test such a hypothesis. (For more information, please contact: Jonathan Lee, University of Windsor, Canada: jlee@uwindsor.ca)
INDEX OF PARTICIPANTS
INDEX OF PARTICIPANTS

<table>
<thead>
<tr>
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<th>Email</th>
<th>Pages</th>
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B

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<tr>
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AIB 2007 Conference Proceedings Page 201
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