

Proceedings of the  
**51<sup>st</sup> Annual Meeting**

of the



# **Academy of International Business**

*"Is the World Flat or Spiky?  
Implications for International Business"*

San Diego, California, USA  
June 27-30, 2009

*Editors*

Torben Pedersen, Program Chair  
Tunga Kiyak, AIB Managing Director

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Proceedings of the  
51<sup>st</sup> Annual Meeting  
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Academy of International Business  
*"Is the World Flat or Spiky?  
Implications for International Business"*  
San Diego, California, USA  
June 27-30, 2009

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# AIB 2009 Program Overview

Friday, June 26		Saturday, June 27		Sunday, June 28
	7:15-7:30		7:15-7:30	
	7:30-7:45		7:30-7:45	Fellows Café 7:30-8:00
	7:45-8:00		7:45-8:00	
	8:00-8.15		8:00-8.15	
	8.15-8.30		8.15-8.30	
	8.30-8.45		8.30-8.45	
	8.45-9.00		8.45-9.00	
	9.00-9.15		9.00-9.15	1.1 <b>Conference Theme Plenary</b> 8:15-9:45
	9.15-9.30		9.15-9.30	
	9.30-9.45		9.30-9.45	
	9.45-10.00		9.45-10.00	BREAK 9:45-10:00
	10.00-10.15		10.00-10.15	
	10.15-10.30		10.15-10.30	1.2 Concurrent Sessions 10:00-11:15
	10.30-10.45		10.30-10.45	
	10.45-11.00		10.45-11.00	
	11.00-11.15		11.00-11.15	COFFEE BREAK 11:15-11:45
	11.15-11.30		11.15-11.30	
	11.30-11.45		11.30-11.45	
	11.45-12.00		11.45-12.00	1.3 Concurrent Sessions 11:45-13:00
	12.00-12.15		12.00-12.15	
	12.15-12.30		12.15-12.30	
	12.30-12.45		12.30-12.45	
	12.45-13.00		12.45-13.00	
	13.00-13.15		13.00-13.15	LIGHT LUNCH 13:00-14:00
	13.15-13.30		13.15-13.30	
	13.30-13.45		13.30-13.45	
	13.45-14.00		13.45-14.00	
	14.00-14.15		14.00-14.15	
	14.15-14.30		14.15-14.30	1.4 Concurrent Sessions 14:00-15:15
	14.30-14.45		14.30-14.45	
	14.45-15.00		14.45-15.00	
	15.00-15.15		15.00-15.15	COFFEE BREAK 15:15-15:45
	15.15-15.30		15.15-15.30	
	15.30-15.45		15.30-15.45	
	15.45-16.00		15.45-16.00	
	16.00-16.15		16.00-16.15	1.5 Concurrent Sessions 15:45-17:00
	16.15-16.30		16.15-16.30	
	16.30-16.45		16.30-16.45	
	16.45-17.00		16.45-17.00	
	17.00-17.15		17.00-17.15	
	17.15-17.30		17.15-17.30	
	17.30-17.45		17.30-17.45	<b>Networking Receptions</b> 17:15-18:15
	17.45-18.00		17.45-18.00	
	18.00-18.15		18.00-18.15	
	18.15-18.30		18.15-18.30	
	18.30-18.45		18.30-18.45	
	18.45-19.00		18.45-19.00	
	19.00-19.30		19.00-19.30	
	19.30-20.00		19.30-20.00	
	20.00-20.30		20.00-20.30	
	20.30-21.00		20.30-21.00	
<b>AJBS Conference</b> 8:30-17:30		<b>AIB Doctoral Consortium</b> 9:00-15:45	<b>AIB/JIBS Paper Development Workshop</b> 8:30-14:00	
		<b>AIB Junior Faculty Consortium</b> 9:00-15:45	<b>AIB Board Meeting</b> 8:30-12:00	
<b>AIB Executive Board Meeting</b> 8:30-17:00			<b>AIB Chapter Chairs Luncheon</b> 12:00-13:45	
		<b>AIB Fellows' Opening Plenary</b> 16:30-19:00		
<b>US West and Latin America Chapters Joint Panel and Reception</b> 18:00-21:00		<b>AIB Presidential Reception</b> 19:00-21:00		

## San Diego, USA - June 27-30, 2009

	Monday, June 29		Tuesday, June 30
7:15-7:30		7:15-7:30	
7:30-7:45	Fellows Café 7:30-8:00	7:30-7:45	Fellows Café 7:30-8:00
7:45-8:00		7:45-8:00	
8:00-8.15		8:00-8.15	
8.15-8.30	2.1 <b>JIBS 40th Anniversary Plenary</b> 8:15-9:45	8.15-8.30	3.1 <b>Dunning Tribute Plenary</b> 8:15-9:45
8.30-8.45		8.30-8.45	
8.45-9.00		8.45-9.00	
9.00-9.15		9.00-9.15	
9.15-9.30		9.15-9.30	
9.30-9.45		9.30-9.45	
9.45-10.00	BREAK 9:45-10:00	9.45-10.00	BREAK 9:45-10:00
10.00-10.15	2.2 Concurrent Sessions 10:00-11:15	10.00-10.15	3.2 Concurrent Sessions 10:00-11:15
10.15-10.30		10.15-10.30	
10.30-10.45		10.30-10.45	
10.45-11.00		10.45-11.00	
11.00-11.15		11.00-11.15	
11.15-11.30	COFFEE BREAK 11:15-11:45	11.15-11.30	COFFEE BREAK 11:15-11:45
11.30-11.45		11.30-11.45	
11.45-12.00	2.3 Concurrent Sessions 11:45-13:00	11.45-12.00	3.3 <b>JIBS Decade Award</b> Concurrent Sessions 11:45-13:00
12.00-12.15		12.00-12.15	
12.15-12.30		12.15-12.30	
12.30-12.45		12.30-12.45	
12.45-13.00		12.45-13.00	
13.00-13.15	LIGHT LUNCH 13:00-14:00	13.00-13.15	LIGHT LUNCH 13:00-14:00
13.15-13.30		13.15-13.30	
13.30-13.45		13.30-13.45	
13.45-14.00		13.45-14.00	
14.00-14.15	2.4 <b>Farmer Dissertation Session</b> Concurrent Sessions 14:00-15:15	14.00-14.15	3.4 Concurrent Sessions 14:00-15:15
14.15-14.30		14.15-14.30	
14.30-14.45		14.30-14.45	
14.45-15.00		14.45-15.00	
15.00-15.15		15.00-15.15	
15.15-15.30	COFFEE BREAK 15:15-15:45	15.15-15.30	COFFEE BREAK 15:15-15:45
15.30-15.45		15.30-15.45	
15.45-16.00	2.5 Concurrent Sessions 15:45-17:00	15.45-16.00	3.5 <b>AIB Awards Ceremony and Business Meeting</b> 15:45-17:15
16.00-16.15		16.00-16.15	
16.15-16.30		16.15-16.30	
16.30-16.45		16.30-16.45	
16.45-17.00		16.45-17.00	
17.00-17.15		17.00-17.15	
17.15-17.30		17.15-17.30	
17.30-17.45		17.30-17.45	
17.45-18.00		17.45-18.00	<b>AIB Awards Reception</b> 17:15-18:30
18.00-18.15	<b>AIB Gala Reception</b> <i>Balboa Park</i> 18:00-21:00	18.00-18.15	
18.15-18.30		18.15-18.30	
18.30-18.45		18.30-18.45	
18.45-19.00		18.45-19.00	
19.00-19.30		19.00-19.30	
19.30-20.00		19.30-20.00	
20.00-20.30		20.00-20.30	
20.30-21:00		20.30-21:00	

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# ABSTRACTS

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**ABSTRACTS FOR SATURDAY, JUNE 27, 2009**

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**Session: 0.4 - Plenary**

***AIB Fellows' Welcoming Plenary: Foundations and Future of the IB Field***

*Welcome Remarks*

Torben Pedersen, Copenhagen Business School

Nancy A. Marlin, Provost, San Diego State University

*International Executive of the Year Award: Donald E. Felsing, Sempra Energy*

Eleanor Westney, York University

Gail K. Naughton, Dean, College of Business Administration, San Diego State University

*International Educator of the Year Award: Susanna Easton, U.S. Department of Education*

Mary Ann Von Glinow, Florida International University

G. Tomas M. Hult, Michigan State University

***AIB Fellows' Feature Plenary: IB Research on the Flat vs. Spiky World***

**Presented On:** June 27, 2009 - 16:30-19:00

Chair: Yves L. Doz, INSEAD

*Panel: IB Research on the Flat vs. Spiky World*

Pankaj Ghemawat, IESE Barcelona

Udo Zander, Stockholm School of Economics

## ABSTRACTS FOR SUNDAY, JUNE 28, 2009

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### Session: 1.1 - Plenary

#### ***Conference Theme Plenary: Is the World Flat or Spiky?***

Presented On: June 28, 2009 - 08:15-09:45

Chair: Torben Pedersen, Copenhagen Business School

#### *Reinventing Management: Imperatives and Opportunities*

Gary Hamel, London Business School and the Management Lab

#### *Columbus was Right After All*

Randall Morck, University of Alberta

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### Session: 1.2.1 - Panel

#### **Track: Track: 9 - Internationalization Processes and International Marketing Strategies**

#### ***State-of-the-Art Research in the Internationalization Processes and International Marketing Strategies***

Presented On: June 28, 2009 - 10:00-11:15

Chair: Pervez N. Ghauri, King's College London

#### *State-of-the-Art Research in the Internationalization Processes and International Marketing Strategies*

Tamer Cavusgil, Georgia State University

Johny Johansson, Georgetown University

Luis Filipe Lages, Universidade Nova de Lisboa, Faculdade de Economia

Niina Nummela, Turku School of Economics

Chris William Styles, University of Sydney

*(For more information, please contact: Bent Petersen, Copenhagen Business School, Denmark:  
bp.smg@cbs.dk)*

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### Session: 1.2.2 - Competitive

#### **Track: Track: 1 - The Political, Institutional, and Historical Context of Global Business**

#### ***Governance and Integration: Who Answers to Whom?***

Presented On: June 28, 2009 - 10:00-11:15

Chair: Bernie Wolf, York University

#### *Going Abroad Through Acquisitions and Minority Investments: An Exploratory Analysis of Chinese Companies' Recent International Expansion*

U. Srinivasa Rangan, Babson College

Xiaohong (Sherry) Cao, Babson College

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Since the 1990s, Chinese companies have been acquiring firms abroad and making minority investments as well. The pace of acquisitions has accelerated recently. While the popular press has been covering with gusto major Chinese acquisitions, academics have not yet addressed the whys and wherefores of this phenomenon. As much of the information on foreign acquisitions has to be collected from diverse sources and the data may be incomplete, this reluctance to explore the topic is understandable. Drawing on extant academic literature on Third World multinationals and traditional multinationals, this paper puts forward tentative hypotheses to explain the phenomenon and tests them using aggregate as well as anecdotal evidence. Its major conclusion is that Chinese companies may have now joined the ranks of traditional multinationals from Europe, United States, and Japan. Acquisitions are a manifestation of Chinese firms' efforts to compete globally. The paper then outlines possible future research avenues in this emerging area of international business. *(For more information, please contact: U. Srinivasa Rangan, Babson College, USA: rangan@babson.edu)*

*The Impact of Culture and Country-Level Infrastructure on Corporate Governance Practices: Theory and Empirical Evidence*

Shirley J. Daniel, University of Hawaii  
 Joshua Cieslewicz, University of Hawaii  
 Hamid Pourjalali, University of Hawaii

This study steps back and examines the underpinnings of corporate governance. We hold that high quality institutional environments foster high quality corporate governance practices. We further postulate that certain cultural practices are salient within the context of the institutional environment and are indirectly linked to corporate governance practices through their influence on the institutional environment. Using structural equation modeling, we develop the constructs of Reporting Culture and Institutional Environment and use international data at the country level to demonstrate linkages between these constructs and corporate governance practices. *(For more information, please contact: Shirley J. Daniel, University of Hawaii, USA: sdaniel@hawaii.edu)*

*How do Institutional Differences Affect Entry Strategies?: A Perspective from Corporate Governance of Taiwanese Firms*

Yi-Long Jaw, National Taiwan University  
 Wiboon Kittilaksanawong, National Taiwan University

This paper discusses the institutional theory in explaining entry strategies of firms from Taiwan, a newly-industrialized economy. Building on Scott's (1995) regulative, normative, and cognitive institutions, we investigate how institutional difference between the home and host country influences the choice of host country and the entry strategies (equity level and entry modes) with respect to the corporate governance (family shareholding, insider shareholding, domestic financial institution shareholding, and foreign financial institution shareholding). Interestingly, we found that institutional distances in different dimensions differently determine the choice of host countries and appropriate entry strategies to overcome the hurdles arising from these distances. Moreover, we also found that institutional distances not only directly affect the entry strategies but also act as a mediator between the corporate governance and the entry strategies as well. In other words, the corporate governance exerts both direct and indirect influences on the entry strategies. This paper contributes to the extant literature in many ways. First, a more complete paradigm of international business strategy is proposed. Second, we extend the past research by examining the effects of institutions from varying dimensions. Third, we demonstrate the linkage between the micro level, corporate governance and the macro level, country's institutions in the analysis of entry strategies. Finally, we extend the geographic reach of FDI to those firms from Taiwan, a newly-industrialized economy. *(For more information, please contact: Wiboon Kittilaksanawong, National Taiwan University, Taiwan: chunguoyu@gmail.com)*

*Government Strategy and Chinese Outbound M&A Performance*  
Lulu Gu, University of Canterbury

My paper provides a thorough analysis of Chinese outbound merger and acquisitions from 1994 through 2008. I find that on average, Chinese outbound merger and acquisitions produced positive abnormal returns as measured on the announcement date, which indicates a successful "Go Global" strategy of Chinese Government. However, privately-owned firms experienced greater wealth effects than government-owned firms. Further, outbound Merger and Acquisition's targeting firms in natural resource industries evidence especially large abnormal returns, while outbound merger and acquisition's targeting firms in technology industries did not show significant wealth effects. (For more information, please contact: Lulu Gu, University of Canterbury, New Zealand: [g\\_lulu@126.com](mailto:g_lulu@126.com))

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**Session: 1.2.3 - Competitive**

**Track: Track: 3 - Alliances and Inter-Firm Relationships**

***Local and Global Pressures in Alliances***

**Presented On:** June 28, 2009 - 10:00-11:15

Chair: Ursula F. Ott, Loughborough University

*Competing Globally, Allying Locally: Host Country Factors and Alliances between Global Rivals*

Tieying Yu, Boston College  
Mohan Subramaniam, Boston College  
Albert A. Cannella, Tulane University

Our study examines how the global competitive intensity between rival multinational enterprises affects the likelihood that they will form an alliance in a focal host country. More importantly, our study highlights how local country factors play a role in influencing the interrelationships between global competitive rivalry and alliance formation. We explore how the mutual importance of the host country, the competitive intensity in the host country from other global rivals, local regulatory restrictions, and relative cultural distance strengthen or attenuate the effects of global competitive rivalry on alliance formation in host countries. We test our hypotheses with a sample of 13 global automobile companies operating in 27 countries, and report strong support for our hypotheses. (For more information, please contact: Tieying Yu, Boston College, USA: [yuti@bc.edu](mailto:yuti@bc.edu))

*The Antecedences and Consequences of Local Embeddedness: A Framework Based on the Rice Industry in Taiwan*

I Han, National Taiwan University  
Chen-Min Chuang, National Taiwan University

This paper develops a framework of economic activities embedded in a local network. Based on in-depth interviews fieldwork of 20 rice processing factories in Taiwan, we identify that embedded relationships between farmers and processors are not just bound relationally and structurally, but also bound locally. Our findings suggest that process and mechanism of locally embedded activities are distinctive from non-locally embedded ones. Local embeddedness promotes respecting minor power party, word of mouth information, trustworthiness, cooperative spirit, and multi-functional assisting. It then results in advantages of locally embedded alliances in willingness of risk-taking, bargaining and adaptation cost, goal incongruence and conflict, and long-term value creation at the alliance level. Meanwhile, at the network level, local embeddedness enhances overall local network performances in terms of profitability, technical advance, and collective innovation. Our contributions on local embeddedness and its impacts provide a framework for analyzing

location-specific economic activities. (For more information, please contact: I Han, National Taiwan University, Taiwan: yvohan@ms3.hinet.net)

*The Strategic Complementarity of Regional and Global Alliance Partner Networks of Triad Multinationals*

Elitsa R. Banalieva, Northeastern University  
Nicholas Athanassiou, Northeastern University

The central contribution of this pilot study is to propose that regional and the global partner alliance networks of Triad multinationals strategically complement each other's organizational learning effects on firm performance. We ground our conceptual framework in the theories of social networks and economic complementarities, and test it empirically with the interplay between Regional and Global alliance partner networks on a sample of 172 multinationals from the Triad (U.S., Western Europe, and Japan) between 2001 and 2006. Our regression analysis provides support for the conceptual framework and fresh insights for the regional/global strategies and internationalization of alliance portfolios literatures. (For more information, please contact: Elitsa R. Banalieva, Northeastern University, USA: e.banalieva@neu.edu)

**Session: 1.2.4 - Competitive**

**Track: Track: 6 - Learning, Knowledge and Innovation**

***Dynamic Capabilities, Learning Capabilities and New Knowledge***

**Presented On:** June 28, 2009 - 10:00-11:15

Chair: Eric W. K. Tsang, University of Texas at Dallas

*Untangling the Origin of Dynamic Capabilities: Co-evolutionary Dynamics of Strategies and Routines for Technological Innovation*

Sonya H. Wen, Tamkang University  
Ji-ren Lee, National Taiwan University

What is the origin of dynamic capabilities? We approached this inquiry by untangling the transformation mechanisms from its resource base to a focal dynamic capability of technological innovation. We adopted a qualitative research approach and undertook a longitudinal case study on the co-evolutionary dynamics of a dedicated semiconductor foundry, TSMC, who starts as a technology-latecomer specializing in process innovation and eventually becomes a technology-leader through sequential strategic renewals. TSMC's co-evolutionary path of multi-phase dynamic capabilities demonstrated how interlocking strategies and routines form and transform technological innovation. We further discussed how the interlocking patterns of strategies and routines facilitated three strategic renewals of TSMC: (i) to create the first dedicated foundry in Semiconductor industry in 1987; (ii) to extend from a latecomer of mature process- technologies to a leader of advanced process-technologies since 1999; and (iii) to modify its leadership from process-technologies to product-technologies since 2002. In each renewal, we highlighted how variety-inducing strategies knit with variety-reducing strategies, as well as how variety-inducing and variety-reducing routines knot those ambidextrous strategies firmly together. Based on such co-evolutionary dynamics, we inductively conclude the cross-sectional Y-paths and longitudinal Z-paths as the transformation mechanisms toward technological innovation. (For more information, please contact: Sonya H. Wen, Tamkang University, Taiwan: sonya.wen@gmail.com)

*The Influence of National Culture on the Relation between Innovation and Performance in Foreign SBUs*

Sjoertje Siemonsma, Erasmus University  
 Rene Olie, Erasmus University  
 Elko Klijn, Erasmus University

In this paper we examine to what extent exploitative and exploratory learning in multinational subsidiaries influence subsidiary performance. In addition, we explore to what extent the performance effects of these two innovation capabilities are contingent upon the national culture of the parent company. Data collected from 167 foreign subsidiaries show that the performance effects of exploration and exploitation strongly depend on national culture. Moreover, exploration and exploitation are affected by different cultural characteristics. The findings suggest that the focal subsidiaries' national background influences innovation and learning at the local level. *(For more information, please contact: Elko Klijn, Erasmus University, Netherlands: eklijn@rsm.nl)*

*The Moderating Roles of Supplier Learning Capability and Social Embeddedness on the Relationship between Knowledge Stickiness and Knowledge Transfer Performance*

Chia-Ying Li, Providence University

Increased outsourcing yields less vertically-integrated firms so that suppliers are expected to provide products with advanced technologies, not just simple components. Suppliers have to rely on different buyers and interdisciplinary teams for acquired and utilized knowledge to enhance performance. However, knowledge transfer from buyers to suppliers is not always successful. Furthermore, while knowledge transfer processes are essentially context-specific in terms of who participates and how they participate in the process, it is very important to put knowledge transfer into context. Therefore, this study assess suppliers' perceptions regarding how specific knowledge transfer stickiness influences their dynamic capabilities and performance based on the perspectives of the contextual aspects of learning capability and social embeddedness. *(For more information, please contact: Chia-Ying Li, Providence University, Taiwan: candy@pu.edu.tw)*

*Factors Leading to New Knowledge in Early Internationalizing Smaller Born-Global Firms*

Susan Freeman, Monash University  
 Kate Hutchings, Monash University  
 Miria Lazaris, Monash University  
 Suzanne Zyngier, La Trobe University

Earlier research on knowledge management in international business (IB) has highlighted the value of sharing knowledge for achieving organizational competitive advantage but has suggested that while trust and absorptive capacity aid market experience and assist knowledge sharing they develop through lengthy relationships which poses a difficulty for smaller born-global firms which rapidly internationalize. In this paper we suggest that smaller born-global firms may gain market knowledge and competitive advantage, through tacit knowledge, which they gain via networks, and it is transferred readily and quickly along their supply chains. We present five propositions to understand the relationships between factors which lead to the development of new knowledge for smaller born-global internationalizing firms and provide a conceptual framework which illustrates these relationships. The paper concludes with implications for managers of international businesses and suggests that understanding the processes of knowledge acquisition is a key focus for the smaller born-global firm for its continued survival and competitive advantage. *(For more information, please contact: Kate Hutchings, Monash University, Australia: kate.hutchings@buseco.monash.edu.au)*



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**Session: 1.2.5 - Panel**

**Track: Track: 1 - The Political, Institutional, and Historical Context of Global Business**

***New Political Economy Perspectives in International Business Research***

**Presented On:** June 28, 2009 - 10:00-11:15

**Chair:** Glenn Hoetker, University of Illinois

*Economic Dependence, Political Capabilities, and Bargaining Power of Multinational Firms: Investor Leverage in the Renegotiation of Electricity Generation Investments*

Sinziana Dorobantu, Duke University

*Mobile Capital and the Nation-State: Taxing the Investments of Multinational Corporations*

Nathan Jensen, Washington University

*Concentrated Power, Liberalization and Growth in the Global Wireless Telecommunications Sector*

Witold Jerzy Henisz, University of Pennsylvania & Stanford University

*Immigrant Remittances and the Venture Investment Environment in Developing Countries*

Paul Vaaler, University of Minnesota

This panel examines emerging political economy issues in international (IB) research. In the 1960s and 1970s, such issues were largely limited to which mode of foreign direct investment (FDI) multinational enterprises (MNEs) from the industrialized world chose to enter overseas markets, and then how they managed relationship with host country governments, particularly developing host country governments. Since the late 1980s, new dynamics related to political democratization, economic liberalization and enterprise privatization have generated new types of MNEs, new types of non-MNE investors and new types of host country governments to manage and respond to. Papers proposed for presentation in this panel analyze these new dynamics, organizations and individuals from a political economy perspective relevant to IB scholars. Papers address several issues including: 1) how government liberalization policy can induce more MNE investment and market growth; 2) how MNEs from developing countries are more of eroding bargaining power with host country governments; 3) how developing country tax policies influence the composition of MNE investment; and 4) how overseas immigrants shape the venture investment environment of their home countries. Together, the papers should stimulate fruitful debate about how IB research can enhance understanding political economy issues important in the 2000s and beyond. (For more information, please contact: Paul Vaaler, University of Minnesota, USA: [vaal0001@umn.edu](mailto:vaal0001@umn.edu))

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**Session: 1.2.6 - Panel**

**Track: Track: 8 - International Human Resource Management, Cross-Cultural Management, and Qualitative Research Methods**

***WAIB Panel: Academic Couples in International Business***

**Presented On:** June 28, 2009 - 10:00-11:15

**Chair:** Susan M. Mudambi, Temple University

*Insights on Academic Couples within AIB*

Tina C. Ambos, WU Vienna

*Job Location and Academic Couples*

Jane W. Lu, National University of Singapore

*Managing One's Research and Career as an Academic Couple*

Sri Zaheer, University of Minnesota

*Human Resource Management Strategies for Dual Careers*

Nancy Aebersold, National Higher Education Recruitment Consortium

The presence and visibility of dual career academic couples is increasing in international business (IB). Academic couples raise unique opportunities and concerns for business school deans and faculty. This panel explores a range of workplace issues including: research productivity, hiring and promotional challenges, mobility, research credibility, the labeling of trailing and leading spouses, teaching and service. The panelists provide insights on these issues from different geographic perspectives, with panelists from U.S., European and Asian universities, from different career stages, and from the perspective of both faculty and deans. *(For more information, please contact: Susan Mudambi, Temple University, USA: susan.mudambi@temple.edu)*

**Session: 1.2.7 - Competitive****Track: Track: 7 - The Location of FDI, Clusters, and Inter-Firm Spillovers*****Knowledge Spillovers in Emerging Economies*****Presented On:** June 28, 2009 - 10:00-11:15

Chair: Lucia Piscitello, Politecnico di Milano

*Foreign Direct Investment, Restructuring of R and D Sector and Technology Transfer during Economic Transition: The Case of Hungary*

Katherin Marton, Fordham University

With the industrial restructuring of formerly socialist countries of Eastern and Central Europe, the local R and D system experienced fundamental changes as well. Specialized R and D institutions that supplied technology to enterprises were downsized dramatically. With the privatization of the industry multinational corporations became major players in the advanced sectors of the industry. Sourcing of technology within the multinational corporate system increased import of technology and locally performed R and D dropped sharply. The rapid decline of R and D staff both at specialized research institutions and at the enterprise level coincided with a sharp drop in local patent applications. Operations of multinational corporations has also resulted in vertical and horizontal spillover of technology. The evidence on the extent of such transfer has varied among ECE economies and industrial sectors. *(For more information, please contact: Katherin Marton, Fordham University, USA: marton@fordham.edu)*

*Managerial Spillovers: How FDI Facilitates the Development of Management Capabilities in a Transition Economy*

Tiemin Wang, Peking University

Klaus E. Meyer, University of Bath

Foreign investors upgrade the capabilities of their local labor force through skills training and experience, which enhances both their abilities and their cognitive horizons. Such trained employees moving to local firms and taking leadership roles provides an important mechanism by which foreign investors facilitate the development of the local industry. We explore the theoretical foundations of this effect, and show empirical evidence for a sample of Chinese pharmaceutical companies: foreign trained executives contribute to the firms' market

orientation, which in turn enhances its performance. (For more information, please contact: Tiemin Wang, Peking University, China: [twang@gsm.pku.edu.cn](mailto:twang@gsm.pku.edu.cn))

*Externalities and Spillovers from the Entry of Foreign MNEs in Infrastructure and Service Sectors*

Marcella Nicolini, Fondazione Eni Enrico Mattei  
Lucia Piscitello, Politecnico di Milano

This paper deals with spillovers stemming from the entry of foreign multinational enterprises (MNEs) in services and infrastructures (S&I) sectors. The empirical analysis, which refers to the Italian case over the period 1999-2005, reveals that foreign MNEs in S&I sectors induce both technological and pecuniary externalities, thus benefiting domestic firms in downstream manufacturing sectors through vertical spillovers. Moreover, as externalities refer to the interaction among actors, they increase with the latter's geographic proximity. Hence, externalities are localized but with some sector-specific peculiarities.

Finally, distinguishing local firms in manufacturing sectors by ownership, we find that only uninational firms benefit from the entry of foreign MNEs while multinational ones, which may rely on their own global networks, do not seem to be significantly affected. (For more information, please contact: Lucia Piscitello, Politecnico di Milano, Italy: [lucia.piscitello@polimi.it](mailto:lucia.piscitello@polimi.it))

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**Session: 1.2.8 - Competitive**

**Track: Track: 8 - International Human Resource Management, Cross-Cultural Management, and Qualitative Research Methods**

***Communication and Understanding in Cross-cultural Management***

**Presented On:** June 28, 2009 - 10:00-11:15

Chair: Fiona Moore, University of London

*Communication and Social Interaction Style across Cultures: Conceptualization, Antecedents, and Organizational Consequences*

Wendi L. Adair, University of Waterloo  
Nancy R. Buchan, University of South Carolina  
Xiao-Ping Chen, University of Washington

We propose a framework of Communication and Social Interaction Style (CSIS) based upon Hall's low/high context communication model and inspired by Triandis' model of subjective culture. Within our CSIS framework, individuals are linked to the ecological and social settings in which they interact; their temporal, spatial and relationship contexts are considered. We examine the psychological antecedents and moderating social norms of CSIS. We demonstrate three of the potential CSIS cultural types that can result from the framework. Finally, we demonstrate the organizational implications of cultural variations in CSIS. (For more information, please contact: Wendi L. Adair, University of Waterloo, Canada: [wladair@uwaterloo.ca](mailto:wladair@uwaterloo.ca))

*International Organization's Acculturation: An Exploration from Comparative Empirical Cases*

Yingying Zhang, CUNEF, Complutense University of Madrid  
Chad Albrecht, Utah State University

In this paper, an exploratory study is performed to better understanding acculturation process in relation with strategic decision of organization's internationalization process, using comparative cases of Spanish firms in Chinese. Given that the investment of Spanish organizations in China is a recent and under-researched phenomenon, a qualitative case study method was selected to study this important topic. Analysis in the paper

is based on data collected via 28 semi-structured interviews with individuals occupying senior positions at the headquarters of 10 different Spanish firms that have subsidiary operations in China. Interview data is anchored by thematic content analysis (Boyatzis, 1998). The individuals interviewed, are those who deal directly with the subsidiary operations in China, and these individuals have excellent insight into the strategies and mechanisms used by their firms to adapt to the Chinese culture. It is hypothesized that these individuals act as gatekeepers for expressing their respective firm's strategy. The findings from the analysis lead to the development of a concrete framework that enables us to better understand how firms develop strategies and mechanisms to deal with the specifics of Chinese culture. Finally, we discuss implications of our findings for managing in cross-cultural contexts. *(For more information, please contact: Yingying Zhang, CUNEF, Complutense University of Madrid, Spain: yzhang@cunef.edu)*

*Lost in Translation? Impact of Interpreters in International Negotiations*

Asha Rao, California State University East Bay

Dan Martin, California State University East Bay

Interpreters often play a crucial role in international business negotiations. This paper sought to identify the frequency by which interpreters were used, and the effect of employing interpreters on the behavioral process of negotiations in a sample of eighty-one international negotiations. Results indicate that close to half the negotiators used interpreters. Also, when U.S. negotiators used interpreters, they used significantly more hard strategies in negotiations. The implications of using these strategies are discussed. *(For more information, please contact: Asha Rao, California State University East Bay, USA: asha.rao@gmail.com)*

*Willingness to Delegate and Business Environments in 47 Countries*

Leonardo Liberman, Universidad Adolfo Ibáñez

Dirk Michael Boeche, Insper Institute of Education and research, São Paulo

The purpose of this paper is to examine the relationship between willingness to delegate and country specific factors as workforce competence, motivation, probity, legal framework and cultural values (hierarchy and embeddedness). The results show that the willingness to delegate across countries is significantly influenced by workforce competence, motivation and probity, and the country's embeddedness. Moreover, this study identified moderating and mediating effects when examining the combined effect of institutional and cultural factors on delegation. Accordingly, the authors argue that institutional and cultural factors and the combined effects of these can influence managers' perceptions of risk. The results have theoretical and practical implications for firms doing business internationally. *(For more information, please contact: Leonardo Liberman, Universidad Adolfo Ibáñez, Chile: leonardo.liberman@uai.cl)*

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**Session: 1.2.9 - Competitive**

**Track: Track: 5 - Organizational Structure, Capabilities, and Strategic Planning in the MNC**

***Intra Firm Coordination, Entrepreneurship and Learning***

**Presented On:** June 28, 2009 - 10:00-11:15

**Chair:** William G. Egelhoff, Fordham University

*Patterns of Coordination in Service and Manufacturing MNCs*

Dirk Morschett, University of Fribourg

Hanna Schramm-Klein, Universität Siegen

Bernhard Swoboda, University of Trier

Marcus Aschenbrenner, University of Fribourg

This study seeks to investigate patterns of coordination of foreign subsidiaries. We follow the assumption that MNCs adapt the use of coordination mechanisms to the specific subsidiary, leading to substantial heterogeneity. Assuming that coordination mechanisms are strongly interdependent and planned holistically, a configurational approach is applied to identify specific patterns of coordination mechanisms.

Five typical patterns are found and contingencies for those patterns investigated. We demonstrate that the MNC strategy, the sector (services versus manufacturing) and the subsidiary role are associated with to the coordination pattern that the MNC applies to coordinate a specific subsidiary. Our findings also demonstrate a joint influence of the subsidiary role and the coordination pattern, i.e. the right combination of a subsidiary role with a coordination pattern has a strong influence on subsidiary performance.

*(For more information, please contact: Dirk Morschett, University of Fribourg, Switzerland: dirk.morschett@unifr.ch)*

*Antecedents in the Creation of Subsidiary Absorptive Capacity for MNC Learning: The Role of the Expatriate*  
Fiona Xiaoying Ji, Virginia Tech  
Gretchen Lina Schaupp, Virginia Tech

This paper develops a conceptual model that investigates the role that expatriates play at local subsidiaries in the creation of knowledge-related capabilities in Multinational Corporations (MNCs). The theoretical model identifies an underlying latent construct: the creation subsidiary absorptive capacity. We recommend that individual level antecedents be developed before a company decides to expand overseas – this includes both expatriate human capital (communication skills, previous international experience) and the expatriate social capital within the MNC (both number of social ties and strength of these ties), which need to be explicitly recognized and integrated with the goal of competence creation at the subsidiary level. Furthermore, we propose that the effectiveness of absorptive capacity development is moderated by local national culture and subsidiary coordination mechanisms. We argue that the expatriate's role is not only important for transferring knowledge from headquarters to subsidiaries, but also for their strategic role in MNC learning in which they integrate existing knowledge with local new knowledge. *(For more information, please contact: Fiona Xiaoying Ji, Virginia Tech, USA: jixy@vt.edu)*

*International Entrepreneurship and Dynamic Capabilities: An Empirical Survey*  
Stefano Denicolai, University of Pavia  
Antonella Zucchella, University of Pavia

This paper aims at profiling firms according to the entrepreneurial features showed by their international activities, since we hypothesise that international and multinational firms have grown more entrepreneurial and multidimensional in their internationalisation process. The purpose of this work is to relate internationalisation attitude and performance with the firm's capacity to mobilise resources and to develop and reconfigure dynamically capabilities, both defined as key attributes of entrepreneurship.

The second part of the paper presents an empirical survey on a sample of 209 firms, 33 of which have international activities and/or a multinational nature. The research questions this paper addresses to, are the following:

1. are international ventures more entrepreneurial than domestic ones in term of international mobilization resources and dynamic capabilities?
2. are international new ventures more entrepreneurial than gradual internationalizing firms?

The dynamic capabilities approach applied to International Ventures seems able to capture some particular attitudes of the entrepreneur to perform internationally. Capabilities in networking and propensity to innovate, referred to entrepreneurs are in this study correlated to the international performance.

*(For more information, please contact: Stefano Denicolai, University of Pavia, Italy: denist@eco.unipv.it)*

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**Session: 1.2.10 - Competitive**

**Track: Track: 10 - Outsourcing, Offshoring, and Supply Chain Management**

### ***Why Take It Offshore?***

**Presented On:** June 28, 2009 - 10:00-11:15

Chair: Ronaldo Couto Parente, Rutgers University

#### *Offshoring Strategies and Location Attractiveness*

Peter D. Ørberg Jensen, Copenhagen Business School

Torben Pedersen, Copenhagen Business School

This study analyzes the location choices of offshoring firms. Notably, the study shows that offshoring does not merely entail a flow of business functions to low-cost destinations as both high-cost and low-cost countries are offshoring destinations. The value-chains are becoming more fine-sliced and the determinants of location vary substantially for different business functions and tasks. Firms' location strategies largely follow a logic whereby low-value functions are relocated to low-cost destinations and more advanced functions to high-cost destinations, with Asia as an exception that attracts both more and less advanced functions. The patterns in offshoring flows thus stress the resilience of location advantages as offshoring firms, primarily MNCs, relocate different business functions to different foreign locations. A major theoretical implication of this study is that a more fine-grained distinction and understanding of the offshored tasks is needed as determinants of location and organization vary on a more disaggregated level. *(For more information, please contact: Peter D. Ørberg Jensen, Copenhagen Business School, Denmark: poe.smg@cbs.dk)*

#### *Stakeholder Perceptions of Offshoring and Outsourcing: The Role of Embedded Issues*

Christopher Robertson, Northeastern University

Anna Lamin, Northeastern University

Grigorios Livanis, Northeastern University

We contribute to the study of offshoring and outsourcing by examining how consumers' and investors' perceptions of these decisions are influenced by ethical issues embedded within scenarios. Although offshoring/outsourcing have been studied from a transactional perspective, these decisions have a profound effect on how the organization is perceived by outside stakeholders. Using questionnaires containing vignettes, we test whether the issues of product quality and information security increase the magnitude of consequences of offshore/outsourcing decisions. As expected, respondents viewed either offshoring or outsourcing less favorably than relocation, however offshore outsourcing was viewed more favorably than offshoring. *(For more information, please contact: Christopher Robertson, Northeastern University, USA: c.robertson@neu.edu)*

#### *Contracts, Culture and Technology: Explaining the Offshore Outsourcing of Services*

Runjuan Liu, University of Alberta

Dorothee Feils, University of Alberta

Barry Scholnick, University of Alberta

We examine the determinants of the offshore outsourcing of services. Building on the transaction cost theory, we hypothesize that not only country characteristics (particularly judicial quality, cultural similarity and technology capacity), but also the interplay of these country characteristics and service characteristics (specifically contract intensity, culture intensity and IT intensity), determine where US firms will outsource specific types of services. We use detailed data on U.S. service offshore outsourcing of 11 types of services from 31 countries between 1992 and 2005 to test our hypotheses. We find that contracts, culture and

technology (in declining order of importance) are three main determinants of the pattern of US service offshore outsourcing. Specifically, U.S. firms outsource more contract intensive services from countries with better judicial quality; U.S. firms outsource more culture intensive services from countries with a similar culture; and U.S. firms outsource more IT intensive services from countries with larger ICT capacities. *(For more information, please contact: Dorothee Feils, University of Alberta, Canada: dfeils@ualberta.ca)*

*Cultural Aspects of Offshoring of Services*

Eugene D. Hahn, Salisbury University  
Kraiwinee Bunyaratavej, Wesley College

Empirical research on the growing wave of services offshoring has examined the impact of several key factors such as wages and personnel quality on firm choices of offshore locations. However, examinations of culture in services offshoring to date have largely been confined to the relatively coarse concept of aggregate cultural differences between the home and host countries. We propose that specific cultural attributes are more closely aligned with successful service provision. We empirically examine our theoretical development of service cultural alignment and investigate the impact of cultural dimensions on the location of service offshoring projects. We find that host countries with lower levels of Hofstede's uncertainty avoidance as well as higher levels of individualism are able to attract greater numbers of service offshoring projects, even after controlling for macroeconomic, linguistic, and risk-related factors. We discuss implications of the findings with respect to theory, managerial practice, and governmental policy. *(For more information, please contact: Eugene D. Hahn, Salisbury University, USA: edhahn@salisbury.edu)*

**Session: 1.2.11 - Pedagogy Session**

**Track: Track: 12 - Special Track on IB Pedagogy**

***Developing, Assessing and Creating Global Talent and Mindsets***

**Presented On:** June 28, 2009 - 10:00-11:15

Chair: Jim David Bell, University of Ulster

*Assessing Global Orientation Competency for the Undergraduate Business Capstone Course*  
Fernando Robles, George Washington University

*Developing the Way We Teach International HRM: From a Functional to a People and Business Perspective*  
Ingmar Bjorkman, Hanken School of Economics

*The Global Competence Development Portfolio*  
Iris Berdrow, Bentley University

*Infusing International Entrepreneurship into the International Business Curriculum*  
Jim David Bell, University of Ulster

*(For more information, please contact: Jim David Bell, University of Ulster, United Kingdom: jd.bell@ulster.ac.uk)*

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**Session: 1.2.12 - Interactive**

**Track: Track: 1 - The Political, Institutional, and Historical Context of Global Business**

***Managing under Extreme Circumstances: Terrorism, Risk, and Disaster***

**Presented On:** June 28, 2009 - 10:00-11:15

Chair: William Newburry, Florida International University

*Investing in War Zones, a Firm Level Analysis*

Nigel Lewis Driffield, Aston University

Chris Jones, Aston University

The purpose of this paper is to examine the determinants of a firm's strategy to invest in a conflict location. To the best of our knowledge, this has not been done before. We start with the population of multinationals who have chosen to invest in low income countries with weak institutions. Our analysis then proceeds to explain the decision of those firms to invest in conflict locations. In particular, countries with weaker institutions and less concerns about CSR are more likely to invest in conflict regions. Finally, firms with more concentrated ownership are more likely to invest in such locations. *(For more information, please contact: Nigel Lewis Driffield, Aston University, United Kingdom: n.l.driffield@aston.ac.uk)*

*Terrorism and Global Banking*

Robert Grosse, ITESM Monterrey

Robert Spich, University of California at Los Angeles

This paper examines the challenges of managing terrorist risk in the global banking industry. The paper defines a value chain approach to analyzing terrorist risk using cost, revenue and risk metrics to evaluate the vulnerabilities of the various activities in the value chain. Borrowing from the strategic and organization theory fields, a working set of research propositions is offered to show how and why the value added chain of service organizations like banks are particularly vulnerable to terrorist risk. Using four real case examples of terrorist events, the paper then shows how these case examples could be used to explore the research propositions. *(For more information, please contact: Robert Grosse, ITESM Monterrey, Mexico: grosser@t-bird.edu)*

*Natural Disasters and MNC Location Choice*

Burkhard Norbert Schrage, Singapore Management University

Banu Ozcan, Merrill Lynch

Over the last decades, natural disasters have increased in both number and severity. The combination of higher event frequency and intensity, coupled with fragile economic conditions in emerging market countries, may affect location choices of multinational corporations. This study empirically investigates effects of natural catastrophes on the cost of sovereign debt in developing countries and MNC financing strategies.

Our parametric and nonparametric analyses of 211 catastrophes in 25 countries over the period of 1994 through 2003 reveal that natural disasters have a material impact on the bond returns of the developing country governments and consequently on MNCs' host-country financing costs. We find significant evidence that sovereign bond yields increase after catastrophes, thus raising the cost of borrowing. These results imply that MNCs need to consider the likelihood of catastrophic events when considering a foreign direct investment in emerging markets. *(For more information, please contact: Burkhard Norbert Schrage, Singapore Management University, Singapore: bschrage@smu.edu.sg)*



*Chinese FDI in Sudan: Implications for Development*

Huaichuan Rui, Royal Holloway, University of London

This paper examines the development implications of Chinese direct investment in Sudan. An integrative analytical framework is set up to guide the examination, combining insights from development, international business, and institutional perspectives. By examining China's early FDI in oil and the consequent cascade effect on Sudan's economy during the decade between 1997 and 2007, we show that Sudan did achieve significant economic growth during the last decade. However, high economic growth is only the first step towards development, and it is far from conclusive that FDI has until now promoted development in Sudan. Nevertheless, with the positive implications for Sudan's development, we highlight how progress was achieved through interaction between Chinese FDI and the host institutions. The paper provides important insights on the conditions for developing- to developing-country FDI, especially in natural resources, to promote development in host countries. *(For more information, please contact: Huaichuan Rui, Royal Holloway, University of London, United Kingdom: huaichuan.rui@rhul.ac.uk)*

*Understanding the Terrorist Threat to MNEs: A Conceptual Model and Framework for Research*

David A. Wernick, Florida International University

Sumit K. Kundu, Florida International University

Research on terrorism's impact on international business has increased substantially since 9/11. Yet theoretical and conceptual thinking about the nature of the terrorist threat and its implications for MNEs remains underdeveloped. We offer a new conceptualization of the terrorist threat that takes into account its enduring features as well as its novel dimensions and trace its implications for MNEs. We argue that the "new terrorism" of al-Qaeda is best conceptualized as a type of exogenous shock, rather than a traditional political risk and put forth a series of risk management propositions. We conclude with implications and directions for future research. *(For more information, please contact: David A. Wernick, Florida International University, USA: wernick@gmail.com)*

*Collateral Damage The Impact of the United States |"War on Drugs|" Policies on the Economies of Latin the Caribbean Region*

June N. P. Francis, Simon Fraser University

Gary A. Mauser, Simon Fraser University

Latin America and the Caribbean lag many areas of the world in economic development. This despite numerous programs aimed at developing the economic and trade potential of this region. These programs aim to shore up institutions, strengthen these countries trade capacities and provide market access through regional, bi-lateral and multilateral agreements. Not addressed by these initiatives, however, is arguably the most important impediment to sustainable development in the region- the continuing high levels of crime and corruption in these societies. This paper explores the impact of a set of policies that are contained under the rubric "US war on Drugs" that we argue seriously exacerbates these high crime and corruption rates. Latin America and the Caribbean have been central staging grounds for this US led "war" on the illicit drug trade. This costly offensive (\$322 billion annually, UNODC, 2005) has "off shored" many criminal activities and organizations to these countries. We argue in this paper that, to a large extent, these economies rather than benefiting from their decision to cooperate with this US led effort have, in fact, been hindered in their economic and social development under the weight of the unintended consequences of this "war."

*(For more information, please contact: June N. P. Francis, Simon Fraser University, Canada: francis@sfu.ca)*

*Isomorphic Influences and Aspiration: Reference Group Choice in Entry Mode Decisions*

Congcong Zheng, San Diego State University

Neo-institutional theory and international business scholars have investigated the isomorphic influences on a firm's entry mode decisions. Researches have shown the prevalence and importance of isomorphic influences from country, industry peers and MNC parents when managers make entry decisions. Under conditions of uncertainty, firms could model themselves after behaviors of host country entrants, industry norms or their own past behaviors. However, previous research has not discussed the relative significance of institutional influences exerted from those different reference groups. Our paper develops a model regarding the firm's appropriate reference group when making entry mode choices based on the sources of institutional influence and the firm's own aspiration. The addition of aspiration variable helps us to understand the priorities of reference groups. The paper contributes to institutional theory and international business literature by examining the interaction between institutional environment and decision makers' preference and emphasizing decision makers' initiatives and options when facing institutional influences. *(For more information, please contact: Congcong Zheng, San Diego State University, USA: czheng@mail.sdsu.edu)*

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**Session: 1.2.13 - Interactive**

**Track: Track: 6 - Learning, Knowledge and Innovation**

***Transfer of Knowledge and Organizational Practices: Different Levels of Analysis and Theoretical Perspectives***

**Presented On:** June 28, 2009 - 10:00-11:15

Chair: Kenneth Monroe Norton, Mid-Continent University / Nova Southeastern University

*Patterns of Learning from Innovation Activities within MNEs*

Elizabeth A. Alexander, University of Washington, Tacoma

This paper extends research on knowledge flows and learning in MNEs by proposing a framework to account for differences in the degree of firms' spatial distribution of innovation activity and the integration of intra-firm knowledge flows across country borders. It adopts a systemic approach addressing the overall strategy of the multinational. In so doing the paper draws on two major literature streams: the knowledge-based view of the firm and innovation systems. The complexity of the factors influencing knowledge flows are further developed using the concepts of distance that are salient to the search for knowledge and learning within MNEs: technological, organizational, geographic, and institutional distance. *(For more information, please contact: Elizabeth A. Alexander, University of Washington, Tacoma, USA: alexanel@u.washington.edu)*

*The Relationship between Behavioral Attributes and Knowledge Transfer and the Role of Cultural Distance in IJVs*

Chansoo Park, Sogang University

Chol Lee, Sogang University

This paper examines how behavioral attributes of parent companies in an international joint venture (IJV) affect knowledge transfer and whether organizational culture can moderate the relationship between behavioral attributes and knowledge transfer in IJVs. Particularly, based on a survey of IJV in Korea, we aim to identify how behavioral attributes (trust, commitment, conflict resolution, and cooperation) affect the transfer of explicit and tacit knowledge and how the differences/similarities in organizational culture between the partners moderate the relationship in IJV.

The results indicate that trust and commitment do not influence the transfer of either explicit or tacit knowledge. However, conflict resolution and cooperation significantly affect the transfer of both types of knowledge. Also, the impact of conflict resolution on the knowledge transfer is greater in IJVs with dissimilar cultures than in IJVs with similar cultures. However, cooperation is found to affect the knowledge transfer more

significantly in culturally similar IJVs than in IJVs with dissimilar cultures. *(For more information, please contact: Chol Lee, Sogang University, Korea, South: chollee@sogang.ac.kr)*

*The Effects of Cultural Differences on Knowledge Assets and U.S. MNCs' Firms Value using a Three-Valuation Model*

Kenneth Monroe Norton, Mid-Continent University / Nova Southeastern University  
Pan Yatrakis, Nova Southeastern University

This study examines the effect of cultural differences (CD) between U.S. multinational companies (MNCs) and their foreign subsidiaries on the firm value of the U.S. parent company. The study uses three different valuation models: (1) Tobin's Q; (2) Weighted Cost of Capital (WACC); and (3) Market Value Added (MVA). Analysis using the Tobin's Q model found an inverse relationship between CD and firm value. In contrast, examination of firm value using the WACC and MVA models indicated a direct relationship. These findings suggest that CD has a relationship with the U.S. parent company's firm value, but leave open the question of direction. The analysis reveals that risks or rewards can result from the exchange of knowledge and other intangible assets, and points to Weighted Average Cost of Capital as the optimal model for assessing the effects of cultural distance on firm value. *(For more information, please contact: Kenneth Monroe Norton, Mid-Continent University / Nova Southeastern University, USA: nkenneth@nova.edu)*

*Fiat or Choice: Sender and Receiver Motivation on Cross-Border Practice Adoption*

Kurt A Norder, University of South Carolina

I assess the impacts of the motivation of mandate compared to choice on the adoption patterns for a cross-border strategic organizational practice. Using an information processing perspective, I consider the influence of mandate or choice for both the sender and the receiver simultaneously. Additionally, I look at several outcomes for the adoption pattern including implementation and internalization in general and, at a deeper level, replication, adaptation, and ceremonial adoption. As the MNE, leverages its competitive advantages across its international subsidiaries, institutional distance creates incremental complexity that moderates the impacts of actor agency, i.e. choice, on the adoption patterns. *(For more information, please contact: Kurt A Norder, University of South Carolina, USA: kurt\_norder@moore.sc.edu)*

*Practice Transfer in MNEs as Socially Embedded Translations: A Comparative Social Learning Perspective*

Florian August Arthur Becker-Ritterspach, University of Groningen  
Ayse Saka-Helmhout, University of Surrey  
Jasper Hotho, University of Groningen

International Business perspectives generally treat learning in multinational enterprises (MNEs) as knowledge flows, that is, as a transfer of a substance that can be absorbed or acquired unchanged by organizational-level constructs. In contrast, social learning perspectives have found only little attention within the context of learning in MNEs. Addressing this research gap, we see learning in MNEs as relying on socially embedded translations. Based on a comparative case study of two subsidiaries of the same MNE, we show that there were different learning patterns based on the varying extent to which these practices were translated. These, in turn, could be traced to the markedly different institutional contexts of the two subsidiaries. *(For more information, please contact: Florian August Arthur Becker-Ritterspach, University of Groningen, Netherlands: florian.br@gmx.de)*

*Knowledge Building Trajectories and the Design of Boundary Spanning Activities*

Dzidziso Samuel Kamuriwo, City University  
Charles Baden-Fuller, City University

We investigate how organizations seek to balance flexibility and efficiency requirements by using hybrid structures and processes that underpin adaptive product development processes. We examined how such structures and processes work in situations of joint product development in uncertain contexts. Our study employed a research design that compares organizational processes in a virtual firm to those much studied ones of an integrated firm. We found that the underlying organizational processes in both firms are adaptive development processes that have an overarching framework that imposes a 'discipline' of structure and flexibility to explore. However, the processes in the two firms follow an opposite logic as to how these contingencies operate. In joint development contexts, flexibility to explore precedes the discipline of process. Whereas, in integrated firms, and similar to past research findings, the 'discipline' of structure precedes the flexibility of process. We extend past work by showing how 'hybrid' structures work differently in practice and how this leads to different boundary spanning designs or organizational forms. Our findings have implications for research on the boundaries of the firm. *(For more information, please contact: Dzidziso Samuel Kamuriwo, City University, United Kingdom: d.s.kamuriwo@city.ac.uk)*

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**Session: 1.2.14 - Interactive**

**Track: Track: 6 - Learning, Knowledge and Innovation**

***Subsidiaries, SMEs & Entrepreneurs***

**Presented On:** June 28, 2009 - 10:00-11:15

Chair: Sylvie K. Chetty, Massey University

*New Ventures' Technological Search through R&D Subsidiaries Abroad*

Sungjin J. Hong, University of Texas at Dallas

What factors make new ventures to build R&D subsidiaries in foreign countries? This paper aims to analyze the joint effect of industry newness and the existence of local knowledge clusters upon the new ventures' propensity to R&D abroad. In emerging industries, new ventures would have stronger motivation to explore foreign technological knowledge to differentiate themselves from domestic incumbent firms in competition for dominant technological design. When the home country do not have relevant local knowledge cluster, new ventures are more likely to build R&D subsidiaries abroad in order to access geographically localized technological knowledge embedded in foreign clusters.

*(For more information, please contact: Sungjin J. Hong, University of Texas at Dallas, USA: sxh085000@utdallas.edu)*

*Towards a Multi-Perspective Model of Reverse Knowledge Transfer in Multinational Enterprises*

Martina Mcguinness, University of Sheffield

Mehmet Demirbag, University of Sheffield

Sasanka Bandara, Coats Thread Lanka (Private) Limited

The conventional role of corporate headquarters as the sole engine of knowledge creation within the MNE is changing. Increasingly, geographically dispersed subsidiaries need to function as neural networks, reverse transferring knowledge to headquarters.

This study explores the attributes that stimulate reverse knowledge transfer within MNEs. Firstly, a multi-perspective model of reverse knowledge transfer is created conceptualising the process as predicated upon knowledge creation and knowledge transfer. Constructs of this model are then operationalised and tested within Coats plc, a UK based multinational and global market leader in its industry. Preliminary results are promising and emphasise the experimental validity of the model. *(For more information, please contact: Mehmet Demirbag, University of Sheffield, United Kingdom: m.demirbag@sheffield.ac.uk)*

*Innovativeness of Manufacturing Subsidiaries of Foreign Firms versus Domestic Firms*

Annique Un, University of South Carolina

I analyze the innovativeness of subsidiaries of foreign multinational enterprises (MNEs) in comparison to domestic firms. Existing theories are unclear as to whether subsidiaries of foreign firms are more or less innovative than domestic firms. Linking ideas from technology strategy and neo-institutional theory I argue that subsidiaries of foreign firms are more innovative than domestic firms, not only because of their access to technology from the MNE as it has been traditionally argued, but also because they are better at transforming R&D investments into innovations. Different from domestic firms, subsidiaries of foreign firms face two sets of pressures, one at the MNE level and another at the host country level. Rather than competing as it has been argued by MNE studies using neo-institutional theory, these pressures complement each other in influencing subsidiaries to differentiate themselves in the area of innovation by becoming more effective at innovation rather than imitate domestic firms. *(For more information, please contact: Annique Un, University of South Carolina, USA: annique\_un@moore.sc.edu)*

*The Configuration of Small-and-medium-scale MNEs' Innovation Network*

Shu-Woan Tseng, National Chengchi University

Relative to the large-scale multinational enterprises (MNEs), small-and-medium-scale MNEs (SMNEs) extremely limited on resources to develop new product and technology. SMNEs can innovate with external organizations by forming innovation networks. Previous studies focus more on the motives or outcomes of innovation networks but pay less attention to configurations of innovation networks such as the members involved. Taking the perspective of an MNE, in this paper we explore how innovation networks are configured and how these networks are managed. Through in-depth analyzing data of eight new product development projects, we find that: (1) innovation networks may include five sub-networks with each providing different resources; (2) the members (i.e., sub-networks) of MNE's innovation network are different as stage of innovation processes and nature of innovation project (i.e., radical or incremental); and (3) MNEs manage their innovation networks by building ties with new members and strengthening ties with existing members. The findings provide theoretical and managerial implications for innovation theory in general and MNEs' innovational networks in particular. *(For more information, please contact: Shu-Woan Tseng, National Chengchi University, Taiwan: vichyeng@yahoo.com.tw)*

*The Influence of Social Capital and Internal Organizational Properties on the Firm's Capability Building and Internationalization Performance: A Study of Taiwan SMEs in Information Technology Industry*

Shih-Chieh Fang, National Cheng-Kung University

Shih-Rong Fang, National Chung Hsing University

Ku-Ho Lin, National Chung Hsing University

The rise of International New Ventures (INVs) in recent years has received much attention from both business researchers and practitioners. The internationalization process of INVs violates conventional international business theories, especially Uppsala's "incremental internationalization" theory, which emphasizes on the proceedings and purposes of internationalization (Oviatt and McDougal, 1994, 1997 ; Johanson and Vahlne, 2003). This phenomenon is different from the traditional view of the internationalization process of SMEs and there has been an increasing number of studies investigating in the field. However, previous studies tend to less explore the influence of INVs capability building on the performance in overseas market and this study tends to contribute to this field.

The purpose of this research is to investigate the business performances of INVs in terms of the internal organizational factors and external application of business leverages. The research questions addressed in this study include (1) what are the influences of INVs' capability building on the performance? (2) What are the key

contributing internal organizational factors to INVs' capability building? (3) What are the effects of social capital integrated by INVs' external factors; and its relations to INVs' capability building characteristics?

This study conducted statistical analysis on 101 Taiwan INVs. The findings of this research shows that capability building (organizational learning and knowledge integration) of INVs does have certain positive effects on the performance of international expansion. In addition, internal organizational properties and social capitals attained from relations with external customers in some extent assist capability building of the company.

This study provides several practical implications for Taiwanese INVs. First, for overcoming the adverse factors (or challenges) posed by the small sized company, INVs could accumulate capability to achieve growth and competitiveness at great extent and in shortest time frame. Second, the formation and commitment of the entrepreneurial team is the most important factor when exploitation organizational learning and integrating knowledge. Finally, external relationships (especially ones with international customers) play significant roles in the quality and quantity of internationalization knowledge acquired. Such relationships also affect INVs on its absorbance, accumulation and exploitation of new knowledge.

*(For more information, please contact: Ku-Ho Lin, National Chung Hsing University, Taiwan: link@dragon.nchu.edu.tw)*

#### *The Entrepreneurial Internationalization Behavior Model: An Empirical Test*

Patrick Schueffel, University of Reading

Rico Baldegger, University of Applied Sciences Fribourg

This paper tests a model on the Entrepreneurial Internationalization Behavior of international new ventures (INVs) as presented by Marian Jones and Nicole Coviello. The model suggests that significant interrelationships exist between the organizational structure of an INV, its internationalization behavior, its performance and the presiding entrepreneurs. Using a sample of Swiss SMEs and applying partial least square regression it was established that the entrepreneurial orientation has a significant positive influence on a firm's organizational structure and thus on its posture towards innovation. Furthermore it was established that contrary to other research findings an INV's financial success actually attenuates the entrepreneurial orientation of the firm. *(For more information, please contact: Patrick Schueffel, University of Reading, United Kingdom: patrick@schueffel.de)*

#### *Absorptive Capacity and the Dynamic Capabilities of the High-tech SME's*

Vesna Sedoglavich, Australian National University

Michele Akoorie, University of Waikato

This research offers new theoretical explanations about the relationship between absorptive capacity (AC) and a firm's international strategy. The study develops a conceptual model to empirically examine how AC affects the development of dynamic capabilities in a high-tech SME. The research suggests that the strategy decision heavily influences a firm's internationalization process and is based on previous accumulated knowledge. However, the firm's ability to use this knowledge to achieve and preserve competitive advantage in the market is not always apparent. The research recognizes the roles and importance of different components of technological and non-core-AC on a firm's strategic choices and the creation of firm's capabilities. *(For more information, please contact: Vesna Sedoglavich, Australian National University, Australia: vesna@waikato.ac.nz)*

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Session: 1.2.15 - Interactive

Track: Track: 9 - Internationalization Processes and International Marketing Strategies

***Entry Modes and Exits: Determinants and Strategies***

Presented On: June 28, 2009 - 10:00-11:15

Chair: Sjoerd Martin Beugelsdijk, University of Groningen

*The Determinants of Foreign Investment Size: The Role of Parent Firm and National Distance*

Nan Zhou, University of Pennsylvania

Jiawen Yang, George Washington University

Andrew Delios, National University of Singapore

Investment size has been overlooked by management scholars who study foreign direct investment (FDI). However, the study of investment size will shed light on how firms of different sizes develop and participate in the current trend of globalization, and on how entry barriers influence the pattern of FDI. Building on OLI paradigm and process theory of internationalization, we develop an economic model of investment size. From this model, we derive hypotheses on the determinants of foreign investment size: it is positively related to parent firm size, while it follows an inverted U-shape relationship with national distances. Moreover, parent firm size and national distance also interact with each other to influence investment size. Our empirical analysis of Japanese FDI data from 1985 to 2003 supports our hypotheses. *(For more information, please contact: Nan Zhou, University of Pennsylvania, USA: zhounan@wharton.upenn.edu)*

*International Acquisitions by Indian Firms – Synergy, Agency or Hubris?*

Suresh Singh, Ohio State University

Emerging economy firms are increasingly acquiring assets overseas, either buoyed by success at home or as a response to competitive threats from foreign players entering their home markets. These firms are new to the game and it remains to be seen if they have been able to secure gains for their shareholders in the process. This study analyzed international acquisitions by Indian firms and found that average shareholder gains are positive. However, larger firm size tends to have a negative impact on shareholder returns suggesting that bigger firms may be prone to hubris. Agency problem was not found to be significant. *(For more information, please contact: Suresh Singh, Ohio State University, USA: singh.258@osu.edu)*

*The Moderator Role of the Task Environment on the Relationship between SMEs Foreign Entry Mode and Performance*

Abdul Beydoun, Florida International University

As the trend toward globalization increases, scholars start to pay more attention to the role SMEs play in internationalization process. This article examines how task environment, as measured by the two dimensions of uncertainty and munificence, moderate the relationship between entry mode and performance. Based on four hypotheses developed herein, it is argued that firms entering a foreign market characterized by low uncertainty and low munificence will perform better, when their entry mode strategy is exporting. As the rates of uncertainty and munificence change, firms need to change entry mode strategy to attain alignment with their environment. Expecting that the results support the four hypotheses presented in this paper, the findings should provide SMEs managers with contextual evidence to make successful foreign entry market decisions. *(For more information, please contact: Abdul Beydoun, Florida International University, USA: abeyd002@fiu.edu)*

*Intermediated Business Marketing Entry Strategy in Emerging Country Markets*

A. Joachim Timlon, University of Kalmar  
Mikael Hilmersson, University of Kalmar

Much research attention has focused on internationalizing firms' entry strategy as the model of entry, i.e. the organizational set-up used for establishing business on foreign soil. Less has been devoted to the actual process of entry and the building and maintaining of dyadic relationship between the internationalizing firm and intermediary. The objective of this paper is to formulate a theoretical framework for studies of entry strategy of how internationalizing firms develop new knowledge by establishing, developing and maintaining relationships with intermediaries in emerging country markets. Incorporating the business marketing aspect and giving prominence to the dynamic aspect of entry strategy provides a richer understanding of the knowledge and the knowledge development process underlying the entry process which is crucial for accumulating and developing experiential knowledge. Intermediated business marketing entry strategy is the indirect link between the internationalizing firm and customer via an intermediary in emerging country markets. Institutionalized joint business marketing knowledge about matching local customers' needs with product functionalities, developed by organizational feed forward- and feed back processes between the internationalizing firm and the intermediary, can develop new capabilities that influence their performance.

*(For more information, please contact: Mikael Hilmersson, University of Kalmar, Sweden: mikael.hilmersson@hik.se)*

*Liability of Foreignness, Failure, and Exit in International Retailing*

Syed Tariq Anwar, West Texas A&M University

This paper uses a longitudinal case-based research approach to analyze the causes of Wal-Mart's failure in Germany and South Korea. In international business (IB), the topics of failure and exit have not been thoroughly analyzed although many ventures fail because of liability of foreignness (LOF) and other reasons. This paper specifically analyzes Wal-Mart's international expansion in Germany and South Korea and its LOF-related problems within the literature of retail failure and exit. Staunchly traditional in its discount model, Wal-Mart's growth has not been smooth and continues to face problems in international retailing. The significance of this paper lies in its timeliness and relevance to retail internationalization. No study has been conducted in IB that specifically compared and contrasted Wal-Mart's failure and exit from Germany and South Korea. *(For more information, please contact: Syed Tariq Anwar, West Texas A&M University, USA: sanwar@mail.wtamu.edu)*

*Personality and Ethnic Ties: Determinants of Internationalization and Foreign Market Entry Mode for Entrepreneurial SMEs*

Majid Ghorbani, Simon Fraser University

For many SMEs with limited resources, globalization means more opportunities and, at the same time, more competition. Increases in migration and movement of entrepreneurs across borders creates a new type of competition for local entrepreneurs who are introverted and less open, and new opportunities for those entrepreneurs who are more open to new ideas. By bringing personality traits into the study of the internationalization and foreign market entry mode of entrepreneurial SMEs, we can better understand various aspects of firms in which entrepreneurs/managers play a more crucial role than they do in MNEs. This paper proposes a model, based on the Big Five Personality traits, that combines psychological characteristics of entrepreneurs and their ethnic background to explain the propensity to internationalize and the type of entry mode SMEs will choose to enter a new market. *(For more information, please contact: Majid Ghorbani, Simon Fraser University, Canada: mghorban@sfu.ca)*



*Do OEM Exporters Differ from Independent Exporters in Terms of Global Connectivity and Export Performance? Evidence from an Emerging Economy*

Ha Thi Van Pham, National Economics University  
Bent Petersen, Copenhagen Business School  
Christian Geisler Asmussen, Copenhagen Business School

It is an unresolved issue whether insertion of emerging economy firms into global value chains (GVCs) is a better way of internationalization than developing own export products and independent sales channels - as has been the 'conventional' internationalization path of firms from mature market economies. On the basis of unique firm survey data from Vietnam we compare two groups of exporters as to 'global connectivity' – i.e. how well a firm can connect directly to global markets – and economic and strategic export performance. One group of Vietnamese firms includes basically independent exporters that are only weakly connected to GVCs. The other group consists of OEM exporters, characterized by high dependency on GVCs. Using ANOVA, factor and regression analyses we find that the two groups of firms differ significantly in terms of 'global connectivity' and economic financial and strategic export performance, but less so in terms of the relationship between 'global connectivity' and export performance. *(For more information, please contact: Bent Petersen, Copenhagen Business School, Denmark: bp.smg@cbs.dk)*

**Session: 1.3.1 - Panel**

**Track: Track: 1 - The Political, Institutional, and Historical Context of Global Business**

***State-of-the-Art Research in the Political, Institutional, and Historical Context of IB: Past Patterns, Recent Trends, and Future Directions***

**Presented On:** June 28, 2009 - 11:45-13:00

Chair: Jonathan Doh, Villanova University  
Chair: Steve Kobrin, University of Pennsylvania

*State-of-the-Art Research in the Political, Institutional, and Historical Context of IB: Past Patterns, Recent Trends, and Future Directions*

Jean Boddewyn, Baruch, CUNY  
David A. Ralston, University of Oklahoma  
Rob van Tulder, Erasmus University  
Jennifer Oetzel, American University

*(For more information, please contact: Jonathan Doh, Villanova University, USA: jonathan.doh@villanova.edu)*

**Session: 1.3.2 - Competitive**

**Track: Track: 9 - Internationalization Processes and International Marketing Strategies**

***International Venturing and Networks***

**Presented On:** June 28, 2009 - 11:45-13:00

Chair: Yingying Zhang, CUNEF, Complutense University of Madrid

*The Usefulness of Customers' International Network for Business Development*

Kent Eriksson, Royal Institute of Technology  
Angelika Lindstrand, Stockholm School of Economics  
Deo Sharma, Stockholm School of Economics

The network surrounding a firm has a large influence on its ability to act in national markets, and is often considered a specific market asset. How firms can utilize knowledge supplied by networks is therefore of great importance to their business with international customers. This study increases the understanding of the importance of networks in internationalization, as it investigates the previously unstudied perceived usefulness of knowledge supplied by a customer's network. A linear regression analysis of an international sample of 494 firms demonstrates that the perceived usefulness of knowledge supplied by a customer's network is increased by the firm's experience in diverse national markets, the need for more knowledge about its customers and suppliers, and the commitment to a national market. Customer network knowledge is thus an important strategic asset that the international firm develops from varied experiential knowledge, customer- and supplier-specific experiential knowledge, and market commitment. *(For more information, please contact: Angelika Lindstrand, Stockholm School of Economics, Sweden: angelika.lindstrand@hhs.se)*

*International Entrepreneurship, Organizational Learning and Performance: A Study of Chinese Firms*

Hairu Yang, City University of Hong Kong  
 Daniel Z. Ding, City University of Hong Kong  
 Xuehua Wang, Macau University of Science and Technology  
 Zhiqiang Liu, Hua Zhong University of Science and Technology

Based on a sample of 212 Chinese international firms, this study examines a firm's institutional environment as an antecedent of international entrepreneurship from an institutional theory perspective. Furthermore, it investigates the mediating effects of international entrepreneurship on exploitative and exploratory learning and tests the nonlinear relationship between exploitative and exploratory learning and performance. Findings suggest that the isomorphic pressure from the institutional environment makes firms engage international entrepreneurial activities. International entrepreneurship, in turn, is positively associated with the two learning processes: exploitative learning and exploratory learning. Results also support the argument that although exploitative and exploratory learning are beneficial, they can weaken firm's performance in foreign market, after a certain point. *(For more information, please contact: Hairu Yang, City University of Hong Kong, Hong Kong, SAR-PRC: mkhairu@cityu.edu.hk)*

*International versus Domestic Orientation: New Venture Strategic Behaviour and Technology Leveraging*

Huan Zou, Loughborough University  
 Xiaohui Liu, Loughborough University  
 Pervez N. Ghauri, King's College London

This study investigates the impact of technological capability and the combination of technological capability, networking capability and financial capital on growth strategies adopted by new ventures in China. We find that technological capability needs to be leveraged through the process of combining with other capabilities. Our results show that the interaction between technological capability and networking capability increases the possibility that a new venture chooses an internationally-oriented strategy. Technology capability provides a base where networks have a positive impact on internationalisation strategies. The findings from the study provide a better understanding of technology leveraging and its impact on international-oriented growth strategy and have some important implications for high-tech new ventures in emerging economies. *(For more information, please contact: Huan Zou, Loughborough University, United Kingdom: h.zou@lboro.ac.uk)*

*Effectual and Causal Logic in International Venturing: Evidence from Serial and Novice Entrepreneurs*

Yanto Chandra, University of Amsterdam  
 Chris William Styles, University of Sydney  
 Ian Wilkinson, University of New South Wales

Although opportunity discovery-evaluation-exploitation has been recognized as an important lens in international entrepreneurship research, there is a paucity of research on the 'evaluation' process. Using historical case approach, we investigated the international opportunity evaluation process of small and medium sized firms involving serial and novice entrepreneurs. Results show the importance of effectual logic, which influences the evaluation of internationalization decisions. The evaluation process may evolve toward greater use of causal logic over time as the nature of uncertainty, knowledge, resources and networks evolve. We conclude with implications for future research and practice of international entrepreneurship. *(For more information, please contact: Yanto Chandra, University of Amsterdam, Netherlands: y.chandra@uva.nl)*

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**Session: 1.3.3 - Competitive**

**Track: Track: 2 - International Economics, Finance, Accounting and Taxation**

***Institutions and Cultural Drivers of Trade and Investment***

**Presented On:** June 28, 2009 - 11:45-13:00

Chair: Peter Ping Li, California State University, Stanislaus

*Do Institutions Matter for Foreign Threshold Firms? The Effects of "Home" and "Host" Country Institutions on Performance of Foreign IPOs.*

Curt B. Moore, Texas Christian University

R. Greg Bell, University of Dallas

Igor Filatotchev, City University

Increasingly, foreign firms are making their first public equity offers on foreign stock exchanges rather than local exchanges. Using a sample of foreign IPOs, we examine the effects of "home" country institutions on stock-market performance. We also investigate "host" country effects of foreign IPO firms in two different institutional environments, namely the US and UK stock exchanges. In order to explain the performance differentials of foreign IPO firms, we show that while signals associated with home country legal institutions impact the success of foreign IPOs, the salience of these signals varies in different institutional environments. *(For more information, please contact: Curt B. Moore, Texas Christian University, USA: c.b.moore@tcu.edu)*

*A Cultural Explanation of the Foreign Bias in International Asset Allocation*

Sjoerd Martin Beugelsdijk, University of Groningen

Bart Frijns, Auckland University of Technology

In this paper we examine the foreign bias in international asset allocation, the phenomenon where investors tend to underinvest in foreign markets. Following extant literature in behavioral finance, we argue that a society's culture and the cultural distance between two markets play an important role in explaining the foreign bias. In particular, we expect that the degree of a nation's uncertainty avoidance affects the size of the foreign bias (more uncertainty-avoiding countries allocate less to foreign markets), as does the degree of a country's individualism (in individualistic countries performance is more directly attributed to a person and less to teams, causing these individuals to be more aggressive in their foreign asset allocations). Further, we expect that the degree of cultural distance between two countries affects the amount of money allocated to a foreign market. Based on extensive robustness analyses, we find support for our hypotheses on the role of culture in international asset allocation. Our findings have important implications for international asset pricing theory and behavioral finance models by showing that their recent focus on individual-level heterogeneity should be complemented with macro-level heterogeneity. Our findings suggest that the research agenda linking formal institutions (law) to finance can be enriched by the inclusion of informal institutions (culture). *(For more information, please contact: Sjoerd Martin Beugelsdijk, University of Groningen, Netherlands: s.beugelsdijk@rug.nl)*

*Is Gravity a Cultural Artefact? Culture and Distance in Foreign Portfolio Investment*

Raj Aggarwal, University of Akron  
 Colm Kearney, Trinity College Dublin  
 Brian Lucey, Trinity College Dublin

We apply insights from international business on the measurement and effects of culture to generalize gravity models of foreign portfolio investment (FPI). We apply our models to explain cross-border holdings of debt and equity FPI in the IMF's CPIS survey for 174 originating and 50 destination countries using both panel and annual estimates for 2001-2004. We find that culture and cultural distance operate alongside geographical distance in determining global FPI patterns, and we find strong hitherto unreported cultural effects. Amongst our findings are the following. First, cultural distance is a significant deterrent to FPI, with a coefficient one third the size of geographic distance. In this respect, gravity appears to be a cultural artefact. Second neither common language nor common religion is associated with greater FPI. Third, analogously to geographical and cultural distance, Hofstede's power distance in the originating country is negatively related to cross-border debt and equity holdings. Fourth, uncertainty avoidance is positively related to cross-border debt holdings. Fifth, both masculinity and individuality are positively related to cross-border debt and equity FPI. The last two effects imply that gravity is not a cultural artefact, because these components of culture promote rather than deter FPI. (For more information, please contact: Colm Kearney, Trinity College Dublin, Ireland: colm.kearney@tcd.ie)

*Structural Economic Change and Foreign Acquisition*

Hein Bogaard, George Washington University

In this paper, I study how structural economic change affects the relative benefits of foreign and domestic ownership in emerging markets. The central thesis is that rapid change (a structural economic shock) makes many of the capabilities of domestic firms obsolete. Under these circumstances, foreign acquirers from advanced economies can provide firms with access to knowledge that helps firms to adapt to post-shock economic circumstances more effectively than they could without foreign ownership. Hence, the benefits of foreign acquisition increase following structural economic change.

I develop my argument in the context of the banking industry and test specific hypotheses on a large sample of banks in Central and Eastern Europe. In line with my predictions, foreign acquisition is followed by a period of post-acquisition restructuring that raises costs and reduces profitability. Thereafter, foreign-owned banks gradually improve their performance relative to domestically owned banks. This increase is more pronounced in countries that experience deeper structural change. (For more information, please contact: Hein Bogaard, George Washington University, USA: hbogaard@umich.edu)

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**Session: 1.3.4 - Competitive**

**Track: Track: 7 - The Location of FDI, Clusters, and Inter-Firm Spillovers**

***Knowledge and Location***

**Presented On:** June 28, 2009 - 11:45-13:00

**Chair:** Klaus E. Meyer, University of Bath

*Location of Greenfield Foreign Investments in the Enlarged Europe:  
 Evidence from Negative Binomial Additive Models*

Roberto Basile, ISAE and University of Macerata  
 Luigi Benfratello, University of Turin and Ceris-Cnr  
 Davide Castellani, University of Perugia and CentroStudi Luca d'Agliano

We use a negative binomial additive model, which allows for spatial instability and spatial autocorrelation, to analyse inward FDI counts in the NUTS2 regions of the enlarged Europe over the 2003-07 period. Following a new strand of literature, we do not consider only manufacturing aspects of international fragmentation, but extend the analysis to the determinants of the location of different functions composing the MNFs' value-chain, namely R&D activity and business services. Results are consistent with nonlinear effects of agglomeration economies, labor market conditions, R&D and tertiary education on FDI. We also find that spatial externalities characterize only the regional distribution of manufacturing FDIs. *(For more information, please contact: Davide Castellani, University of Perugia and CentroStudi Luca d'Agliano, Italy: [davide.castellani@unipg.it](mailto:davide.castellani@unipg.it))*

*International and Domestic Technology Transfers and Productivity Growth: Empirical Evidence for Flanders*

René Belderbos, Katholieke Universiteit Leuven  
 Vincent Van Roy, Katholieke Universiteit Leuven  
 Florence Duvivier, Katholieke Universiteit Leuven

We examine the drivers of international and domestic technology transfer strategies of firms and the impact of these transfers on firms' productivity performance in a sample of 457 Flemish innovating firms during 2003-2006. Using survey data, responding firms indicate whether they sourced technology externally and if so, whether the source of this technology was domestic or foreign. Estimates of a dynamic productivity model show that firms engaging in international knowledge sourcing strategies record significantly higher productivity growth. The largest impact is found for firms combining foreign transfer strategies with local technology acquisition, suggesting that a diverse external technology strategy combining local technologies as well as know how from abroad is most likely to improve firm performance. Consequently policies to stimulate innovation should pay close attention to the facilitation of international technology acquisitions.

Analysis of the drivers of technology sourcing strategies shows that combined technology sourcing strategies are more likely to be adopted by firms that 1) face resource limitations in their innovative effort 2) have a basic research orientation and conduct more R&D 3) successfully use various technology protection strategies to appropriate the benefits of innovation efforts 4) are engaged in international R&D collaboration.

*(For more information, please contact: Vincent Van Roy, Katholieke Universiteit Leuven, Belgium: [vincent.vanroy@econ.kuleuven.be](mailto:vincent.vanroy@econ.kuleuven.be))*

*FDI Motives and Host Country Productivity Effects of US MNEs*

John Cantwell, Rutgers University  
 Roger Smeets, Netherlands Bureau for Economic Policy Analysis

In this paper we investigate the productivity effects of technology seeking and exploiting FDI. Although the positive effects of technology exploiting FDI are fairly widely accepted, this is not the case for technology seeking FDI, due to its inherent "knowledge-absorbing" nature. Nonetheless, based on four arguments distilled from previous literature, we claim that the productivity effects of technology seeking FDI may indeed be expected to be positive, and as least as large as those of technology exploiting FDI. Using a new industry-level dataset of US MNEs' subsidiaries, active in 14 OECD countries over the period 1987-2003, we find broad and consistent support for this claim. *(For more information, please contact: Roger Smeets, Netherlands Bureau for Economic Policy Analysis, Netherlands: [r.smeets@cpb.nl](mailto:r.smeets@cpb.nl))*

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**Session: 1.3.5 - Panel**

**Track: Track: 7 - The Location of FDI, Clusters, and Inter-Firm Spillovers**

***Knowledge Diffusion and the Global Automotive Industry: Perspectives from Argentina, China, India, and the United States***

**Presented On:** June 28, 2009 - 11:45-13:00

**Chair:** Wilbur Chung, University of Maryland

*Network Composition, Collaborative Ties, and Upgrading in Emerging Market Firms: Lessons from the Argentine Autoparts Sector*

Gerald Andrew McDermott, University of South Carolina

*Deregulation and the Indian Auto Components Industry*

Ram Mudambi, Temple University

*An Evolutionary Analysis of Multinational Companies from Emerging Economies: Evidence from Chinese Automobile Industry*

Crystal Xiangwen Jiang, Bryant University

*Knowledge Flows in the North American Auto Industry - the Arrival of Japanese Carmakers*

Thomas Klier, Federal Reserve Bank of Chicago

This panel examines the ways in which firms learn and innovate, with particular focus on discerning the relative value of MNCs, local firm clusters, and local non-market organizations in facilitating knowledge creation and diffusion. The common setting for the papers is the automotive industry, namely the supplier networks, with three papers focusing on emerging market countries and a fourth on the United States. The combination of a common industry and different country conditions offers a unique opportunity to focus comparisons on the types of inter-organizational relationships and MNC strategies that enhance the innovative capabilities of local suppliers. *(For more information, please contact: Gerald Andrew McDermott, University of South Carolina, USA: gerald.mcdermott@moore.sc.edu)*

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**Session: 1.3.6 - Competitive**

**Track: Track: 6 - Learning, Knowledge and Innovation**

***Knowledge Search and Innovation Strategies***

**Presented On:** June 28, 2009 - 11:45-13:00

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

*The Paradox of HQ Involvement in Innovation Development and Transfer*

Francesco Ciabuschi, Uppsala University

Oscar Martín Martín, Public University of Navarre

This paper shed light on the HQ role in of HQ in subsidiary innovation activities, i.e. innovation development and inter-unit innovation transfer. With a series of four hypotheses is tested in a PLS model on a sample of 71 innovation projects. Results show a critical paradox: while HQ involvement in the development of the innovation is beneficial for the developing unit, their involvement in the inter-unit transfer is detrimental for the transfer performance. *(For more information, please contact: Francesco Ciabuschi, Uppsala University, Sweden: francesco.ciabuschi@fek.uu.se)*

*Managing Search Strategies for Open Innovation: Evidence Across Europe*

Christoph Grimpe, ZEW Centre for European Economic Research  
 Wolfgang Sofka, ZEW Centre for European Economic Research

Firms compete increasingly in an open innovation environment. Search strategies for external knowledge become therefore crucial for firm success. While existing research differentiates between the breadth (diversity) and depth (intensity) with which firms make use of external knowledge sources, little is known about how the direction of their search influences innovation performance. In this paper, we argue that firms need to specialize their search strategy and that its effectiveness is moderated by the R&D investments of the firm and the munificence of the environment. We test our considerations empirically for a large sample of more than 5,000 firms from five European countries. Our results show that being open for innovation generally pays off. However, both moderating factors have a crucial role to play: On the one hand, in-house R&D and consequent absorptive capacity are most effective when combined with a market-oriented search strategy. On the other hand, a technologically advanced environment requires firms to reach out to sources of scientific knowledge in order to access highly novel knowledge and to enhance innovation performance. We develop targeted management recommendations based on these results. *(For more information, please contact: Christoph Grimpe, ZEW Centre for European Economic Research, Germany: grimpe@zew.de)*

*The Role of International Diversification and Global Reservoirs of Scientific Knowledge in Explaining Performance Outcomes*

Mario I. Kafouros, Leeds University  
 Peter J. Buckley, University of Leeds  
 L, Jeremy Clegg, University of Leeds

The literatures on internationalization and knowledge externalities have played an important role in advancing theory relating to firm performance. But previous research has not examined how they interact with one another, thus limiting our conceptualizations as to how differences in performance arise. Integrating insights from these two research streams, we posit that the reservoirs of scientific knowledge residing in different locations around the world have significant power in explaining interfirm performance variations. We further suggest that this integration requires the insertion of a missing theoretical link—the advantage to the firm arising from the quasi-internalization of the externalities in the location where the knowledge reservoirs reside. We assert that the ability to access and exploit such intangible resources differs considerably across multinationals, according to both firm-specific and exogenously-determined factors. Combining industry- and firm-level data for 18 countries between 1995 and 2004, our empirical analysis supports the hypothesized relationships, indicating that the performance-enhancing effect of global knowledge reservoirs is positive and often higher than that of a firm's own knowledge. The evidence also suggests that whereas some multinationals excel at exploiting such intangible resources, others fail to do so successfully. In this respect, the results indicate that a firm's ability to benefit economically from global knowledge reservoirs is positively associated with (1) its degree of international diversification, (2) the intensity of its own research efforts, and (3) the opportunities pertaining to different industry-specific technological domains. *(For more information, please contact: Mario I. Kafouros, Leeds University, United Kingdom: mk@lubs.leeds.ac.uk)*

*Global Management of Learning Processes Across Space and Time: The Emergence of Transnational Knowledge Brokers*

Stefano Denicolai, University of Pavia  
 Antonella Zucchella, University of Pavia

This contribution aims at exploring a relatively recent and scarcely explored research issue, the knowledge brokering activity in the perspective of international entrepreneurship studies. Empirical evidence of the

phenomenon derives from a number of case studies analyzed by the authors in the last two years. Knowledge brokering at the global level is not new as expression of internationally oriented entrepreneurial activity and/or international business, but it is gaining growing importance in recent years and – moreover – it is assuming new expressions and wider possibilities of application, thanks to the increasing global interconnectedness among people, places, industries and opportunities. In this contribution knowledge brokering involves both scouting and connecting pieces of knowledge dispersed in different domains, actors and countries and opportunities exploitation through the pooling of resources and capabilities and consequent entrepreneurial risk taking. This contribution adopts an exploratory research approach, based on several incidents and one in depth longitudinal case study. The latter is a long established Italian company, Alessi, which moved along the last decades from a traditional manufacturer of home appliances in steel. The core-competence of this company is brokering art and design skills and applying them to a growing number of fields, including apparel, accessories, cars. *(For more information, please contact: Stefano Denicolai, University of Pavia, Italy: denist@eco.unipv.it)*

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**Session: 1.3.7 - Competitive**

**Track: Track: 1 - The Political, Institutional, and Historical Context of Global Business**

***Corporate Responsibility: Theory and Reality***

**Presented On:** June 28, 2009 - 11:45-13:00

Chair: John Mezas, University of Miami

*In Accord or Discord? Corporate Social Responsibility and Stakeholder Theory in International Context*

Faiza Muhammad, Lahore University of Management Sciences

Mehdi Farashahi, Concordia University

Business internationalization together with the increasingly international character of major environmental and social agendas has generated significant implications for the business-society relationship. Being important constituents of this relationship, both corporate social responsibility (CSR) and corporate governance (CG) are also influenced by firm internationalization.

Against this backdrop, this paper argues that the uncertainty and foreignness associated with operating in host countries, urges multinational subsidiaries to undertake impression management and legitimization initiatives, with particular regard to macro business environment. The subsequent financial investment instigates an incentive for exploitation of these initiatives as emotionally-rationalizing marketing gimmicks. In addition, it also provides multinationals the leverage to undertake product and (management) process discrimination, with reference to the home country. Good governance and acts of promoting social good, thus, primarily become instruments of serving shareholder interests, thereby raising apprehensions regarding their own essence and/or existence.

Disentangling the grips of this dilemma isn't possible without a (re)conceptualization of social responsibility and good governance. A new approach to CSR and CG is thus proposed, in terms of their legislative and voluntary components, to meet this purpose.

*(For more information, please contact: Faiza Muhammad, Lahore University of Management Sciences, Pakistan: 07080008@lums.edu.pk)*

*CSR as Sensemaking – The CSR-Character as Empirical Device*

Ulf Henning Richter, International University of Grand Bassam

In this conceptual paper, we analyze corporate social responsibility (CSR) from a sensemaking perspective, following the suggestion of a CSR-character by Basu and Palazzo (2008). We conclude by recommending using



the CSR-character as empirical device in future empirical research on CSR in a globalizing world. *(For more information, please contact: Ulf Henning Richter, International University of Grand Bassam, Cote D'Ivoire: ulf.richter@gmail.com)*

*Does Distance Matter? Multinationals and Corporate Social Responsibility in Host Countries*

Joanna Tochman Campbell, Texas A&M University

Lorraine Eden, Texas A&M University

Stewart R. Miller, University of Texas at San Antonio

Multinational enterprises typically suffer from liability of foreignness (LOF) when they go abroad. The greater the cultural, administrative, geographic and economic distances between the home and host countries, the more likely that the foreign affiliates will suffer from LOF in the host country. Foreign affiliates may be able to overcome LOF by demonstrating social commitment to host country constituents through corporate social responsibility (CSR) and thereby improving the firms' social legitimacy. Are more distant foreign affiliates more or less likely to engage in CSR activities to demonstrate their commitment to the host country? On the one hand, if foreign firms from more distant home countries suffer from greater LOF they should reap greater rewards from CSR activities. On the other hand, firms from more distant home countries are less likely to identify with host country constituents and are less able to devote resources towards CSR activities. We argue that the latter arguments dominate. Using Community Reinvestment Act data for 203 foreign bank affiliates from 44 home countries in the United States over the 1990-2007 period, we find support for the argument that more distant foreign affiliates are less likely to engage in CSR activities. *(For more information, please contact: Joanna Tochman Campbell, Texas A&M University, USA: jcampbell@mays.tamu.edu)*

*Institutional Factors Affecting Women's Participation in Business Leadership around the Globe*

Amanda M. Bullough, Thunderbird School of Global Management

K. Galen Kroeck, Florida International University

William Newburry, Florida International University

Kevin B. Lowe, University of North Carolina Greensboro

Elizabeth Prugl, Florida International University

This is a multi-level, cross-cultural study of women in leadership conducted with both macro-society data and individual-level data aggregated to the country level. The research questions are, "What macro and micro institutional forces are facilitating or impeding women's participation in business leadership?" "How do these forces impact the level of women's involvement in business leadership in a particular country?" Data was collected to answer these research questions from 11 secondary sources, available for up to 213 countries, including approximately 300 variables, with a final sample size of 115 countries. To date, little rigorous, empirical, and multi-level research has been done across countries on the topic of women leading businesses. A "Levels of Women's Participation in Leadership" country model is proposed utilizing institutional theory and is tested using cluster and discriminant analyses. Results indicate that the factors that affect women's participation in leadership in countries with fewer women leaders are different from the factors that affect women's participation in countries with high levels of participation. This paper proposes that initiatives to increase participation of women in business leadership need to consider the relevant factors that significantly affect countries at certain Levels of Women's Participation in Leadership. *(For more information, please contact: Amanda M. Bullough, Thunderbird School of Global Management, USA: amanda.bullough@thunderbird.edu)*

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**Session: 1.3.8 - Competitive**

**Track: Track: 8 - International Human Resource Management, Cross-Cultural Management, and Qualitative Research Methods**

***Responsibility and Performance of Global Business Leaders***

**Presented On:** June 28, 2009 - 11:45-13:00

**Chair:** Malika Richards, Penn State University

*Why Do Leaders Do What They Do? A 22-Country Study on Leadership Behavioral Intent*

Audra I. Mockaitis, Victoria University of Wellington  
 Lena Zander, Victoria University of Wellington  
 Anne-Wil Harzing, University of Melbourne  
 Joyce Balduenza, Worldbank  
 Wilhelm Barner-Rasmussen, Swedish School of Economics  
 Cordula Barzantny, Groupe ESC Toulouse Business School  
 Anne Berthelot, University of Maine  
 Anabella Davila, Tecnologico de Monterrey  
 Alvaro Espejo, Adolfo Ibañez University Business School  
 Rita Ferreira, IESE Business School Spain and ESSEC Business School  
 Axele Giroud, Manchester Business School  
 Kathrin Koester, University of Heilbronn  
 Yung-Kuei Liang, Tatung University  
 Michael J. Morley, University of Limerick  
 Barbara Myloni, University of Piraeus  
 Sharon Leiba O'Sullivan, University of Ottawa  
 Joseph O. T. Odusanya, HayGroup SA  
 Ananda Kumar Palaniappan, University of Malaya  
 Paulo Prochno, University of Maryland  
 Srabani Roy Choudhury, Jawaharlal Nehru University  
 Ayse Saka-Helmhout, University of Surrey  
 Sununta Siengthai, Asian Institute of Technology  
 Linda Viswat, Otemon Gakuin University  
 Ayda Uzuncarsili Soydas, Marmara University

The field of cross-cultural leadership has seen a boom in empirical research over the last few decades and the field has advanced toward large-scale leadership-oriented studies such as project GLOBE. Yet, there are few large-scale studies that seek to comprehensively explain cross-national leadership. We propose a model to bridge the various streams of cross-cultural leadership research and identify the predictors of leadership behavior. We test our model empirically, utilizing data on values, attitudes and behavioral intentions in 22 countries. Our results reveal that attitudes are better predictors of leadership behavioral intentions than cultural values, the predictive power of cultural values on intentions is rather weak, and even though values do influence attitudes, their influence does not extend as far as behavioral intent. *(For more information, please contact: Audra I. Mockaitis, Victoria University of Wellington, New Zealand: audra.mockaitis@vuw.ac.nz)*

*Defining the Content Domain of Intercultural Competence for Global Leaders*

Allan Bird, University of Missouri-St. Louis  
 Mark Mendenhall, University of Tennessee-Chattanooga  
 Michael J. Stevens, Weber State University  
 Gary Oddou, California State University, San Marcos

Research on expatriation and global leadership has been characterized by wide variations in defining what constitutes intercultural competence. Greater progress can be achieved if a comprehensive definition of the intercultural competence domain can be established, particularly with regard to the specific context of global leadership. This paper presents an extensive review of the global leadership and expatriation literatures, integrating and synthesizing prior theoretical and empirical efforts to develop a comprehensive domain definition for intercultural competence in the context of global leadership. The authors conclude that the domain of intercultural competence, within the context of global leadership, is comprised of three dimensions: (1) perception management; (2) relationship management; and (3) self management. Each of these three dimensions is characterized by a subset of more discrete facets that further delineate key aspects of intercultural competence. Finally, a comprehensive test of the model developed in the paper is called for, as well as the development and validation of a targeted instrument that measures them. *(For more information, please contact: Michael J. Stevens, Weber State University, USA: mjstevens@weber.edu)*

*The Meaning of Context in Communication: Reconceptualization and Scale Development*

Wendi L. Adair, University of Waterloo  
Xiao-Ping Chen, University of Washington  
Dong Liu, University of Washington

In prior work we synthesized Hall's (1976) theory of culture as communication into a construct called Communication and Social Interaction Style (CSIS). CSIS is comprised of four components -- communication style, relationships, time, and space that fully capture the role and meaning of context in the communication process. In the current study, we report results from four studies of CSIS scale development conducted in the U.S. that resulted in a 95-item scale. This scale offers management and marketing scholars new and alternative ways to measure how culture impacts communication and social interaction at work. Finally we discuss our plans to validate our scale outside the U.S. and explore the antecedents and consequences of CSIS that will further validate its ability to predict behavioral differences across cultures. *(For more information, please contact: Wendi L. Adair, University of Waterloo, Canada: wladair@uwaterloo.ca)*

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**Session: 1.3.9 - Competitive**

**Track: Track: 4 - Subsidiary Evolution and Strategy**

***Competences, Overlap and Duality: Novel Perspectives on Subsidiary Strategy***

**Presented On:** June 28, 2009 - 11:45-13:00

Chair: Ulf Andersson, Copenhagen Business School

*Competence-Creating Overlaps and Subsidiary Technological Evolution in the Multinational Corporation*

Philip Kappen, Uppsala University

This paper explores overlapping competence-creating activities within the boundaries of the multinational corporation (MNC) by exploring how foreign greenfield subsidiaries' technological evolution is affected by the addition of an acquired unit in the same location. Drawing upon the complete U.S. patenting activity by subsidiaries of 21 Swedish multinationals over the 1893-1990 period, we use repeated event history analysis to test a set of hypotheses concerned with the effect of this competence-creating overlap. Findings include an initial retrogressive effect on greenfield subsidiaries technological evolution as a result of competence-creating overlaps, which over time diminishes to become positive after more than a decade of overlap exposure. Thus, we add to the theory of subsidiary evolution by expanding the view of the archetypal subsidiary that has so far been constrained to be evolving without operational overlaps. Managerial implications are discussed. *(For more information, please contact: Philip Kappen, Uppsala University, Sweden: philip.kappen@fek.uu.se)*

*MNC Relationships to the Local Context – Exploring the Phenomenon of Embeddedness Overlap*

Phillip Christopher Nell, Copenhagen Business School

Björn Ambos, WU Vienna

Bodo B. Schlegelmilch, WU Vienna

Applying two theoretical perspectives, this paper provides initial insight into the little-researched phenomenon of embeddedness overlap. MNCs have been conceptualized as differentiated networks themselves being embedded in external networks. However, extant research has focused narrowly on the embeddedness of subsidiaries despite first evidence that also HQs develop direct linkages to the local networks even in addition to their own subsidiaries. We pursue a novel approach in explaining this phenomenon by using a resource dependence perspective in combination with information-processing. Using detailed information on 168 European subsidiaries we show that embeddedness overlap develops due to MNC dependence on their own subsidiaries, on specific subsidiary partners, and on the overall local context. *(For more information, please contact: Phillip Christopher Nell, Copenhagen Business School, Denmark: phillipnell@gmx.de)*

*Corporate Competences in Subsidiaries of Brazilian Multinationals*

Felipe Mendes Borini, ESPM/SP and University of São Paulo

Maria Tereza Leme Fleury, EAESP/FGV and University of São Paulo

Afonso Fleury, University of São Paulo

Emerging multinationals must seek and develop competences abroad and develop the skill to transfer these competences much faster and more actively than the traditional multinationals. This paper aims at understanding the development, transfer and recognition processes of the competences of emerging multinationals' subsidiaries. Based on a review of the literature, a model was developed focusing on the relationships between: i) the strategic guidelines designed by corporate headquarters for its subsidiaries (autonomy, integration, entrepreneurial attitude), ii) the management of subsidiaries (initiative) and iii) the management of subsidiaries' relationships with the external environment (competitive context and external network). The model was applied to a survey involving a large proportion of the Brazilian multinationals and their subsidiaries. The results showed that: a) the variables competitive context and external network (in which the subsidiary is embedded) are the most important for competence development, transfer to and recognition by the headquarters; b) the variable subsidiary initiative is important for headquarters' recognition only. *(For more information, please contact: Felipe Mendes Borini, ESPM/SP and University of São Paulo, Brazil: fborini@globo.com)*

*Local-Global Duality, Subsidiary Strategic Behaviour, and Corporate Strategy Evolution: A Dynamic Model*

Ali Taleb, HEC Montréal

In this conceptual paper, we explore the consequences of interactions between the headquarters and affiliates of multinational corporations (MNCs) on local subsidiary role change and global corporate strategy evolution. We do so in light of the dualities that underlay these relationships at the national and organizational levels from both economic and institutional perspectives. We propose an Economic-Institutional (E-I) framework which combines economic rationality and social legitimacy to explain the ongoing changes in the roles of subsidiaries and the ensuing evolution in global strategies of MNCs over time. Finally, we argue that whilst local initiative is a key prerequisite for a subsidiary's influence over its head-office, the extent of its power is moderated by subsidiary role type and the magnitudes of structural and institutional distances between host and home countries. *(For more information, please contact: Ali Taleb, HEC Montréal, Canada: ali.taleb@hec.ca)*

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**Session: 1.3.10 - Competitive**

**Track: Track: 1 - The Political, Institutional, and Historical Context of Global Business**

***Trade and Development: Recent Insights and Future Developments***

**Presented On:** June 28, 2009 - 11:45-13:00

Chair: Paul Vaaler, University of Minnesota

*Trade in Economic Development: Australia's Trade Network and Firm Behavior in Generating Macro-level Structures*

Tim Kastle, University of Queensland

Peter W. Liesch, University of Queensland

International trade plays a central role in economic growth. However, there is a need to better explain the mechanism through which this occurs. This paper uses complex network analysis to investigate the contribution international trade makes to growth in small population developed economies, with an emphasis on Australia. Using a longitudinal dataset, our empirical work investigates the opportunities available to these economies to improve their position within the international trade network, we explore one common tool for doing so (Free Trade Agreements), and we discuss the role that firm-level actions play in the generation of the macro-level patterns of trade and development. The latter uses case study data from eighteen Australian firms to discuss their processes of integration with the international trade network. This study highlights the utility of cross-disciplinary investigations between international business and network analyses of trade in exploring how the micro-level actions of firms generate the macro-level structure of the world trade network. *(For more information, please contact: Tim Kastle, University of Queensland, Australia: t.kastle@business.uq.edu.au)*

*Are Bilateral Investment Treaties and Development Aid Home Government Policy Substitutes for Promoting FDI Activities?*

Marie-Ann Betschinger, State University - Higher School of Economics

Japanese development aid disbursements and bilateral investment treaty (BIT) ratification behavior are considered as two alternative foreign economic policy devices supporting Japanese businesses abroad. It is hypothesized that they replace each other in their capacity to promote Japanese foreign direct investment (FDI) in developing and emerging economies. The results show that they both exert a positive influence, but BITs only robustly in reduced sample specifications. There is robust evidence that the capacity of a BIT to act as an investment safeguard or as a mechanism to increase investment transparency is lower when foreign aid is high and vice versa. *(For more information, please contact: Marie-Ann Betschinger, State University - Higher School of Economics, Russia: betschinger@gmx.de)*

*The Effects of Economic Liberalization and National Governance Improvements on Formal and Informal Entrepreneurial Activity*

Luis Alfonso Dau, University of South Carolina

Alvaro Cuervo-Cazurra, University of South Carolina

We study the impact of structural reform on entrepreneurship. Building on institutional economics, we argue that the two main components of structural reform – economic liberalization and national governance improvements – impact formal, informal, and total entrepreneurship differently. We propose that economic liberalization positively impacts all three types because it expands entrepreneurial opportunities for all firms. However, we argue that national governance improvements have a positive impact on formal entrepreneurship – but a negative impact on informal entrepreneurship – because the better quality and implementation of regulations that accompany national governance improvements benefit the formal sector while limiting the

informal one. Furthermore, counter to extant theory, we argue that national governance improvements reduce total entrepreneurship because better regulations incentivize not only the creation of more formal enterprises but also better labor regulations, inducing many informal entrepreneurs to join the labor force instead of formalizing their informal enterprises. *(For more information, please contact: Luis Alfonso Dau, University of South Carolina, USA: luis\_dau@moore.sc.edu)*

*Measuring the Institutional System of Intellectual Property Rights in International Business Research: Methodological Limitations, Challenges and Future Approaches*

Nikolaos P. Papageorgiadis, Leeds University  
Adam R. Cross, Leeds University

This paper examines the challenges associated with the measurement of an institution – and, it follows, its effect on business activity – taking the institutional system of intellectual property rights (ISI) as an example. Using content analysis of twenty seven studies which report an index or indices of intellectual property (IP) protection by country, we identify eight common limitations, namely a) absence of conceptual and theoretical support, b) relevance of data, c) limited account of enforcement issues, d) lack of transparency, e) absence of weighting, f) data availability, g) selection of variables and secondary data, and h) contemporaneity. We go on to propose ways of improving the methodological approach to the construction of an ISI index which are relevant to the empirical investigation of institutions in general. *(For more information, please contact: Nikolaos P. Papageorgiadis, Leeds University, United Kingdom: bus4n4p@leeds.ac.uk)*

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**Session: 1.3.11 - Pedagogy Session**

**Track: Track: 12 - Special Track on IB Pedagogy**

***Seeing is Believing: Video Clips to Aid Learning***

**Presented On:** June 28, 2009 - 11:45-13:00

Chair: Leigh Derigo, Australian Trade Commission

*The YouTube Generation and Teaching International Business: Integrating Short Video Clips to Enhance Effectiveness*

John Martin, U.S. Air Force Academy

*(For more information, please contact: John Martin, U.S. Air Force Academy, USA: John.Martin@usafa.edu)*

*Watch and Learn: Using Video to Enhance Cultural Intelligence*

Amanda Budde-Sung, University of Sydney

*(For more information, please contact: Amanda Budde-Sung, University of Sydney, Australia: A.Buddesung@econ.usyd.edu.au)*

*Enliven the Teaching of IFRS with Professional and Institutional Webcasts and Online Videos*

Mark Holtzblatt, Roosevelt University

*(For more information, please contact: Mark Holtzblatt, Roosevelt University, USA: markh@roosevelt.edu)*

*Video Clips and Pedagogy in International Business Courses*

Leigh Derigo, Australian Trade Commission

*(For more information, please contact: Leigh Derigo, Australian Trade Commission, Australia: leigh.derigo@ustrade.gov.au)*

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**Session: 1.3.12 - Interactive**

**Track: Track: 9 - Internationalization Processes and International Marketing Strategies**

***Internationalization Processes of SMEs***

**Presented On:** June 28, 2009 - 11:45-13:00

Chair: Niina Nummela, Turku School of Economics

*What Constitutes a Born Global Firm?*

Lydia Bals, Copenhagen Business School

Heather Berry, University of Pennsylvania

Evi Hartmann, EBS European Business School

In this paper, we consider arguments from both the international business and entrepreneurship literatures to understand how born global firms can overcome liabilities of foreignness in their entrepreneurial born global strategies. We examine how several internal and external firm characteristics influence firm decisions to become born global firms. We analyze how different inputs and firm choices are likely to lead to different outputs and firm expansion strategies. We identify several important antecedents that lead to early international expansion strategies and propose that there are "decisive" antecedents, which determine when firms are likely to pursue a born global expansion strategy. *(For more information, please contact: Lydia Bals, Copenhagen Business School, Germany: lydia.bals@web.de)*

*Export Market Expansion Strategies and New Evidence for the Theory of International New Ventures*

Zhihao Yu, Carleton University

Sui Sui, Carleton University

This paper uses a unique firm-level dataset and a multinomial-logit model to study the dynamics of the sequential entries of Canadian exporters into different foreign markets between 1993 and 2005, and how the characteristics of firms affect their choice of different strategies for internationalization. We find that the evidence that support the theory of International New Ventures (INVs) is much stronger than previously thought. Although most Canadian exporters choose the U.S. as their first export destination, the likelihood for a new exporter to adopt this strategy has decreased dramatically over the time. In 1993 over 80% percent of new exporters chose this strategy, but this number has decreased to just over 40% in 2005. The probability for a new exporter being an INV firm, however, has increased from less than 0.2 in 1993 to nearly 0.6 in 2005. *(For more information, please contact: Zhihao Yu, Carleton University, Canada: zhihao.yu@gmail.com)*

*Entrepreneurial Founding Team Exits in Rapidly Internationalizing SMEs*

Sharon Loane, University of Ulster

Jim David Bell, University of Ulster

Isobel Cunningham, University of Ulster

Ian Robson, Dundee

Entrepreneurial founding teams (EFTs) are now widely regarded as essential to new venture creation and such teams are behind many successful international new ventures. Although the composition and augmentation of these teams had been the subject of enquiry, relatively little research has been undertaken into the exit of team members and the impact of such exits on the firms capabilities and performance. This contribution focuses specifically on EFT exits in rapidly internationalizing small firms, reporting the results of a cross-national study undertaken in Australia, Canada, Ireland and New Zealand that is currently being extended in other locations.

We find that exits are particularly prevalent in the early stages of resource-constrained ventures, but also at the point when venture capital is obtained. Many exits result from conflict between EFT members over the ventures strategic direction, or disagreement between the EFT and new investors. We conclude by offering a typology of EFT exits and discussing the research, business strategy and public policy implications. *(For more information, please contact: Jim David Bell, University of Ulster, United Kingdom: [jd.bell@ulster.ac.uk](mailto:jd.bell@ulster.ac.uk))*

*Gender Differences, Entrepreneurial Orientation and International Activities*

Monica Zimmerman Treichel, West Chester University of Pennsylvania  
Keith D. Brouthers, King's College London  
Desislava Dikova, University of Groningen  
Lance Eliot Brouthers, Kennesaw State University

In this paper we explore how gender differences in ownership and management play an important role in influencing firm international activities. We suggest that ownership and management team gender differences and entrepreneurial orientation may impact the decision to sell or source internationally. Our analysis suggests that top management team gender composition and entrepreneurial orientation are significantly related to international activities but that ownership gender composition is unconnected. These results have important implications for developing effective management teams. *(For more information, please contact: Keith D. Brouthers, King's College London, United Kingdom: [keith.brouthers@kcl.ac.uk](mailto:keith.brouthers@kcl.ac.uk))*

*The Mediating Effect of Network Resources on Internationalization and Performance*

Yu-Ching Chiao, National Chung Hsing University  
Ku-Ho Lin, National Chung Hsing University  
Shu-Cha Yeh, National Chung Hsing University

In light of the lack of empirical evidence on the mediating role that network resources play in MNCs' internationalization and performance, this study investigates the network resources along with MNCs network. Examining a sample of 1,362 manufacturers extracted from a Taiwanese government-maintained database, we find that: MNCs' internationalization positively influences their operational performance through the resulting range of internal network resources, and positively influences a subsidiary's financial performance through the resulting range of external network resources. On the other hand, we find that MNCs' internationalization negatively influences a subsidiary's financial performance through the resulting range of internal network resources. Our empirical results showed that the internal network resource range has different mediating effects on the relationship between MNCs' degree of internationalization and their performance. This study was particularly interested in understanding the role that network resources play in mediating the relationship between internationalization and MNC performance. *(For more information, please contact: Yu-Ching Chiao, National Chung Hsing University, Taiwan: [chiaoy@dragon.nchu.edu.tw](mailto:chiaoy@dragon.nchu.edu.tw))*

*The Influences of Interfirm Networks on the Internationalisation Patterns: A Study of Taiwanese SMEs*

Ku-Ho Lin, National Chung Hsing University  
Isabella Chaney, Royal Holloway, University of London  
Thomas Lawton, Imperial College, University of London

Interfirm networks are influential in the internationalisation process of small and medium sized enterprises (SMEs). The effects of interfirm networks have been examined in a number of studies, however, these studies mostly focus on the network relationships in foreign markets and only little is known specifically about the influence of the domestic interfirm networks in the context of internationalisation (Prashantham, 2003). This may be due to the fact that domestic interfirm networks are usually thought of as only useful in connecting other networks in overseas markets (Johansson and Mattson, 1988). The effects of interfirm cooperations on the internationalisation process of SMEs, however, tend to be ignored in prior empirical research (Gemser et al.,



2004). In particular, it is not evident that how the domestic interfirm network relationships may affect the pace and pattern of international market growth of SMEs.

This study, therefore, aims to examine the influences of the domestic interfirm networks on Taiwanese SMEs' internationalisation patterns. The Taiwanese firms undertaking different internationalisation approaches, i.e. those that internationalised through the domestic interfirm networks and other forms, were compared in this study. The research propositions were investigated through a series of quantitative tests. Comparisons of the firms revealed several significant differences in the characteristics of internationalisation patterns. These differences reflected the influences of the domestic interfirm networks on the internationalisation process of the Taiwanese SMEs. *(For more information, please contact: Ku-Ho Lin, National Chung Hsing University, Taiwan: link@dragon.nchu.edu.tw)*

*Effects of Institutional Impediments and Information and Knowledge Exchange on SMEs' Investments in International Business Relationships*

Sara Jonsson, Royal Institute of Technology/Centre for Banking and Finance

Jessica Lindbergh, Royal Institute of Technology/Centre for Banking and Finance

This paper investigate the impact of institutional impediments and information exchange on small- and medium-sized enterprises (SMEs), specific investments in international business relationships (RSI) and the outcome of such investments on SMEs' performance. We develop and test three hypotheses with LISREL, using a sample of 255 SMEs. The analysis shows that institutional impediments and information exchange lead to increased RSI. Furthermore, RSI leads to increased performance for the SME. While research commonly use macro properties of institutions to explain how institutional differences affect international business this paper contributes by showing the effects of institutional differences on a micro level. *(For more information, please contact: Sara Jonsson, Royal Institute of Technology/Centre for Banking and Finance, Sweden: sara.jonsson@infra.kth.se)*

*Properties of Emerging Organizations: The Case of "Born-Global" Ventures*

Tatiana S. Manolova, Bentley University

Candida G. Brush, Babson College

Linda F. Edelman, Bentley University

The process of new venture creation is central to the field of entrepreneurship. The effects of initial organizing have a direct influence on survival, yet empirical examination of the dimensions of emergent organizations is limited. Using longitudinal data on nascent entrepreneurs (n = 354) from the US Panel Study of Entrepreneurial Dynamics (PSED I), this paper empirically tests four properties of emerging organizations- intentionality, resources, boundary and exchange (Katz & Gartner, 1988) in the context of "born-global" and "born-domestic" nascent ventures. Our results suggest that "born-global" do not differ from "born-domestic" nascent ventures in the completeness of their properties. Significant differences, however, are demonstrated in all four of the property categories. In addition, "born-global" nascent ventures organize faster, compared to their "born-domestic" counterparts, suggesting speed is important when considering fast fleeting competitive opportunity windows in international markets. Our findings offer a verification and extension of the Katz & Gartner's (1988) framework. Theoretical and practitioner implications are discussed. *(For more information, please contact: Tatiana S. Manolova, Bentley University, USA: tmanolova@bentley.edu)*

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**Session: 1.3.13 - Interactive**

**Track: Track: 9 - Internationalization Processes and International Marketing Strategies**

***Internationalization Processes***

**Presented On:** June 28, 2009 - 11:45-13:00

Chair: Tamer Cavusgil, Georgia State University

*Dynamic of Internationalization of Firms –A Study of Pharmaceuticals Firms from Bangladesh*

Utz Dornberger, University of Leipzig

Noor Un Nabi Mohamed, University of Leipzig

A dynamic model of internationalization of the firms has been described in this paper. The model deals with two issues i.e. what enable firms to go to international market, and what enable firms to spread in the international market. The firms from the industries, which have scope both in the domestic and international market have been the initial focus of the model development. A theoretical model development has been supplemented by testing the model with primary data of 30 exporter and 30 non-exporter firms from Bangladesh's pharmaceutical industry. Partial Least Square (PLS) regression analysis of data suggests that firms with superior competitive positions tend to go for export more than the firms lagging behind them. Superior competitive advantage in domestic market is the outcome of firm-specific capabilities, while such effect is moderated by country-specific capabilities. Differential in degree of post-international entry expansion (in terms of number of markets) has been explained by accumulation of higher-order capabilities e.g. entrepreneurial orientation, global mindset and market-based learning. Empirical findings put forward some open questions relating to the model's propositions which might be resolved through more cross industry and cross country empirical investigations. *(For more information, please contact: Utz Dornberger, University of Leipzig, Germany: dornberg@uni-leipzig.de)*

*Domestic Market Operations and Internationalization: How Domestically Acquired Knowledge and Networks Constrain Internationalization*

Miria Lazaris, Monash University

Susan Freeman, Monash University

Recent studies have highlighted the positive impact of organizational resources for the internationalization of small and medium-sized enterprises (SMEs) but have neglected to examine how organizational resources might constrain internationalization. This paper addresses this gap and uses a single case study to illustrate how the domestic market operations of small and medium sized enterprises (SME) may lead to the acquisition of resources that cannot be transferred abroad. Findings suggest that domestic market knowledge and networks, both of which have enabled the SME to successfully compete in the domestic market, may subsequently constrain rather than facilitate entry or growth in foreign markets. A conceptual framework with propositions relating domestic market knowledge, domestic networks and internationalization are presented. *(For more information, please contact: Miria Lazaris, Monash University, Australia: miria.lazaris@buseco.monash.edu.au)*

*Chinese Multinationals: Incremental Evolution from Isolation to Global Integration*

Mary B. Teagarden, Thunderbird School of Global Management

Dong Hong Cai, Hainan University

In thirty years there has been a dramatic change in China's role in the global economy including the evolution of Chinese businesses from isolation to internationalization, and global integration for some. Driving this are major shifts in corporate strategy, technology management, and human resource management practices, especially among a small set of globally competitive firms including Haier, Huawei, Lenovo, and TCL. We

examine this business evolution using a case-based, inductive approach through which we identify four evolutionary phases: 1) learning, 2) build-up, 3) internationalization, and 4) globalization phases punctuated by transition phenomenon. The cumulative benefit of the earlier phase practices is resulting in global competitiveness for some Chinese firms, and there is no doubt that more will follow. We describe the evolution of these practices and discuss challenges Chinese companies are likely to encounter as more companies pursue global expansion. There is a new set of challenges that are being encountered and must be addressed. These include: a need to develop merger and acquisition prowess; increased innovativeness, sustainability capabilities, knowledge-cluster development, customer responsiveness, and strategic human resource management solutions to hyperturbulent labor markets, with shortages for key knowledge workers or executives and managers with global mindsets and globalization skills. *(For more information, please contact: Mary B. Teagarden, Thunderbird School of Global Management, USA: mary.teagarden@thunderbird.edu)*

*Agents' Resource and Knowledge and Relationships with International Manufacturers*  
Peng-Yu Li, Fu-Jen Catholic University

Agents are a common low-commitment entry mode for international manufacturers when entering foreign markets. However, international manufacturers often viewed agents as a temporary tool when entering foreign markets. Once agents boost local markets, international manufacturers generally tend to operate markets by themselves and the agents face contact termination. This study, in the setting of international manufacturers-agents and the perspective of agents, examines how agents avoid international manufacturers terminating their agent contracts.

We conducted survey based on the product line knowledge of Taiwanese agents in the electronics component industry. This study examines agents' knowledge and resource in upstream and downstream relationship to avoid contract termination. The finding indicates, agents have more international manufacturer specific knowledge and market specific knowledge facing lower terminability. Moreover, regarding downstream relationships, agents with more client specific knowledge and provide more value-added activities to clients face lower terminability as well. *(For more information, please contact: Peng-Yu Li, Fu-Jen Catholic University, Taiwan: pyli@mail.fju.edu.tw)*

*The Internationalisation Processes of the Firm - A New Research Agenda*

Rian Drogendijk, Uppsala University  
Desiree Blankenburg Holm, Uppsala University  
Jukka Hohenthal, Uppsala University  
Martin Johanson, Uppsala University  
Ivo Zander, Uppsala University

This paper examines the fundamental assumptions and features of the Uppsala model of internationalisation to suggest they have prevented the exploration of several conceptually relevant aspects of the internationalisation of the firm. We identify three neglected issues that offer significant potential for further theoretical and empirical work, specifically the pre-history of internationalisation, the internationalisation of multiple products within the confines of the growing multinational corporation, and the internationalisation of foreign units. *(For more information, please contact: Rian Drogendijk, Uppsala University, Sweden: rian.drogendijk@fek.uu.se)*

*The Internationalization of Business: Educational Paradigms, Research Communities and Challenges*

Terence Mughan, Anglia Ruskin University  
Oyvind Kyvik, Proexinternational

Based on a review of how classical economics have penetrated mainstream business thinking and behavior, the article discusses the impact the former has had on education for international business. Selective literature on the pedagogic aspects of business education is reviewed before relating the findings to cognitive aspects of the

internationalization process. Analysis and critique of educational provision for both the multinational and SME communities are presented. The conclusion is that the needs of neither user are being adequately met at the moment. The case is made for an increased cognitive content in business education in general and in education for international business in particular. Recommendations are made as to how provision may be improved, with key consideration of intercultural competence associated with changes to classroom methodology at the core of the proposals. *(For more information, please contact: Terence Mughan, Anglia Ruskin University, United Kingdom: terry.mughan@anglia.ac.uk)*

*Internationalization of Multinational Companies from Chindia*

Tanvi H. Kothari, Temple University  
Masaaki "Mike" Kotabe, Temple University

One of the emerging phenomena of global competition is the increasing participation of firms from emerging economies in various industries and across value chain activities. However, very little is known about the internationalization strategies of these EMCs. In order to explore this phenomenon further we use an inductive approach by conducting multiple case-studies to understand the internationalization process of eight companies that originate from two key emerging nations viz India and China. Methodologically, the paper illustrates the usefulness of semantic network analysis tools, especially centering resonance analysis, in identifying and interpreting the concepts that provide coherence to set of textual data. The results of this study suggest that EMCs internationalization is on one hand, based on the EMCs ability to acquire resources and absorb them to build their own advantage (supply side argument). On the other hand, it is based on EMCs ability to find some market niches, i.e., entering into markets untapped by traditional MNCs (demand side argument). Finally, based on our analysis of these in-depth case-studies we identify some propositions as anchors for further theory building followed by a brief discussion of the potential contributions of this study. *(For more information, please contact: Tanvi H. Kothari, Temple University, USA: tanvi@temple.edu)*

*An Assessment of Internationalisation Measures*

Sandra Seno-Alday, University of Sydney

The relationship between internationalisation and performance remains a subject of lively debate after fifty years of research unsuccessfully arrived as some consensus on the issue. This paper proposes that the persistent inconsistencies in this body of literature can be explained by the widely different measures of internationalisation employed in internationalisation-performance studies. A cross-sectional analysis on 100 of the 2006 Global Fortune 500 is conducted to show the comparative results of degrees of internationalisation achieved by the sample of firms using different measures of internationalisation. Implications on international business and management research and strategy are explored based on the results. *(For more information, please contact: Sandra Seno-Alday, University of Sydney, Australia: s.seno-alday@econ.usyd.edu.au)*

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**Session: 1.4.1 - Panel**

**Track: Track: 7 - The Location of FDI, Clusters, and Inter-Firm Spillovers**

***State-of-the-Art Research in Economic Geography***

**Presented On:** June 28, 2009 - 14:00-15:15

**Chair:** Ram Mudambi, Temple University

*State-of-the-Art Research in Economic Geography*

Philip McCann, University of Waikato  
Sunil Mithas, University of Maryland

Tarun Khanna, Harvard Business School  
 Sjoerd Martin Beugelsdijk, University of Groningen  
 (For more information, please contact: Ram Mudambi, Temple University, USA: ram.mudambi@temple.edu)

**Session: 1.4.2 - Competitive**

**Track: Track: 1 - The Political, Institutional, and Historical Context of Global Business**

***FDI: Drivers and Consequences***

**Presented On:** June 28, 2009 - 14:00-15:15

Chair: Don Lessard, MIT Sloan School of Management

*Distance and Ties that Matter: The Case of Foreign Direct Investment in Vietnam*

Shige Makino, Chinese University of Hong Kong  
 Eric W. K. Tsang, University of Texas at Dallas

Recent research suggests that the distance in culture, institutions, geographic proximity, and economic development between countries matters for the direct investment decisions of foreign firms. However, this study focuses on the ties between countries as an additional factor affecting the investment decisions of firms. It examines three major historical factors that affect cross-country ties in Vietnam, namely, Chinese occupation and conflict, French colonization, and socialist ideology, and the ways in which these historically developed ties have influenced the direct investment decisions of foreign firms in Vietnam. The study finds that these ties have had significant impacts on inward investment in Vietnam. (For more information, please contact: Shige Makino, Chinese University of Hong Kong, Hong Kong, SAR-PRC: makino@baf.msmail.cuhk.edu.hk)

*FDI, Corruption and Decentralisation*

Natalja Martjanova, Aston University  
 Vania Sena, Aston University

The purpose of this paper is to assess the relationship between government decentralisation, perceived corruption and FDI inflows for a sample of Russian regions for the period 2002-04. We estimate the joint relationship between corruption and FDI inflows by using a system of simultaneous equations where we control for the degree of regional decentralisation across the different Russian regions as well as the traditional determinants of FDI inflows and corruption. The results suggest that the regions that are more decentralised are also the ones that are perceived to be more corrupt and that receive the most of FDI into Russia. (For more information, please contact: Natalja Martjanova, Aston University, United Kingdom: n.martjanova1@aston.ac.uk)

*Concentrated Power, Foreign Direct Investment and Economic Growth*

Witold Jerzy Henisz, University of Pennsylvania & Stanford University

The highly concentrated nature and significant size of foreign investors relative to other sources of capital at the disposition of host country governments can lead to influence over the policymaking process which generates or sustains policies that benefit the interest for foreign investors at the expense of broad-based economic. Such outcomes are, however, by no means a necessary result of foreign direct investment inflows. The benefits of technology transfer, job creation, capacity building and integration into the international economy are real as is the potential that foreign investors may promote rather than retard economic and social modernization. These benefits are, however, more likely to dominate and generate net benefits to an economy from foreign direct investment when that investment is diffuse across industries, home countries and firms than when the same

magnitude of flows are more concentrated. The question is not whether the economic benefits of foreign direct investment trump the costs of dependency but how often. In an empirical analysis examining the impact of concentration of FDI on economic growth in countries with varying degrees of concentration of political power, I identify the contingent effect of FDI on growth based on the degree of concentration of economic and political power. *(For more information, please contact: Witold Jerzy Henisz, University of Pennsylvania & Stanford University, USA: henisz@wharton.upenn.edu)*

*Prospects for Escape: Institutional Misalignment as a Driver of OFDI*

Ben L. Kedia, University of Memphis  
 Jack A. Clampit, University of Memphis  
 Nolan T. Gaffney, University of Memphis

The phenomenon of multinational enterprises (MNEs) moving parts of their value chain abroad for traditional market and/or resource seeking reasons, i.e. to exploit or augment organizational level assets, has been well studied in the international business literature. Decisions to move parts of their value chain abroad as an escape response to situations where institutional factors at home are perceived to be misaligned with MNE goals, however, has not been as fully explored. Heterogeneous and non-ergodic institutional settings suggest a spiky global landscape populated with MNEs (and prospective MNEs) who are not obligated to stay in locations not conducive to their success and who may, thus, consider institutional arbitrage as a legitimate option to improve their lot. The goal of this paper is to more fully explore such situations, including an examination of the types, root causes – including a discussion of how different societies ultimately end up with the specific institutional matrices currently in place – and consequences of institutional misalignment, before finally investigating the use of prospect theory as a lens to help delineate cost reduction and/or efficiency seeking motives (potential gain) from escape based motives (loss aversion). *(For more information, please contact: Ben L. Kedia, University of Memphis, USA: bkedia@memphis.edu)*

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**Session: 1.4.3 - Competitive**

**Track: Track: 3 - Alliances and Inter-Firm Relationships**

***Alliances and Networks***

**Presented On:** June 28, 2009 - 14:00-15:15

**Chair:** Jean-Paul Roy, Queen's University

*Strength of Ties and Opportunity Exploration and Exploitation*

Anette Soderqvist, Hanken School of Economics  
 Sylvie K. Chetty, Massey University

We use a multiple-case study approach to address the role of relationships in the exploration and exploitation of business opportunities. More specifically, we investigate the strength of ties and their involvement in the pre-founding and start-up of a firm as well as the early internationalization. Our main contribution is that we develop a continuum for the strength of ties to determine the varying degrees of whether they are more strong than weak and vice versa. Since we do not consider strong and weak ties to be separate entities this contrasts with most of the extant literature which considers them to be polar opposites. Our findings show that entrepreneurs mostly use stronger relationships in the early stages of firm development and internationalization. Another contribution is that we capture in detail the strength of these ties, how they evolve, and the role they play in three different stages of the firm's history. By studying these various stages our understanding of pre-internationalization behavior is also improved as there is a dearth of literature covering this aspect of the firm. *(For more information, please contact: Sylvie K. Chetty, Massey University, New Zealand: s.chetty@massey.ac.nz)*

*Heterogeneous Incentives for New Tie Formation in an Evolving Network: The Network Entrepreneurship of Multinational Firms*

John Muir Macpherson, Georgetown University

This paper proposes that sparse networks rich in structural holes are not immediately filled because for most actors the costs of spanning a structural hole exceed the benefits. An appreciation of which actors benefit from forming which types of new ties is crucial to understanding how networks will evolve. This paper offers three important empirical findings that together further our understanding of network evolution. First, it estimates the tie-by-tie benefits actors gain from forming new connections in their network and show that many actors gain more from forming new ties in dense network regions than in the sparse regions where structural holes are more plentiful. However, actors with certain advantageous network positions are able to play the role of network entrepreneur and benefit from forming new ties in sparse regions of the network rich in structural holes. Second, actors act on these incentives and are more likely to form new ties where they are predicted to capture the greatest net benefits. Third, the density of ties in the network shifts toward a more uniform distribution, implying fewer structural holes, due to the agency of these network entrepreneurs. These three steps take us from the actors' incentives, through the actors' actions, and ultimately to the impact these actors have on the evolution of the network. The context of this study is multinational firms choosing to form new ties in their networks via cross-border acquisition. A sample of 523 acquirers from 22 countries and 1,863 targets from 38 countries is used. (For more information, please contact: John Muir Macpherson, Georgetown University, USA: [jmm272@msb.edu](mailto:jmm272@msb.edu))

*Selection of Supplier Teams in International Markets: The Analysis of Prior Ties and Interdependencies in Customized Projects*

Marko Madunic, Western Washington University

What criteria do contractors/buyers apply when hiring teams of suppliers? This paper focuses on answering this important strategic question to shed light on buyer-supplier relationships and organization of inter-firm governance structures. Three distinct research literatures inform the model. Transaction costs theory emphasizes the benefits of authority under conditions of opportunism, the research literature on firm capabilities focuses on the importance of relative capabilities in selection issues, and the research literature on inter-firm relations extols the value effects of past relationships.

The central hypothesis of this paper maintains that buyers strategically hire teams, or groups of activity suppliers who engage in realization of discrete, yet interdependent activities of a customized project. We examine the criteria that buyers apply when contracting with teams of suppliers for components of low decomposability. The paper produces several key results. We find the need to treat two key transactions of a customized project – design and manufacturing – on a discrete basis. Furthermore, our results show that contractors are aware of suppliers' capabilities to absorb and consequently to reutilize team-specific capabilities in subsequent projects. Project contractors use this information to organize teams of suppliers with prior joint experience. Which team of suppliers is selected depends on the nature of a component and on the strength of uncertainties that surround component realization. (For more information, please contact: Marko Madunic, Western Washington University, USA: [marko.madunic@wwu.edu](mailto:marko.madunic@wwu.edu))

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**Session: 1.4.4 - Competitive**

**Track: Track: 5 - Organizational Structure, Capabilities, and Strategic Planning in the MNC**

***Strategic Investment Decisions and Organizational Structure***

**Presented On:** June 28, 2009 - 14:00-15:15

Chair: Christian Geisler Asmussen, Copenhagen Business School

*The Strategy and Structure of Multinational Corporations*  
Heather Berry, University of Pennsylvania

Considering a complex set of strategic, organizational and environmental factors, I examine the international strategies and structures of firms using a representative dataset of US multinational firms. Robust cluster analysis results show five configurations of US firms, including what I call a low cost regional configuration, a low cost global configuration, a regional outsourcing/exporting configuration, a differentiator global knowledge configuration and a differentiator global product configuration. These results show that firms respond to multiple factors when configuring their international operations and reveal how complex interactions across internal and external firm factors impact the international strategy and structure of firms. *(For more information, please contact: Heather Berry, University of Pennsylvania, USA: berryh@wharton.upenn.edu)*

*New Organisational Forms and Product Market Strategy Tradeoffs: Performance Implications*  
Dzidziso Samuel Kamuriwo, City University

I examine the contingent effects of structural design and product market strategy in Technology-Based New Firms (TBNF) operating in dynamic markets and their dual performance implications of having to be swift in bringing products to market as well as having a rich pipeline of future products. I argue that these performance implications represent desirable but conflicting timing objectives that represent short and long term benefits. I examine how TBNF reconcile these outcomes through novel structural and product market strategy design trade-offs using the structure/strategy fit relationship in a TBNF context. I develop and test a set of hypotheses on a unique dataset of new biotechnology firms. The results show that organisational structure and product market strategy design choices, when viewed as compliments and undertaken simultaneously, allow the firms to achieve otherwise antithetical performance outcomes. *(For more information, please contact: Dzidziso Samuel Kamuriwo, City University, United Kingdom: d.s.kamuriwo@city.ac.uk)*

*TMT Structure Change and Internationalization Degree Change: An Empirical Study of CEO Succession Event*  
Wen-Ting Lin, Tunghai University  
Yunshi Liu, National Yunlin University of Science and Technology  
Kuei-Yang Cheng, National Taiwan University

In this paper, we used CEO succession events to explore the effects of the post-succession TMT change on firm's change in its degree of internationalization. In addition, we examined the moderating effects of external industrial environment and internal operating performance on the relationship between post-succession TMT change and firm's change in its degree of internationalization.

We tested hypotheses by using 2000-2005 data from 187 succession observations for the listed companies in Taiwan as a research sample. The results show that firm will opt for higher levels of change in its international scale degree when it has high post-succession top management team structure change. Moreover, the impact of post-succession TMT change in a firm's degree of international scale is raised significantly when the firm faces a munificent or complex industry environment and when pre-succession firm's performance is good.

*(For more information, please contact: Wen-Ting Lin, Tunghai University, Taiwan: wentinglin@thu.edu.tw)*



*Strategy and Structure in Matrix MNCs*

William G. Egelhoff, Fordham University  
 Joachim Wolf, Institute of World Economy

The study extends existing strategy-structure theory for elementary structures in MNCs to include matrix structures. It uses an information-processing perspective to develop the conceptual framework and hypotheses. The information-processing capacities of the structural dimensions that make up a matrix structure are used to fit matrix structures to specific elements of strategy. The overall information-processing capacity of a matrix structure is viewed as the sum of the information-processing capacities of its structural dimensions. A sample of 57 German MNCs with four different types of matrix structure is used to test the hypotheses. The matrix part of the well-known Stopford and Wells Model is not supported. The results support most of the proposed conceptual framework, providing new insight into how structural dimensions process information when they are used in matrix structures. The result is a more complex and specified theory for fitting matrix structures to multiple elements of strategy. A multivariate discriminant analysis provides evidence that MNCs are managing to simultaneously satisfy multiple fits with strategy. *(For more information, please contact: William G. Egelhoff, Fordham University, USA: egelhoff@fordham.edu)*

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**Session: 1.4.5 - Panel**

**Track: Track: 6 - Learning, Knowledge and Innovation**

***Edith Penrose and The Theory of the Growth of the Firm 50 Years on – Implications on the MNE and International Business Strategy***

**Presented On:** June 28, 2009 - 14:00-15:15

Chair: Christos Pitelis, University of Cambridge

Chair: Peter J. Buckley, University of Leeds

*Penrose's Contribution to the Theory of MNE Strategic Management*

Alain Verbeke, University of Calgary

*From the Metamorphosis of Firm to the Metamorphosis of the Theory of the Firm: The Last Insights from Penrose for MNE Research*

Peter Ping Li, California State University, Stanislaus

*Edith Penrose, the MNE and the OLI*

Christos Pitelis, University of Cambridge

2009 marks the 50th anniversary of Edith Penrose's *The Theory of the Growth of the Firm* (TGF hereafter). The fourth edition of TGF is also out this year. Edith Penrose's work is perceived as one of the cornerstones of the resource-based view (RBV) in strategic management. This panel aims to explore one specific, and until recently largely neglected, contribution of Edith Penrose's work, namely her contribution to the theory of the multinational enterprise (MNE) and international business strategy. The fact that the implications of Penrose's work have remained largely unnoticed and undervalued in the international business (IB) literature is perhaps due to Penrose's initial view that the multinational character of firms per se did not warrant separate treatment as a subject of theoretical inquiry, as compared to domestic companies, a view which she abandoned at the end of her life. Penrose's work is cited increasingly more in the IB-literature on MNE and international business strategy, but this panel aims to provide an in-depth investigation of the wide-ranging implications of Edith Penrose's work for the modern theory of the MNE and international strategic management. The panel will explore the implications of Penrose's *The Theory of the Growth of the Firm* for four broad areas: 1) Penrose and

the OLI (Pitelis); 2) Penrose and Dynamic Capabilities of the MNE (Augier); 3) Penrose and the Strategic Management of the MNE (Verbeke); 4) Penrose and the Metamorphosis of the (theory of the) MNE (Ping Li). (For more information, please contact: Christos Pitelis, University of Cambridge, United Kingdom: [c.pitelis@jbs.cam.ac.uk](mailto:c.pitelis@jbs.cam.ac.uk))

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**Session: 1.4.6 - Competitive**

**Track: Track: 11 - Emerging Market Economies**

***Business Groups and Network Relationships in Emerging Markets***

**Presented On:** June 28, 2009 - 14:00-15:15

Chair: Vikas Kumar, Bocconi University

*Business Group Effects on Affiliates' Strategic Responses to Institutional Transitions: Resources, Market Position and Intra-Group Bargaining Power*

Sathyajit Gubbi, Indian Institute of Management Calcutta

Preet S. Aulakh, York University

Sougata Ray, Indian Institute of Management Calcutta

There is a large body of literature that has studied the origins of business groups (BG) and the benefits affiliate firms derive from group membership in environments characterized by institutional voids. However, due to their administrative heritage and historical imprinting, a number of studies have identified group membership constraints on the ability of affiliate firms to effectively respond to institutional transitions arising because of market liberalization and global competition. Our paper contributes to this research by examining how affiliate firms are able to continue to derive the benefits of BG but at the same time get around the membership constraints. We argue that the affiliates' internal resources and domestic market position confers greater intra-group bargaining power which allows them to respond to institutional changes through explorative search behavior in other geographical markets. Empirical results, based on panel data of firms in the Indian pharmaceutical industry (1992-2007), support our theorization. In particular, we find that relative to independent firms, business group affiliated firms are less likely to pursue internationalization as a strategic response to institutional changes. However, those affiliated firms with higher level of non-financial resources and more dominant market position have higher levels of internationalization than both affiliate firms lacking internal resources and market position, as well as independent firms. A counter-intuitive finding in our study is that financial resources possessed by an affiliate negatively impacts internationalization. (For more information, please contact: Sathyajit Gubbi, Indian Institute of Management Calcutta, India: [satgubi@gmail.com](mailto:satgubi@gmail.com))

*State Control, Group Affiliation and Corporate Performance: Evidence from China's Listed Firms*

Hans Van Ees, University of Groningen

Robert Lensink, University of Groningen

Yu Huanjun, University of Groningen

This paper investigates the interacted effects of state control and group affiliation on corporate performance, for a sample of Chinese firms for the 2004-2006 period. On average, we find a significant and positive effect of group affiliation, and a negative effect of state control. However, we also find that state-controlled firms affiliated to groups outperform private stand-alone firms. Our analysis suggests that restructuring enterprises by forming business groups, even while maintaining the government as the ultimate owner of the firm, can be a successful strategy for Chinese state-owned enterprises. (For more information, please contact: Hans Van Ees, University of Groningen, Netherlands: [h.van.ees@rug.nl](mailto:h.van.ees@rug.nl))

*Outward FDI from an Emerging Economy: Firm Capabilities, Industry Dynamics, and Government Policies*

Jiangyong Lu, Tsinghua University  
 Xiaohui Liu, Loughborough University  
 Hongling Wang, Chinese Academy of Social Sciences

This paper investigates motives behind outward foreign direct investment from China using recent survey data on 632 Chinese firms. Based on the "strategy tripod" framework, this study examines the impact of firm capabilities, industry dynamics and government policies on outward FDI motives of Chinese firms. Our findings show that Chinese firms' outward FDI decisions are positively and significantly affected by firms' competitive advantages, export orientation, industry competition and supportive government policies. It is also found that industry dynamics and government policies moderate the role of firm capabilities in outward FDI. Analysing the motives of outward FDI reveals that firms' competitive advantages and industry technology intensity positively determine firms' strategic asset-seeking motives, while export orientation and industry competition are positively related to firms' market-seeking motives. Meanwhile, supportive government policies are important for both strategic asset-seeking and market-seeking motives for outward FDI. *(For more information, please contact: Jiangyong Lu, Tsinghua University, China: lujiangyong@gmail.com)*

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**Session: 1.4.7 - Competitive**

**Track: Track: 6 - Learning, Knowledge and Innovation**

***Knowledge Acquisition and Knowledge Sourcing***

**Presented On:** June 28, 2009 - 14:00-15:15

Chair: Peter James Williamson, University of Cambridge

*Building and Blocking: The Two Faces of Technology Acquisition*

Christoph Grimpe, ZEW Centre for European Economic Research  
 Katrin Hussinger, University of Maastricht

Gaining access to technological assets and patents, in particular, has long been a major motive and objective for firm acquisitions. On the one hand, patents are used as a building instrument for the acquirer's technology portfolio. On the other hand, patents can be attractive because of their strategic value as a bargaining chip, e.g. in licensing negotiations. This is especially the case if patents have the potential to block competitors. Drawing on transaction cost economics and the resource-based view of the firm, we analyze the importance of these two faces of technology acquisition for the valuation of a target firm. Empirical evidence for European firm acquisitions in the period from 1996 to 2003 indicates that the price paid by an acquirer for a target increases with the building and blocking potential of the target's patents, especially if building and blocking patents are in technology fields related to the acquiring firm's patent portfolio. Our results have implications for the technology strategy of the firm, in that M&A transactions may considerably impact technology markets, increasing the concentration of key technologies. *(For more information, please contact: Christoph Grimpe, ZEW Centre for European Economic Research, Germany: grimpe@zew.de)*

*Drivers for International Research and Innovation Activities in Developed and Emerging Countries*

Anja Schmiele, ZEW - Mannheim

This paper analyses drivers for international R&D and innovation activities as well as the propensity to perform different innovation activities in various regions and countries. The influence of organizational advantages, location advantages and internalisation advantages on the likelihood to execute different steps of the innovation process abroad (R&D, Design/Conception, Manufacturing of innovative products, Implementation of new processes, Sales of innovations) is tested. In a second model the driving forces are used to observe their

impact on the decision to locate the different innovation activities in various countries and regions as well as in country groups with similar levels of knowledge. The results show that the decision to perform R&D and other innovation activities abroad is mainly driven by organizational capabilities such as absorptive capacities and international experience. The results for the country analysis show that international experience is one of the most important capabilities. Furthermore, export experience and technological advantage are relevant for firms performing innovation and R&D activities in Asia or North America. The competitive environment of the firm in the home country only influences firms with innovation activities in Eastern Europe positively. Innovation disadvantages in the home country especially propel firms to innovate in Asian and Marginalized countries. (For more information, please contact: Anja Schmiele, ZEW - Mannheim, Germany: [schmiele@zew.de](mailto:schmiele@zew.de))

*Going Far for Something Close: Explaining Knowledge Stickiness in the Initiation of the External Knowledge Sourcing Process*

Felipe Monteiro, University of Pennsylvania

This paper sheds new light on the initiation of the external knowledge sourcing process by revealing new patterns that help explain why some opportunities to transfer external knowledge receive attention and are acted upon while others are missed. I suggest that multinational corporations (MNCs) are more likely to act on opportunities to transfer technologies that confirm their dominant logic and that are market proven. I also hypothesize that process attributes will have an impact on the odds of a successful initiation. I test my hypotheses using a proprietary database about the initiation of 137 external knowledge sourcing processes by one of the largest telecommunication services provider in the world. Hypotheses are largely supported and implications are discussed in the final part of the paper. (For more information, please contact: Felipe Monteiro, University of Pennsylvania, USA: [luizm@wharton.upenn.edu](mailto:luizm@wharton.upenn.edu))

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**Session: 1.4.8 - Panel**

**Track: Track: 8 - International Human Resource Management, Cross-Cultural Management, and Qualitative Research Methods**

***Variations of Entrepreneurial Intent Across Cultures***

**Presented On:** June 28, 2009 - 14:00-15:15

Chair: Ellen A. Drost, California State University, Los Angeles

*Education, Entrepreneurial Self-efficacy, and Intentions to Start a New Venture: Evidence from the US and Finland*

David Atkinson, Helsinki School of Economics  
Philip Romero, California State University

*The Relationship between Thinking Style and Entrepreneurial Intent: A Cross-Cultural Perspective*

Kevin Groves, Pepperdine University

*Country Effects and Cultural Values as Antecedents of Three Types of Entrepreneurial Intent*

Stephen J.J. McGuire, California State University, Los Angeles

*The Relationship between Proactive Personality and Entrepreneurial Intent*

Kern Kwong, California State University, Los Angeles  
Veena Prabhu, California State University

*Pulling it all together: Emerging Patterns and Country Differences in Entrepreneurial Intent*

Ellen A. Drost, California State University, Los Angeles

What underlies individuals' intentions to form new ventures, champion new products and services, and seek the 'creative destruction' of industry paradigms and established ways of serving customers' needs? The best predictor of entrepreneurship may be prior cognitive intent. This panel reports on an ongoing cross-cultural studies on entrepreneurial intent being carried out at different universities in the USA, China, Russia, Bulgaria, and Finland. The collection of studies potential predictors of students' intent to engage in three different types of entrepreneurial intent (EI), general, high growth, and "lifestyle" entrepreneurship, across cultures. The first study examines variables about a person that cannot be affected by even the most successful education in entrepreneurship: proactive personality. The second study looks at the influence of cultural values on entrepreneurship. The third study examines thinking style, which is partially malleable by education and educators of entrepreneurship strive to enhance students' creative, nonlinear thinking. The fourth approach reviews variables that can largely be influenced by university entrepreneurship programs: the perceived feasibility of entrepreneurship, entrepreneurship education and experience, and entrepreneurial self-efficacy. The data include students from US, China, Russia, Bulgaria, and Finland. Panelists will present papers that test a set of predictors of entrepreneurial intent in the five-country sample. The panel concludes with a synthesis of variations in predictors of entrepreneurial intent across the five cultures and discusses implications for education, theory and practice. *(For more information, please contact: Ellen A. Drost, California State University, Los Angeles, USA: edrost@calstatela.edu)*

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**Session: 1.4.9 - Competitive**

**Track: Track: 9 - Internationalization Processes and International Marketing Strategies**

***Immigrant Employees, Branding and Country-of-Origin Effects***

**Presented On:** June 28, 2009 - 14:00-15:15

Chair: Susan Forquer Gupta, Monmouth University

*Immigrant Employee Effects in International Strategy: An Exploratory Study of the Service Sector*

Henry F L Chung, Massey University

Peter Enderwick, Auckland University of Technology

Jinda NaruemitmongKonsuk, Massey University

This exploratory study examined the influence of immigrant employee effects within a sample of small New Zealand based international service providers. Seven immigrant employees from six firms were interviewed. The interviews examined immigrant effects on five areas: knowledge transfer and application; relationships; marketing strategy; distribution channels; and market entry mode.

Propositions derived from literature were tentatively tested. The findings, consistent with other literature on immigrant effects, indicated that immigrant employees play an important role in shaping these areas within small international service firms. Of particular importance was knowledge of local culture and market conditions. Immigrant employees enjoyed considerable discretion in the creation and management of customer-firm relationships. There appeared to be strong interactions between the value of immigrant knowledge, relationships, and the characteristics of service offerings. Networks created by immigrant employees appear to be particularly valuable in the face of market turbulence and the adaptation of marketing strategy.

The most effective utilisation of immigrant employees is related to size of the firm, attitude of the employer, and the level of job satisfaction. Further research to confirm these exploratory findings would be useful.

*(For more information, please contact: Henry F L Chung, Massey University, New Zealand: h.chung@massey.ac.nz)*

*Country Affinity and Animosity Effects on Product Judgment and Willingness to Purchase*

Nittaya Wongtada, National Institute of Development Administration (NIDA)  
 Gillian Rice, Arizona State University  
 Subir K. Bandyopadhyay, Indiana University Northwest

Consumers can hold feelings of animosity or affinity towards specific countries. Previous studies have emphasized the animosity construct and little work has focused on country affinity. We develop a measure of affinity and show that the affinity construct forms a different dimension from the animosity construct; these constructs are not opposite poles of the same continuum. Our study of Thai subjects reveals that affinity positively affects the way consumers evaluate U.S. products as well as their willingness to purchase products originating in the U.S. Animosity has a negative direct effect on purchase intention regardless of the consumer's judgment about the product. *(For more information, please contact: Nittaya Wongtada, National Institute of Development Administration (NIDA), Thailand: nittaya@nida.ac.th)*

*Creating Brand Awareness in Sponsoring the Beijing Olympic Games: Patterns of Advertising*

Sten Soderman, University of Stockholm  
 Harald Dolles, Heilbronn Business School

The aim of this research is to identify and describe the key driving forces in sponsors advertising strategy during the seven years preceding the Olympic Games 2008 in Beijing. A "means-objectives model" is applied, thereby linking sponsorship to brand equity factors and to strategic aims. (1) Co-branding, (2) revenue streams and (3) new customers are identified as means factors. The objective factors are presented in three dimensions: (4) product, (5) corporation and (6) region. The analysis is based on 492 randomly chosen advertisements, articles and press releases collected from Chinese newspapers and Chinese official web pages covering the period 2002 to 2007. Our analysis discovers six dominating means-objectives combinations in sponsorship leading to different patterns of creating brand awareness strategies. Our data illustrates that "global brands" (The global Olympic Partners) tend to focus on local markets and customers in advertising. Chinese "international brands" (domestic partners, sponsors and suppliers of the Beijing Olympic Games) tend to keep an activation strategy based on revenue and product. Given the sponsoring fee, it is surprising that only a few members of the domestic sponsorship programme leverage their sponsorship investment towards creating an international image. *(For more information, please contact: Harald Dolles, Heilbronn Business School, Germany: dolles@hn-bs.de)*

*Reports of the Death of Country-of-Origin Effects Have Been Greatly Exaggerated*

Peter Magnusson, Northern Illinois University  
 Srdan Zdravkovic, Bryant University  
 Stanford A. Westjohn, University of Toledo / Saint Louis University

An emerging stream of research has suggested that country-of-origin information may not be as important in product judgments as previous research had suggested. This study extends this line of inquiry by 1) investigating factors that facilitate consumers' ability to correctly identify the correct country-of-origin and 2) linking consumers' perceptions of brand origin with brand evaluations. Based on a sample of U.S. consumers evaluating LCD TV and automobile brands, we find that product category and sociodemographic characteristics are important predictors of consumers' ability to correctly identify brands' origin. Furthermore, we find a strong link between attitude toward a brand's perceived home country (regardless of whether it is accurate or not) and attitude toward the brand. *(For more information, please contact: Peter Magnusson, Northern Illinois University, USA: magnusson@niu.edu)*

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**Session: 1.4.10 - Competitive**  
**Track: Track: 4 - Subsidiary Evolution and Strategy**

### ***Subsidiary Dynamics***

**Presented On:** June 28, 2009 - 14:00-15:15

Chair: David Brock, Yeshiva University

*The Impact of External-Internal Embeddedness on Subsidiary Autonomy in International R&D Management*  
Björn Ambos, WU Vienna  
Kazuhiro Asakawa, Keio University

This paper investigates the static and dynamic impact of external/internal embeddedness on the autonomy of overseas R&D labs. We predicted the associations among external/internal embeddedness and a lab's autonomy. Hypotheses are tested based on our data from 73 overseas R&D labs of German firms. We found that a lab's internal embeddedness would reduce its autonomy in the same time period, but a lab's external embeddedness would not predict its autonomy in the same period. This implies that structural power and resource dependence perspectives only explain the impact of internal embeddedness on local autonomy. We also found that a lab's external embeddedness in the past would reduce its autonomy in the future, and its internal embeddedness in the past would increase its autonomy in the future. This implies that above perspectives fail to predict the impact of a lab's past embeddedness on future autonomy, and that the relational, social exchange perspectives would better capture their future impact. Practically, it makes sense for a lab to initially link up with other actors in the firm, than using their power to resist such integration, if the goal is to achieve a high level of autonomy in the future. *(For more information, please contact: Kazuhiro Asakawa, Keio University, Japan: asakawa@kbs.keio.ac.jp)*

*From International Joint Venture to Wholly Owned Subsidiary: A Real Options Perspective ON Ownership Change*

Gerald Yong Gao, University of Missouri-St. Louis  
Dean Xu, University of Hong Kong  
Yigang Pan, York University

We examine the factors that contribute to ownership changes of international joint ventures (IJVs) and the resultant performance consequences. From a real options perspective, we treat the change from partial ownership to whole ownership in an IJV as the exercise of an implicit option for a foreign firm to buy out the local partner. Based on a sample of 4,292 IJVs in China during 1998-2005, the results suggest that foreign firms are less likely to exercise the buyout option with higher exogenous and endogenous uncertainties. Moreover, high past performance hinders a firm from buying out its local partner. We also observe a positive effect of ownership change on a venture's survival rate and financial performance. *(For more information, please contact: Gerald Yong Gao, University of Missouri-St. Louis, USA: gaogy@umsl.edu)*

*Subsidiary Ambidexterity and the Innovation Development and Transfer Relationship*

Francesco Ciabuschi, Uppsala University  
Ulf Holm, Uppsala University  
Oscar Martín Martín, Public University of Navarre

This paper focuses on innovation development and transfer at subsidiary level. First, the much debated relationship between subsidiary innovation development and transfer is explored. In the literature, it is argued that the more innovations are developed, the more the subsidiary is transferring them internally to the organization. On the other hand, there are studies pointing out that a subsidiary increasingly engaged in

developing activities has difficulties to engage into transfer as well. Second, we are exploring the influence of three factors on the intensity of developing and transferring activities at subsidiary level, i.e., context specificity, autonomy, and incentives to innovate and transfer. Nine hypotheses are tested by means of a variance-based structural equation modeling technique in a sample of 63 subsidiaries within 23 MNCs. The results show that the more innovative a subsidiary is, the higher is the transfer intensity to sister units. Additionally, we confirm that autonomy and incentives are important to drive subsidiaries innovation, while only the latter appears relevant for the transfer intensity. At last, we shed light on the contradictory effects of technical vs. business specificity on transfer intensity. *(For more information, please contact: Francesco Ciabuschi, Uppsala University, Sweden: francesco.ciabuschi@fek.uu.se)*

*Co-Evolution of Subsidiary Performance with Expatriate Resource Deployment: A Temporal Perspective*  
Suhaib Riaz, University of Ontario Institute of Technology

We argue that expatriates in MNE subsidiaries constitute valuable, rare and costly-to-imitate resources in the host country competitive context, and examine temporal changes in expatriate resource deployment as a window into understanding subsidiary evolution in a dynamic manner. We conduct latent curve analysis using structural equation models to investigate the phenomenon. Our results reveal that expatriate resource deployment over time is conditional upon subsidiary and parent MNE factors, and has a co-evolutionary relationship with subsidiary performance over the long-term. *(For more information, please contact: Suhaib Riaz, University of Ontario Institute of Technology, Canada: suhaib.riaz@uoit.ca)*

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**Session: 1.4.11 - Pedagogy Session**  
**Track: Track: 12 - Special Track on IB Pedagogy**

***Using Internet-Based Resources in Teaching IB***

**Presented On:** June 28, 2009 - 14:00-15:15

Chair: Gary Knight, Florida State University

*International Business Education: From Re-create to Co-create*  
Jim David Bell, University of Ulster

*(For more information, please contact: Jim David Bell, University of Ulster, United Kingdom: jd.bell@ulster.ac.uk)*

*Internet Facilitated Teaching of International Business: An Overview of Resources*  
Davina Vora, State University of New York at New Paltz

*(For more information, please contact: Davina Vora, State University of New York at New Paltz, USA: vorad@newpaltz.edu)*

*Using Management Skill Builders to Teach Contemporary Issues in International Business*  
Gary Knight, Florida State University

*(For more information, please contact: Gary Knight, Florida State University, USA: gary.knight.fsu@gmail.com)*



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Session: 1.4.12 - Interactive

Track: Track: 1 - The Political, Institutional, and Historical Context of Global Business

***Technology, Resources and the Environment***

Presented On: June 28, 2009 - 14:00-15:15

Chair: Jonathan Doh, Villanova University

*Ethanol Industry Emergence in an International Context: Biofuels from Renewable Resources*

Praveen Vadlani, Kansas State University

Jeffrey Katz, Kansas State University

The global biofuels industry, due to unsteady oil prices, geo-political uncertainties, increased environmental awareness and governmental support for domestic fuel sources, has experienced unprecedented growth. However, the recent global financial crisis changed the growth curve of this nascent industry. To emerge from this crisis, the global transportation fuels markets, specifically the global biofuels industry, must consolidate and develop global alliances, pursue a bio-refinery model to have a portfolio of diversified products, and invest in the development of biofuels from non-food raw materials, such as cellulosic (non-food) ethanol processes. This paper focuses on the global ethanol industry emergence in the recent decade and the growing pains of this nascent industry in an environment of volatile raw material price, escalating capital and operating costs, varying product costs, and increasing transportation costs. We offer research propositions and provide an outlook for the future of this important global industry. *(For more information, please contact: Jeffrey Katz, Kansas State University, USA: jkatz@ksu.edu)*

*Institutional Logics, Resource Capital, and Alliances*

Elizabeth A. Alexander, University of Washington, Tacoma

This paper combines institutional theory with an internal resources perspective to investigate the role of resource capital and the choice of alliances to develop its innovation capacity in different country institutional contexts. The results find alliance choice is an outcome of both the taken-for-granted assumptions of country institutions and firms' resource capital. However, the institutional environment is not deterministic; evidence indicates more complex relationships affect performance suggesting managers rely on incorrect scripts or assumptions about appropriate alliance forms given the institutional environment. The results support a reflexive role of managerial deliberation in developing strategy. *(For more information, please contact: Elizabeth A. Alexander, University of Washington, Tacoma, USA: alexanel@u.washington.edu)*

*The Topical Diameter of AIB Conferenes 2006 to 2008: A Scientometrics Based Approach*

F. Zeynep Bilgin, Marmara University

Katharina Maria Hofer, Johannes Kepler University Linz

Angela Elisabeth Huemer, Johannes Kepler University Linz

Gerhard A. Wührer, Johannes Kepler University Linz

AIB is the leading organization for international business studies in the world. Conferences organized by AIB are known as trend setters in the field. This study does a scientometric bibliometric analysis of AIB conference proceedings for a three year period (2006-2008) based on keywords of contributions. The main objectives are to determine the general structure of interest, cluster the keywords and reflect details on the focus of attention in the papers. The bibliometric results indicate three clusters: the core, the semi-periphery and the periphery. The five most joined occurring keywords were found to be MNEs, EMs, FDIs, internationalization and knowledge management in descending order. The analyses focus on concepts building the core (in total 10 keywords), the

semi-periphery is coined by performance and related topics (60 keywords) and the periphery with governance and specific facets of it (199 keywords). The paper is available on request via e-mail to [katharina.hofer@jku.at](mailto:katharina.hofer@jku.at).  
(For more information, please contact: Katharina Maria Hofer, Johannes Kepler University Linz, Austria: [katharina.hofer@jku.at](mailto:katharina.hofer@jku.at))

*Institution Fit and Network Externality: Implication for International E-commerce*

Chung-Chi Shen, National Chiayi University  
Jyh-Shen Chiou, National Chengchi University

Past researches have demonstrated the reputation as an important signal in online auction. However, besides reputation signal, what potential signals that bidders tend to rely on making purchasing decision in online scenario may need further exploration. Moreover, the effect of signals on reducing information asymmetry may differ from countries. Institution has the role influencing individual's cognition and national social norm. We use the important components of institution such as legal system development and trust building in online marketplace to investigate the possible difference in consumer behavior between countries. Our results supporting our hypotheses regarding the impact of signal effect on auction outcome only works in institution well-developed country rather than low developed country, it provides substantial evidences and implications for both academic research and practitioners who engaging in international e-commerce. (For more information, please contact: Chung-Chi Shen, National Chiayi University, Taiwan: [georgeccshen@gmail.com](mailto:georgeccshen@gmail.com))

*Industrial Policy and Technology Adoption: A Study of Institutions, Technological Lock-In, and National Goals*

Jocelyn M. Leitzinger, George Washington University

The adoption of new technologies by private firms lies at the center of economic growth (Rosenberg, 1976; Mansfield, 1986; Edquist, 1997). In fact, technological breakthroughs create little social or economic value without the adoption of these inventions by the marketplace (Hall, 2005). But having the potential to better society or increase productivity is often not enough incentive to induce firms to adopt new technologies. In such instances where the marketplace fails to perform at a socially optimal level, governments may choose to intervene in order to counteract market malfunctions. This paper aims to explain why some countries succeed and others fail when implementing similar policies designed to spur new technology adoption in industries that have public good aspects linked to current national objectives. This paper moves beyond past work by creating a single framework that will explain cross-country differences in policy selection and new technology adoption rates. In the long run, this stream of research will allow developed nations to further refine their policy practices and increase efficiencies as well as provide a resource for developing nations that aim to transition their economies towards emergent technologies. (For more information, please contact: Jocelyn M. Leitzinger, George Washington University, USA: [jmleitz@gwu.edu](mailto:jmleitz@gwu.edu))

*Factors of Industry Evolution: A Comparative Study of the U.S. and Brazilian Ethanol Industry*

Lihong Qian, University of Illinois at Urbana Champaign  
Rajshree Agarwal, University of Illinois at Urbana Champaign  
Jay Kesan, University of Illinois at Urbana Champaign

This paper presents a comparative study of the evolution of ethanol industry in two countries, the U.S. and Brazilian. We draw upon the industry evolution literature from economics and the new institutional theories to compare the development of this industry across these two countries. Our analysis is focused on three interdependent aspects of an industry: technology development, firm capabilities, industry structure, and supporting or constraining institutions. We further identify those factors that may contribute to the comparative or competitive advantages of the industry in each country. (For more information, please contact: Lihong Qian, University of Illinois at Urbana Champaign, USA: [lqian3@illinois.edu](mailto:lqian3@illinois.edu))

*The Effects of Regulation and Public Policy on the National Technology Capabilities across Countries: An Empirical Study*

Soo Hee Lee, Birkbeck, University of London  
 Hee Sun Kim, Birkbeck, University of London  
 Suk Bong Choi, University of Ulsan

The aim of this paper is to empirically examine the effect of government intervention in the economy, regulation in the local market and open policy to international trade on the national technological capabilities, with particular attention to high and middle income countries. Firstly, we found that public regulation in credit, labour and product markets have positive effects both on technology creation and investment in developed and developing countries. Secondly, freedom to international trade has negative effects on the national technology capabilities. Thirdly, we founded a positive relationship between technology capabilities and small government size. Our result implies that public regulation and policy has a pivotal role in constructing efficient climate for technology investment and creation even in high income countries. *(For more information, please contact: Soo Hee Lee, Birkbeck, University of London, United Kingdom: s.lee@bbk.ac.uk)*

*A Co-evolutionary Perspective on International Strategy*

Julia L. Lin, I-Shou University  
 I-Pin Lu, I-Shou University  
 Shih-Chieh Fang, National Cheng-Kung University

This study aims to illustrate and identify the internal and external factors affecting firm's strategic choice of international strategy. To fulfill this objective, we incorporate co-evolutionary approach to advance our understanding on how firms interact and influence mutually with their environments. This study, based on the co-evolutionary perspective, propose and examine a relatively comprehensive model of the development of firms with the focus on their international strategies. With a focus on the co-evolution, we purpose two types of international strategies- global strategy and multi-focal strategy to remove or reduce the constraints from the environment. It is hoped that the results and findings of this study will advance the theoretical contributions of the development and strategic behaviors of firms, and provide insightful applications to business practices. *(For more information, please contact: I-Pin Lu, I-Shou University, Taiwan: luipin0618@yahoo.com.tw)*

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**Session: 1.4.13 - Interactive**

**Track: Track: 6 - Learning, Knowledge and Innovation**

***Innovation and R&D***

**Presented On:** June 28, 2009 - 14:00-15:15

**Chair:** Robert C. McNamee, Rutgers University

*Social Capital, Knowledge Transfer and Outcomes: Meta-analytic Evidence on a Moderated Mediation Model*

Raymond van Wijk, Erasmus University  
 Justin J.P. Jansen, Erasmus University  
 Marjorie Lyles, Indiana University

Research on how social capital influences knowledge transfer and subsequent organizational outcomes is burgeoning, and yet our understanding of how they relate remains rather unclear. Although conceptual and qualitative reviews have emerged, no study has explicitly attempted to examine the mediating role of knowledge transfer. In this paper, we develop moderated mediation model on social capital, knowledge transfer and performance. We distinguish between structural and relational capital, and argue that knowledge transfer is

a necessary step in converting potential benefits of social capital into organizational outcomes. We also demonstrate how organizational boundaries (i.e. intra- and inter-organizational context), and environmental context (i.e. the type of industry) moderate the relationships studied. By aggregating and consolidating existing research, our study not only reveals new insights into how social capital influences organizational knowledge transfer and performance, but also provides meaningful directions for future research. *(For more information, please contact: Raymond van Wijk, Erasmus University, Netherlands: rwijk@rsm.nl)*

*The Impact of Exporting on Innovation in Service Industry: Evidence from Korea*

Jaeho Lee, POSTECH  
 Ji-Hwan Lee, KAIST Business School  
 Baeho Choi, POSTECH

Exporting is one of the most important forms that a firm selects in internationalizing its business. Globalization and progress in information technology have made it possible for service firms to seek opportunities in the international marketplace through exporting. In this paper, we examined the impact of exporting on the production, process and organizational innovations of Korean service firms. The features of service industry that differ from manufacturing industry were expected to strengthen the relationship between exporting and innovation. A higher level of knowledge spillover and a greater tendency of knowledge sourcing from external parties may promote innovation in the process of exporting services to a foreign country. Furthermore, market and technology information acquired through exporting is expected to be incorporated into production design and function. The more successful exporting firms are more likely to improve their service-providing processes as well as their product qualities, using information about foreign customers and their needs. In this process, exporting service firms will re-create their organizational structures so that 'learning by exporting' may be facilitated. Based on discussions centering round these points, we hypothesized that the higher the level of export in a service firm is, the more innovation activities would be conducted in each area of innovation. Implementing logistic regressions using the 2006 Korean Innovation Survey data, we found a significantly positive association of Korean service firms' exporting with product innovation and organizational innovation. However, our data did not support our hypothesis on the relationship between exporting and process innovation. *(For more information, please contact: Jaeho Lee, POSTECH, Korea, South: jaeholee@postech.ac.kr)*

*The Impact of Contagion on Firms' Technological Diversification: Perspective from Patent Cooperation Network*

Yung-Cheng Lai, Ching Yun University

The idea of embeddedness has become one of the fundamental concepts of network analysis and has had a significant influence in strategy research and theory. In this paper, we present a network analysis method for investigating the effect of technological diversification (DivT) on network of relations. It asks a major question: What is the relationship between the degree of DivT of firm and the influence of contagion effect in firm's relations and structure of firm's relations of whole network? Results are partial consistent with both evolutionary theory (Nelson and Winter, 1982) and absorptive capacity (Cohen and Levinthal, 1990). The degree of technological diversification has a negative relationship with the influence of relational network by cohesion and structural equivalence. The result of empirically sample of the IBM ego-centered network including 49 of the MNE during the period for 1996-2005 revealed that innovation diffusion representing by contagion is incremental learning and assimilation from others which is embedded in the relational network structures. *(For more information, please contact: Yung-Cheng Lai, Ching Yun University, Taiwan: cylai@cyu.edu.tw)*

*General Purpose Technology (GPT) and the Re-structuring of the MNC International Innovation Network*

Ranfeng Qiu, Rutgers University  
 John Cantwell, Rutgers University

This study is motivated by the argument that there has been a shift towards internationally integrated strategies within MNCs. We introduce the concept of General Purpose Technologies (GPTs) into the context of the MNC innovation network literature. Based on a USPTO database covering all patents granted in the U.S. to the world's largest industrial firms between 1969 and 1995, our empirical findings suggest that the development of GPTs and Information and Communication Technologies (ICTs), when they constitute a firm's core technological fields, are likely to remain at home. Instead, given their "pervasive" and "connective" nature, the geographical distribution of creative efforts in the GPT fields tends to be locationally dispersed when they lie outside a firm's primary areas. We also find that innovation in core technological fields is increasingly being moved to foreign affiliates, and is tended to become more geographically dispersed across a wider range of countries over time. Furthermore, the re-allocation of innovative efforts in such core fields to selected foreign subsidiaries is facilitated by the local development of ICTs in such subsidiaries. This study contributes to the literature on the evolution of MNCs by exploring a critical aspect of the shift in knowledge creation towards their foreign subsidiaries. *(For more information, please contact: Ranfeng Qiu, Rutgers University, USA: rqi@pegasus.rutgers.edu)*

*The Effects of Corporate Governance Structures on R&D Expenditures*

Jörg Christian Mahlich, Austrian Economic Chamber  
B. Burcin Yurtoglu, University of Vienna

We use investment-cash flow regressions to show that both asymmetric-information and agency problems are more severe in Continental Europe than in the Anglo-Saxon countries leading to too little R&D investment by firms with attractive investment opportunities and too much by those with poor investment opportunities. Legal systems, accounting standards, and ownership structure systematically affect the investment-cash flow sensitivity. *(For more information, please contact: Jörg Christian Mahlich, Austrian Economic Chamber, Austria: joerg.mahlich@wko.at)*

*Organizational Learning and Knowledge-Based Global Competence in MNCs: Dynamic Capabilities Perspective*

Bih-Shiaw Jaw, National Sun Yat-sen University  
Christina Yu-Ping Wang, National Dong Hwa University

Integrating and extending literature on global knowledge management, organizational learning and dynamic capabilities, we examined how organizational learning in terms of knowledge management influences dynamic perspective of organizational global competence. We unlocked the various components of learning process that interact collectively to create MNC's dynamic global competence. A mediating model was built with the sample of 131 Taiwanese MNCs and provided evidence that the deliberate learning mechanism, including human capital investment, integrated IT system and transnational innovation network, has indirect positive effect on dynamic global competence through the full mediating effect of corporate learning culture the implication and limitation were also discussed. *(For more information, please contact: Bih-Shiaw Jaw, National Sun Yat-sen University, Taiwan: bsjaw510@mail.nsysu.edu.tw)*

*Intercultural Learning in Business Context*

Betina Szkudlarek, Erasmus University  
Slawomir Magala, Erasmus University

Intercultural corporate training is a growing branch of coaching and consulting industries and it appears to be both theory and practice driven. Growth of relevant academic literature reveals focus on successful adaptation to host cultures and organizations but little sensitivity to the ethical dimension of newly learned rules and newly accepted values. Triggered by authors' experiences in the intercultural corporate training industry and inspired by participation in a number of field-specific training-for-trainers events, this essay is an opening statement in a long-overdue discussion on the development of the intercultural training. A number of concerns related to

ethical principles within the growing industry are explored. The issues of profit-maximization, knowledge-access inequalities, authenticity dilemma and in-built Western bias of cross-cultural research are presented. Their impact on intercultural corporate training is also traced in literature of the subject. While no empirical research programmes are outlined, this essay offers a number of suggestions intercultural scholars and practitioners in the corporate field need to consider in order to challenge the shallow stereotype suppression and create grounds for forming virtual third cultures. *(For more information, please contact: Betina Szkudlarek, Erasmus University, Netherlands: bszkudlarek@rsm.nl)*

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**Session: 1.4.14 - Interactive**

**Track: Track: 9 - Internationalization Processes and International Marketing Strategies**

***Off- and Online Export Marketing***

**Presented On:** June 28, 2009 - 14:00-15:15

Chair: Len Trevino, Loyola University New Orleans

*Through the Lenses of Culture: Impact of Collectivism Orientation on Chinese Consumers' Intention to Purchase Australian Products and Services*

Shuang Liu, University of Queensland  
 Peter W. Liesch, University of Queensland  
 Joanne R. Smith, University of Exeter  
 Cindy Gallois, University of Queensland  
 Ren Yi, University of Southern Queensland  
 Stephanie Daly, Managing Director, Middle Kingdom

This study reports on the influence of collectivist culture on Chinese consumers' intention to purchase Australian products and services. Data were obtained from a large-scale online survey completed by 3,171 respondents across over 20 cities and provinces in the People's Republic of China. Results indicated that ingroup influence and product perception, but not marketing efforts, had a significant positive effect on purchasing intention. Self-identity as a consumer of imported products had a main effect on purchasing intention and also moderated the strength of association between ingroup influence and intention and between product perception and intention. When self-identity was low, both ingroup influence and product perception had a greater impact on purchase intention than when self-identity was high. These findings have important implications for international business practitioners given that word-of-mouth communication might be more effective than marketing efforts in increasing Chinese consumers' intention to purchase Australian products and services. *(For more information, please contact: Shuang Liu, University of Queensland, Australia: s.liu1@uq.edu.au)*

*The Moderating Roles of Technology Acceptance Perspectives on E-Service Quality Formation: Evidence from Online-Tourist Websites*

Feng-Hui Lee, National Cheng Kung University  
 Wann-Yih Wu, National Cheng Kung University

At tourist websites, e-service markets have been growing rapidly over the past several years. E-commerce and e-service marketing activities have drawn much attention to increase the customer perceptions of online shopping behaviors. Specially, interactivity is a key feature of websites. This study identified the determinants that enhance international travelers' perceptions of interactivity in a communication scenario which consumers deal with service transactions in e-traveling service sites. This study surveyed one hundred and fifty international travelers who had different experiences in purchasing e-air tickets from thirty different e-tourist service websites in Taiwan. The results showed that the roles of Technology Acceptance Perspective, including perceived trust and usefulness, positively moderate the relationship between e-service quality, perceived service

value, and service satisfaction. *(For more information, please contact: Feng-Hui Lee, National Cheng Kung University, Taiwan: niellee@ms34.hinet.net)*

*Country-Specific Effects of Consumer Feedbacks in International Online Auction Markets*

Christopher Schlaegel, University of Magdeburg  
Birgitta Wolff, Otto-von-Guericke-University Magdeburg

On eBay's marketplace buyers are encouraged not only to rate their transaction partner, but also to provide an explanation for the feedback with a textual comment. Few studies have examined the underlying reasons of negative and neutral feedbacks and so far no study examined cross-country differences and similarities. The purpose this study is to investigate the causes and effects of negative and neutral buyer feedback as well as to compare them between countries. Content analysis of a total 2,554 eBay sellers with more than 13,000 text comments in Germany, the UK, and the U.S. is used to improve the understanding of disputes as well as buyer feedback categories and their effect on bidder behavior in future transactions. The results show various cross-country differences and similarities in the reasons for negative and neutral feedbacks as well as differences in the effect of different feedback categories. More serious feedback categories have a stronger effect on online auction prices, compared to less serious feedback categories and this effect varies across countries. Implications of these results and recommendations for future research are discussed. *(For more information, please contact: Christopher Schlaegel, University of Magdeburg, Germany: christopher.schlaegel@ovgu.de)*

*Changing Cultural Values and Advertising Appeals: A Comparison of Japanese and American Magazine Advertisements*

Michael Voris, University of Tampa

This paper presents an exploratory look at the use of cultural appeals in Japanese and American magazine advertisements. Several much cited comparisons occurred in the 1980s, but Japanese culture has changed significantly since that time with the emergence of the Shinjinrui or "new breed" of Japanese who have grown up since the 1970's. According to the results of this study, the often cited use of soft-sell appeals is far less prevalent in Japan than in the past, especially among advertisements aimed at a female audience. Additional comparisons of recent Japanese and American advertisements revealed that there were only a few instances where advertising appeals differed significantly between the countries. *(For more information, please contact: Michael Voris, University of Tampa, USA: mkvoris@gmail.com)*

*Cross-cultural Effects of International Corporate Brand Management on Employee Loyalty: The Moderating Role of Market Entry and Implementation Decisions*

Bernhard Swoboda, University of Trier  
Margot Löwenberg, University of Trier  
Markus Meierer, University of Trier  
Martin Jager, University of Trier

Corporate Brand Management has seldom been analyzed in terms of cross-cultural effects among employees in a multinational corporation, but is on the agenda of many practitioners. Based on survey data from 30 countries, we analyzed the effects of International Corporate Brand Management on employee loyalty. By applying a multi-group partial least squares approach, we are able to identify the moderating effect of culture and implementation decisions regarding the corporate brand. Our results show strong support for differences of the influence of a corporate brand in the five country clusters Germanic Europe, Eastern Europe, Anglo Cultures, Latin America and Far East. *(For more information, please contact: Margot Löwenberg, University of Trier, Germany: m.loewenberg@uni-trier.de)*

*Consolidating Consumer's Expressions of National Identity and Global Openness-Related Measures in Thailand*

Warat Winit, University of New South Wales

Gary Gregory, University of New South Wales

In this paper we empirically demonstrate differences between ethnocentrism and patriotism as expressions of national identity in Thailand. We also consolidate concepts of cosmopolitanism, global openness, and cultural openness by constructing more parsimonious measurement scales. Through rigorous testing, relationships among all constructs are investigated and results and implications for use of refined scales in future research are discussed. *(For more information, please contact: Gary Gregory, University of New South Wales, Australia: g.gregory@unsw.edu.au)*

*Ethnocentrism vs. Cosmopolitanism: A Re-evaluation and Comparison of Constructs*

Kevin Lehnert, Saint Louis University

Joseph P. Little, Saint Louis University

Eric Rhiney, Saint Louis University

J. Alexander Smith, Oklahoma City University

This study examines the relationship between ethnocentrism and cosmopolitanism and their effects on consumers' willingness to buy domestic products and quality judgments of foreign products. Structural Equation Modeling (SEM) is used to test the developed hypotheses. The findings indicate that both ethnocentrism and cosmopolitanism affect consumers' willingness to buy domestic products, but only ethnocentrism significantly affects quality judgments of foreign products. Finally, it was found that while ethnocentrism and cosmopolitanism are negatively related, they have distinct independent effects on the willingness to buy domestic products and foreign product quality judgments. *(For more information, please contact: Joseph P. Little, Saint Louis University, USA: jlittle4@slu.edu)*

*Dissecting Home-Regionalisation*

Andre Sammartino, University of Melbourne

Tom Osegowitsch, University of Melbourne

The popular notion of home regionalisation as a dominant and superior model for internationalisation remains an under-explained and inconsistently articulated thesis. We contend that authors have often neglected to acknowledge or adequately explore the implicit assumptions and assertions within their particular version of the home regionalisation thesis, or to integrate it adequately with discussions of competitive advantage. We present five different iterations of advantage reach and explore the assumptions and implications of each. We attempt to reconcile these ideas with more typical strategic management stylisations of competitive advantage. This should motivate more revealing and rigorous empirical exploration and improve dialogue and cooperation among interested researchers. *(For more information, please contact: Andre Sammartino, University of Melbourne, Australia: samma@unimelb.edu.au)*

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**Session: 1.4.15 - Interactive**
**Track: Track: 2 - International Economics, Finance, Accounting and Taxation*****Markets, Money and Institutions*****Presented On:** June 28, 2009 - 14:00-15:15**Chair:** Jean-Francois Hennart, Tilburg University



*Capital Account Liberalization and Stock Price Implications for Financial Institutions in Thailand*  
 Chaiporn Vithessonthi, Mahasarakham University  
 Jittima Tongurai, Oita University

In this paper we investigate market reaction to the announcement of capital account liberalization in Thailand on January 29, 2007. The liberalization of capital account is expected to have a positive effect on asset prices. Based on a sample of 38 financial institutions listed on the Stock Exchange of Thailand (SET), we find that the average abnormal return on the announcement day is -0.18 percent and statistically insignificant. However, we find positive and statistically significant average abnormal returns on Day -1 and Day -2. Regression results suggest that there is a negative relationship between dividend yield and cumulative abnormal return around the announcement date. *(For more information, please contact: Chaiporn Vithessonthi, Mahasarakham University, Thailand: chaiporn.vithessonthi@gmx.ch)*

*The Impact of Foreign Participation on Stock Prices in the United States*  
 Shakil Quayes, Arizona State University  
 AMM Jamal, Southeastern Louisiana University  
 Tanweer Hasan, Roosevelt University

Using a standard demand-supply model, the present study investigates the relationship between foreign participation in the equity market and stock prices, incorporating the effects of inflation and the demographic structure. The results show that while foreign participation in the equity market and the proportion of population in their prime earning age have a positive impact, inflation has a negative impact on stock prices. *(For more information, please contact: Tanweer Hasan, Roosevelt University, USA: thasan@roosevelt.edu)*

*Markets versus Institutions in Financial Intermediation: Equity Premia and other National Characteristics as Determinants*  
 Raj Aggarwal, University of Akron  
 John W. Goodell, University of Akron

Given the importance of financial intermediation and the rise of globalization, there is little prior research on how national preferences for financial intermediation (markets versus institutions) are determined by cultural, legal, and other national characteristics. Using panel analysis on data for a recent eight-year period for thirty countries, this paper documents that national preferences for market financing increase with political stability, societal openness, and economic inequality, and decrease with equity premia and private credit. These results should be of much interest to managers, scholars, regulators, and policy makers. *(For more information, please contact: John W. Goodell, University of Akron, USA: johngoo@uakron.edu)*

*Global Currency and E-Commerce Developments: Implications for the U.S. Dollar and the Fed*  
 Mehdi Salehizadeh, San Diego State University

The current global economic/financial/currency crises, combined with record levels of the U.S. twin (current account and budget) deficits and the growing use of E-Money have led to concerns regarding the long-term value of the U.S. dollar and the Fed's monetary policy effectiveness. A review of dollar-related facts and figures, and an empirical analysis of the U.S. money demand covering 1980:1-2008:3, reveal that: (a) the U.S. dollar has gained some strength, but certain longheld trends in its international usage have started to reverse; (b) E-money transactions have risen and are forecast to experience further significant growth, lessening the use of physical cash; and (c) tests reflecting M1 and M2 monetary aggregates yield mixed results, with some showing a downward trend in the U.S. demand for traditional money, but also confirming the existence of instability in the relationship in recent years. The Fed is expected to face challenges both in the relative short-run, as it tries to restore health to the U.S. economy,

and over the longer horizon stemming from the potential slowdown in world-wide demand for the U.S. currency. *(For more information, please contact: Mehdi Salehizadeh, San Diego State University, USA: mehdi.salehizadeh@sdsu.edu)*

*Impact of Global Financial Reporting Standards on Banking Financial Ratios*  
Myrna Raquel Berríos, Universidad del Turabo

This study addresses the impact that global financial reporting standards may have on three different bank variables. It begins with background information about the goal to achieve a unique set of global financial reporting standards instead of local standards in different countries. The intent is to have greater transparency in financial accounting information. The paper mentions objectives and challenges for global accounting standards. The findings suggest that average values for variables for banks from the United Kingdom exhibit greater variability than those from the United States. This may be due to differences in accounting standards used in both countries. *(For more information, please contact: Myrna Raquel Berríos, Universidad del Turabo, USA: mbpagan@yahoo.com)*

*Day and Night Returns of Chinese ADRs*  
Hui He, James Madison University  
Jiawen Yang, George Washington University

This paper directly addresses the issue of non-synchronous trading problem cross-market for Chinese ADRs by separating daily returns to day returns and night returns and look at how market factors affect Chinese ADR returns at different time of one day. The paper is also a first attempt to separate Chinese ADRs with underlying exchanges from those without ("homeless") in order to see if they are affected differently by market factors. We include a sample of 25 Chinese ADRs with the most recent data from 2006 to 2008. Through regression and VAR analysis, we find US day returns appear dominate in pricing ADR daily returns and day returns relative to the mainland and Hong Kong market factor for the whole sample, while US night returns seem to contribute more to ADR night returns. Home market is also found to have even less impact for "homeless" ADRs. *(For more information, please contact: Hui He, James Madison University, USA: hehx@jmu.edu)*

*Is Governance Impeded by the National Indebtedness of Emerging Markets?*  
Shirley Alyce Hunter, Tufts University  
Charles Malgwi, Bentley University

We use agency theory to examine a moral dilemma which arises when the earnings of MNCs operating in 46 countries come under increased scrutiny by governments facing huge debt overhang. We investigate this risk from 1993 to 2004 in economies which have ratified Bilateral Investment Treaties with the International Centre for Investment Disputes (ICSID). More than 74% of our countries have mediated disputes before the ICSID when local proceedings have failed. Using Probit analysis, we calculate a 73.9% likelihood of future arbitrations before the ICSID. The results show our markets to be experiencing economic shocks because of the declines in their debt to international reserve ratios. Using the World Governance Indicators (WGIs) (Kaufmann et al., 2007, 2008), we found the threat to FDIs is lowest in Eastern Europe and highest in Argentina. The results from our multivariate analysis show a switch to equity financed foreign investments as the cost of capital increased in these markets. *(For more information, please contact: Shirley Alyce Hunter, Tufts University, USA: shirley.hunter@tufts.edu)*

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**Session: 1.5.1 - Panel*****State-of-the-Art Research in Global Strategy: Headquarters, Subsidiaries and Global Structure***

**Presented On:** June 28, 2009 - 15:45-17:00

Chair: Björn Ambos, WU Vienna

Chair: Ulf Andersson, Copenhagen Business School

***State-of-the-Art Research in Global Strategy: Headquarters, Subsidiaries and Global Structure***

Julian Birkinshaw, London Business School

William G. Egelhoff, Fordham University

Anil Gupta, University of Maryland

Stephen Tallman, University of Richmond

*(For more information, please contact: Björn Ambos, WU Vienna, Austria: bjoern.ambos@wu-wien.ac.at)*

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**Session: 1.5.2 - Competitive**

**Track: Track: 9 - Internationalization Processes and International Marketing Strategies**

***Learning, Innovation, and Internationalization***

**Presented On:** June 28, 2009 - 15:45-17:00

Chair: Xiaohui Liu, Loughborough University

***Firm Resources and Internationalization Strategy: The Moderating Effects of Innovation and Coherence***

Sylvie K. Chetty, Massey University

Heather Wilson, Massey University

Colin Campbell-Hunt, Otago University

In this article we aim to raise some theoretical issues on what moderates the relationship between a firm's resources and its international development. We achieve this by integrating different perspectives; Resource based view, dynamic capabilities and internationalization. We use in depth, historiographic case study analysis to obtain rich insight on the development of small and medium-sized enterprises. We develop a conceptual model and set of propositions regarding the moderating effects of innovation and coherence on the relationship between a firm's resource base and its internationalization strategy. We identify two internationalization strategies distinguished by their product/market scope and coherence, with success further determined by the firm's ability to co-evolve with market developments. Either strategy-regional or global can result in the development of competitive advantage. These firms reveal dynamic capabilities as they co-evolve with the international environment by learning and adapting. *(For more information, please contact: Sylvie K. Chetty, Massey University, New Zealand: s.chetty@massey.ac.nz)*

***Local Connection and Local Competition on Innovation: A Comparative Study of Local and Foreign Firms in China***

Peng-Yu Li, Fu-Jen Catholic University

Kuo-Feng Huang, National Chengchi University

Kai Xu, Xi'an Jiaotong University

Chwo-Ming Joseph Yu, National Chengchi University

This research attempts to examine how environmental factors influencing a firm's innovation in emerging markets. By differentiating two important environmental factors, local connection and local competition pressure, we can investigate how local firms and foreign firms respond to these two factors in their innovation activities. To meet the above research purpose, a survey of 126 firms in China was conducted to examine the developed hypotheses for this study. Our results support the developed hypotheses, suggesting that in China, the extent of local connection is positively associated with firm innovation for both local firms and foreign firms while compared with foreign firms, local firms are more innovative as facing severe local competition. *(For more information, please contact: Kuo-Feng Huang, National Chengchi University, Taiwan: kfhuang@nccu.edu.tw)*

*Reacting to Performance in International Markets: The Rigidity and Learning Paradox*

Luis Filipe Lages, Universidade Nova de Lisboa, Faculdade de Economia  
José Mata, Universidade Nova de Lisboa, Faculdade de Economia

The authors use threat-rigidity and organizational learning theories to analyze firm reaction to performance change in foreign markets. Based on survey data from exporting firms, the findings indicate that firms are more likely to change their international strategy when performance declines. Specifically, in low competitive markets, firms tend to react to performance decline by adapting their strategy to the foreign market, whereas in more competitive markets, firms tend to react by standardizing their strategy. Thus, depending on competitive circumstances, both threat-rigidity and organizational learning theories may apply. These theories should be regarded as complements to each other, not as alternatives. *(For more information, please contact: Luis Filipe Lages, Universidade Nova de Lisboa, Faculdade de Economia, Portugal: lflages@fe.unl.pt)*

*New Ventures in the Flat World: Role of Learning and Opportunity Identification on New Venture Internationalization*

Fiona Xiaoying Ji, Virginia Tech  
Devi R. Gnyawali, Virginia Tech

This study explores one of the most fundamental issues in international entrepreneurship: how new ventures effectively identify and exploit international opportunities. Specifically, we discuss how new ventures' learning capabilities consisting of absorptive capacity, cognitive scripts, and learning modes contribute to the recognition and pursuit of global new business opportunities and to the achievement of international growth. We also propose that the stage of new venture internationalization moderates the relationship between the new venture learning capability and the recognition and pursuit of opportunities in the global context. We contribute to research on international entrepreneurship by explicitly incorporating the role of learning, i.e., the manner in which new ventures assimilate and process knowledge importantly impacts their internationalization process. *(For more information, please contact: Fiona Xiaoying Ji, Virginia Tech, USA: jixy@vt.edu)*

**Session: 1.5.3 - Competitive**

**Track: Track: 2 - International Economics, Finance, Accounting and Taxation**

***Theories of Advantage***

**Presented On:** June 28, 2009 - 15:45-17:00

**Chair:** Raj Aggarwal, University of Akron

***MNC Growth, Integration, and Internal Resource Competition***  
Susan Feinberg, Rutgers University

As firms like AIG are brought down by international divisions, and firms like Citigroup appear to have been too big to succeed, we may have reached the point where large firms, particularly large multinational firms, have become unmanageable. The attention of top executives may simply be too scarce a resource to spread across such geographically and economically diverse businesses. In this paper, we explore the question of whether growth in one part of a multinational firm takes resources from other divisions of the MNC. When growth in one market adversely affects, or is affected by, growth prospects elsewhere within the MNC, there is competition for resources within the firm. We refer to this as "resource-constrained growth."

We also examine whether intra-firm integration moderates competition for resources within MNCs. Clearly, MNC divisions that are connected to each other through trade and other linkages should benefit from opportunities in the markets of other divisions.

Using affiliate-level panel data on 24,000 foreign affiliates and parent-level panel data on 4000 US MNC parents, we find that attractive growth opportunities in other parts of the MNC reduce the growth in the focal affiliate. Surprisingly, we find that affiliate integration enhances, rather than moderates this relationship. *(For more information, please contact: Susan Feinberg, Rutgers University, USA: feinberg@business.rutgers.edu)*

*Winners and Losers from International Acquisitions: A Resource-based View of Financial Ratios and Management Incentives*

Jongmoo Jay Choi, Temple University  
Eric C. Tsai, State University of New York, Oswego  
Edward C. Boyer, Temple University

Existing work on international acquisitions shows negative or insignificant gains for acquiring firms, but is open with respect to the characteristics of winning and losing acquirers. This paper examines a resource-based interpretation that a firm's resources and capabilities are reflected in its financial ratios and internal corporate governance system. The results show that the standard financial ratios of US firms do contain information regarding the characteristics of winning and losing international acquisitions in terms of market reactions to acquisition announcements. In particular, winners have superior liquidity and conservative debt ratios than losers. The efficiency ratios are also better for winners, but profitability ratios are actually lower for winners than losers. In addition, winners have better incentive-based executive compensation and ownership schemes than losers. Overall, the results support a resource-based view as applied to finance and governance, and underscores the importance of good internal corporate governance as a requisite capability assisting the realizing the potential gains from international acquisitions. *(For more information, please contact: Eric C. Tsai, State University of New York, Oswego, USA: tsai@oswego.edu)*

*Knowledge Diffusion and Convergence: Medal Performance at the Olympic Games*

Jin Hyun Bae, New York University  
Robert Salomon, New York University

Theory has stressed that openness and trade leads to economic convergence, through knowledge diffusion. Empirical evidence however has not been fully consistent with such claims. We contend that the key lies in some of the assumptions underlying development models. Models for convergence assume a static developed nation, near its productivity frontier, while those against assume a dynamic developed country, where entrepreneurs challenge boundaries. We look for evidence of convergence in a static context by looking at competition in the modern Olympic Games and find that convergence does occur, with less-developed nations closing the performance gap with developed countries over time. *(For more information, please contact: Jin Hyun Bae, New York University, USA: jinhyun.bae@stern.nyu.edu)*

*From Beijing to Bentonville: Do Multinational Retailers Link Markets?*

Ran Jing, University of British Columbia  
 Keith Head, University of British Columbia  
 Deborah Swenson, University of California, Davis

The world's largest retail chains--Wal-Mart, Carrefour, Tesco, and Metro--all entered China in the last 15 years. Since each of these retailers procures large quantities of goods in China for sale in their worldwide outlets, they may increase Chinese exports through the creation of linkage connections with distant markets. Meanwhile, if entry of multinational retailers stimulates productivity growth in Chinese suppliers, retailer presence may improve the general export capabilities of Chinese regions. To test whether the recent growth in retailer presence has helped expand the exports of Chinese regions, we use econometric models suggested by Baldwin and Taglioni (2006)---a specification controlling for city--country pair, city--year, and country--year fixed effects. While apparent linkage effects involving distant markets appear to be driven by heterogeneous regional developments, our results suggest that retailer presence promotes China's exports by improving general regional export capabilities. *(For more information, please contact: Ran Jing, University of British Columbia, Canada: ran.jing@sauder.ubc.ca)*

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**Session: 1.5.4 - Panel**

**Track: Track: 1 - The Political, Institutional, and Historical Context of Global Business**

***WAIB Panel: The Critical Role Played by Professional Networks in the Creation of Meaningful Research Career***

**Presented On:** June 28, 2009 - 15:45-17:00

Chair: Susan Forquer Gupta, Monmouth University

*Networks, the Academy, and You: The Role of Networks in Career Success*  
 Stefanie Lenway, University of Illinois at Chicago

*Better Living through Networking*  
 Mary Ann Von Glinow, Florida International University

*Are There Gender Differences in Professional Networking?*  
 Rosalie L. Tung, Simon Fraser University

Professional networks provide a critical support and communication system for academics as well as professionals. The need for a well developed multinational network of colleagues is dramatically increasing as opportunities and evaluation of our research and service occur on a global stage. Development of professional networks takes a concerted effort on the part of the individual and therefore may be overlooked or sidelined as they struggle to meet publication, research and teaching expectations for tenure and promotion. In addition, our institutions rarely push their faculty to build networks or value the time spent. This is a critical error in the development of a successful career, as it is these very networks that will provide an individual with the professional and research opportunities key to building your career. Professional academic organizations such as AIB provide opportunities to build strong professional networks through involvement in the organization and attendance at annual meetings. Other types of organizations and committees provide additional networking opportunities. Building a series of professional networks takes time, effort, and possibly some social skill. This panel will address the importance of the professional network, and how to build a series of networks through active involvement in professional organizations. *(For more information, please contact: Susan Forquer Gupta, Monmouth University, United States: sgupta@monmouth.edu)*

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Session: 1.5.5 - Panel

Track: Track: 1 - The Political, Institutional, and Historical Context of Global Business

***Where Do Businesses and Economies Flourish Around the World? How Country Indices Can Be Profitably Employed in International Business Research and Teaching***

Presented On: June 28, 2009 - 15:45-17:00

Chair: Hildy Jean Teegen, University of South Carolina

Chair: Julio de Castro, Babson University

*Introduction of Index of Economic Freedom*

Terry Miller, Heritage Foundation

*Introduction of Global Entrepreneurship Monitor*

Elaine Allen, Babson University

*Introduction of Index of State Weakness*

Corrine Graff, Brookings Institution

*Introduction of Commitment to Development Index*

David Roodman, Center for Global Development

*Report of Survey and Bibliometric Analysis on Index Use in International Business*

Hildy Jean Teegen, University of South Carolina

Organizations around the world invest significant resources in the construction of indices that rank countries in terms of factors that relate to country development and conditions that favor business success. These indices receive attention in the press and from the policy community, but have been relatively less employed by international business academics—which is surprising given the strong emphasis in our field placed on understanding the institutional environments of countries around the world.

In answering the question of this year's conference theme ('Is the World Spiky or Flat?'), these indices both highlight important differences (spikes) among countries' institutional environments and identify key similarities and some trends towards convergence among countries (flattening). For international business academics concerned with relevant tools for conducting rigorous research and engaging in cutting edge pedagogy, an informed comparative analysis of the promise held by and a frank assessment of the limits to effectively employing these indices in our work is warranted.

The proposed panel will thus introduce the AIB membership to leading country indices developed by a range of institutions concerned with factors related to countries' development and the conditions that favor business success. Each index will be explained in terms of original purpose/intent, methodology employed, and main theoretical and empirical conclusions called out by the index regarding business and economic progress around the world.

Representatives of the index creating organizations will provide overviews of each index. The introductions will be complemented by the presentation of results from an AIB membership survey, as well as bibliometric analyses of published literature and of leading business textbooks to highlight how country indices are currently utilized by international business academics in their research and teaching. These analyses will shed light on the theoretical and methodological opportunities provided by these indices and will provide a starting point for roundtable discussion among the panelists concerning untapped potential within these indices for improving international business research and pedagogy. (*For more information, please contact: Hildy Jean Teegen, University of South Carolina, USA: teegen@moore.sc.edu*)

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**Session: 1.5.6 - Competitive**  
**Track: Track: 6 - Learning, Knowledge and Innovation**

***R&D, Innovation and Knowledge Protection***

**Presented On:** June 28, 2009 - 15:45-17:00

Chair: Christoph Grimpe, ZEW Centre for European Economic Research

*The Implications of Country-, Industry-, and Firm-Level R&D For Firm Performance*

G. Tomas M. Hult, Michigan State University  
David J. Ketchen, Auburn University  
Peter J. Buckley, University of Leeds  
Jeannette A. Mena, Michigan State University

Friedman (2005) contends that countries compete on an increasingly level playing field in terms of issues such as R&D. To test if the country level matters little, as Friedman's premise implies, we use hierarchical multilevel modeling to assess the effects of R&D at the firm, industry, and country levels on three types of performance across ten economic sectors. The three levels' explanatory power is assessed using a sample of 13,101 firms from 57 countries over a ten-year period (1995-2004). Overall, R&D at the country level accounts for 26.6, 8.5, and 53.7 percent of return-on-sales, sales turnover, and Tobin's Q, respectively. We found that the effects of country-level R&D on performance vary considerably across economic sectors. Some sectors are approaching Friedman's premise of a 'flat world' but important differences exist between countries in the majority of sectors. We discuss the implications of these findings for researchers and public policy makers. *(For more information, please contact: Jeannette A. Mena, Michigan State University, USA: menajean@msu.edu)*

*The Moderating Effects of Strategic Independence and Foreignness on the Benefits of R&D Activities*

Jörg Zimmermann, Max Planck Institute of Economics

This article investigates the moderating effects of strategic independence as well as foreigner status on a firm's ability to benefit from knowledge exploration activities. Knowledge exploration activities, like R&D, are a valuable means to generate superior economic rents. Still, the possibility to cash in these rents depends on firms' independence to utilize the explored competence. External governed firms are less likely to possess the required decision-making authority mitigating their ability to transfer gathered local knowledge into superior firm performance. That's especially relevant for foreign companies as they face a lack of embeddedness in host markets. The empirical results for a sample of manufacturing firms active in the Spanish market are consistent with the theory. *(For more information, please contact: Jörg Zimmermann, Max Planck Institute of Economics, Germany: zimmermann@econ.mpg.de)*

*Host Country Contingencies on Knowledge Protection Strategies of Multinational Firms - Bring a Knife to a Gunfight?*

Wolfgang Sofka, ZEW Centre for European Economic Research  
Edlira Shehu, University of Hamburg

International knowledge spillovers, especially through multinational companies (MNCs), have recently been a major topic of the academic and management discussion. However, most studies treat MNC subsidiaries as relatively passive actors without clear knowledge protection strategies. The goal of this study is to extend this stream of research by investigating both market-based (e.g. secrecy, lead time) as well as legal knowledge protection strategies (e.g. patents, trademarks) of MNC subsidiaries. We argue that these strategies are not independent from the opportunities and challenges of the host country. We suggest that the host country leadership status influences the choice of knowledge protection strategies along two major dimensions:



geographical and industry strength of host country firms. We test our hypotheses for a broad sample of more than 1,500 firms in Germany. The results indicate that legal forms of knowledge protection are used more restrictively if the host country geographical environment is technologically leading while technological leadership of host country competitors within the industry leads to less restrictive market-based knowledge protection strategies. We develop management recommendations based on these trade-offs between reliable knowledge protection and the need for reciprocity in exchanging knowledge. *(For more information, please contact: Wolfgang Sofka, ZEW Centre for European Economic Research, Germany: sofka@zew.de)*

*Putting the Hierarchy back in Patent Classification Systems: Similarity and Distance Measures Appropriate for Hierarchical Taxonomies*

Robert C. McNamee, Rutgers University

An extension to existing methodologies for calculating distance and similarity which allows the use of hierarchical taxonomy data is introduced to the management domain. It is suggested that this methodology offers a number of benefits over traditional methods commonly used when working with a variety of economic and management data. An extensive example looking at the use of patent data to describe technology space is examined. Towards this end, the paper reviews a common traditional method for calculating distance and similarity (Jaffe's distance measure), suggests some problems which limit this method when dealing with structured data, and introduces an extension which uses more advanced taxonomically appropriate methodologies, already common in fields such as machine learning and information retrieval. Finally, some initial exploratory results are reported from patent dyadic and organizational dyadic level samples. In order to properly utilize this dataset, the complete USPTO classification taxonomy was extracted and a hierarchical database was built which includes classification frequencies at all levels of the hierarchy. *(For more information, please contact: Robert C. McNamee, Rutgers University, USA: rmcnamee@andromeda.rutgers.edu)*

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**Session: 1.5.7 - Competitive**

**Track: Track: 11 - Emerging Market Economies**

***Cross-border M&As in or from Emerging Markets***

**Presented On:** June 28, 2009 - 15:45-17:00

**Chair:** Sri Zaheer, University of Minnesota

*Determinants and Valuation Impact of Cross-border Acquisitions by Firms from China and India*

Shavin Malhotra, Ryerson University

PengCheng Zhu, Carleton University

We perform an econometric analysis on a large sample of cross-border acquisitions made by Chinese and Indian firms from 1990 to 2006. We determine the important factors influencing target country selection and obtain a comprehensive understanding of the characteristics of these acquisitions. We find that majority of the Indian and Chinese firms acquire targets in large and politically stable countries. However, we also find that firms making large transactions select countries with high corruption and political risk and weak governance. These firms also purchase less expensive foreign assets when foreign currency depreciates. Using the event study method, we find that large transactions create more shareholder value than small transactions in more corrupt countries. By choosing to enter smaller and more corrupt markets with unstable political system, these firms can gain access to high rent-seeking opportunities and acquire cheaper foreign assets. *(For more information, please contact: Shavin Malhotra, Ryerson University, Canada: shavin.malhotra@ryerson.ca)*

*Strategies of Mergers and Acquisitions: Evidence from China*

Yi Sun, Peking University  
 Changhui Zhou, Peking University  
 Xiao Chen, Peking University

This paper investigates how the prior experience and ownership types affect the mergers and acquisitions (M&A) strategies. Drawing from the organizational learning perspective and institutional perspective, we argue that state-owned firms are more likely to choose related acquisitions, while the private firms tend to grow through unrelated acquisitions. Furthermore, the M&A experience in the industries and of the acquirers will have positive effect on the adoption of related acquisitions. We test the idea by using 478 acquisitions on Chinese domestic stock market during the period of 1998 to 2007, which involves two waves of M&A cases in the emerging economy. *(For more information, please contact: Yi Sun, Peking University, China: sunyi@gsm.pku.edu.cn)*

*Which Partner Should You Select? Network Resource as Strategic Signal in Emerging Economies*

Weilei (Stone) Shi, Baruch College, CUNY  
 Sunny Li Sun, University of Texas at Dallas

Partner selection in emerging economies is an important area of scholarly inquiry. Previous researchers have mainly focused on resource criteria as local partners' absorptive capacity, market position, experience, organizational form, size, fairness and previous international joint ventures (IJVs) collaborations. Drawing on network theory and signaling theory, we argue that local firms that have unique network structural advantage within the domestic alliance network are more likely to be selected by foreign investors. We also argue that the local firms differ in their ability in signaling to foreign investors, therefore, affecting the effectiveness of perception of these network resources by potential foreign partners. The alliance network data from the electronic and information technology industries in China (2001-2005) support our hypotheses. *(For more information, please contact: Weilei (Stone) Shi, Baruch College, CUNY, USA: weilei.shi@baruch.cuny.edu)*

**Session: 1.5.8 - Competitive**

**Track: Track: 8 - International Human Resource Management, Cross-Cultural Management, and Qualitative Research Methods**

***Expatriates' Attitudes and Behaviors in a Changing World***

**Presented On:** June 28, 2009 - 15:45-17:00

Chair: Mary Yoko Brannen, INSEAD

*The Mismatch of Perceptions and Reality: an Analysis of Factors Influencing Expatriate Cross-Cultural Adjustment*

Emma Jenkins, Victoria University of Wellington  
 Audra I. Mockaitis, Victoria University of Wellington

This study empirically tests the influence of various distance factors on expatriate cross-cultural adjustment. Expatriate perceptions of home and host country differences, objective measures of distance and the accuracy of expatriate evaluations of host country distance were compared as predictors of expatriate adjustment difficulty in the host country. The results obtained from expatriates on assignment to 22 different countries revealed that psychic distance, objective cultural distance and the expatriate's perceptual accuracy have a significant effect on expatriate adjustment for one's first assignment. However, on subsequent assignments only psychic distance and cultural distance were significant, and perceptual accuracy was no longer a significant predictor of adjustment. Adjustment in dissimilar cultures was more difficult on one's initial assignment, yet on

subsequent assignments expatriates faced difficulties in culturally similar countries. The implications of these findings are discussed. *(For more information, please contact: Audra I. Mockaitis, Victoria University of Wellington, New Zealand: audra.mockaitis@vuw.ac.nz)*

*Attitudes Towards Female Managers: Germany And The U.S.*  
Sabine Reddy, California State University Long Beach

This paper provides insight into the similarities and differences of stereotypes towards women managers, by comparing the stereotypes across two cultures (countries), Germany and the U.S. in the context of the business and social institutions in each country. Responses from students in Germany and the U.S. were collected using the Women as Managers Scale. Except for selected items, the attitudes towards female managers do not differ significantly between German and U.S. respondents. Male respondents reveal significantly more negative attitudes towards women managers than females. Two common factors, labeled business ability and acceptance, are identified, which are consistent with prior literature. In light of the unfavorable institutional environment in Germany and prior research results, the findings are surprising. *(For more information, please contact: Sabine Reddy, California State University Long Beach, USA: sreddy@csulb.edu)*

*The Moderating Role of Personality Traits and Psychological Climate Adjustment on the Relationship between Person-Organization Fit and Innovation Climate: Evidence from Taiwanese High-Tech Expatriates in Asian Countries*

Feng-Hui Lee, National Cheng Kung University  
Wann-Yih Wu, National Cheng Kung University

The primary objective of this study is to integrate some basic theoretical background to define and develop a new research framework in order to investigate whether expatriates' personality traits and psychological climate adjustment have impacts on the relationship between person-organizational fit (POF) and innovation climate. We surveyed 216 Taiwanese high-tech expatriate managers and employees, respectively in Asian countries. The results of our study are summarized as follows: (1) POF will be positively related to organization's innovation climate; (2) Individual perception of psychological climate adjustment will be positively associated with organization's innovation climate; (3) Psychological climate adjustment will positively moderate the relationship between POF and organization's innovation climate among group and individual employees; (4) Individual employee's personality traits will be positively associated with organization's innovation climate; (5) Personality traits will positively moderate the relationship between POF and organization's innovation climate among group and individual employees. *(For more information, please contact: Feng-Hui Lee, National Cheng Kung University, Taiwan: niellee@ms34.hinet.net)*

*Motivation and Career Orientation of Assigned and Self-Initiated Expatriates*  
Jean-Luc Cerdin, ESSEC Business School  
Marie Le Pargneux, Université de Corse

In the present study, based on the career theory, we have tested hypotheses on a sample of 303 French expatriates, comparing motivation factors to go abroad and career anchors between assigned and self-initiated expatriates. Existing research on expatriation tends to establish a clear distinction between assigned expatriates on the one hand, who are described as leading a traditional career linked to and determined by their organization, and self-initiated expatriates, who fit a boundaryless career perspective, on the other hand. Our results, however, provide important theoretical and practical implications. Surprisingly, we found that both assigned expatriates and self-initiated expatriates can be engaged in a boundaryless career in which the pursuit of personal and professional development matters. In terms of career anchors, we found that lifestyle and internationalism are both very important anchors for assigned as well as self-initiated expatriates, although

most anchors differ among these groups. *(For more information, please contact: Jean-Luc Cerdin, ESSEC Business School, France: cerdin@essec.fr)*

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**Session: 1.5.9 - Competitive**

**Track: Track: 3 - Alliances and Inter-Firm Relationships**

***Learning, Experience and Alliance Success***

**Presented On:** June 28, 2009 - 15:45-17:00

Chair: Tony W. Tong, University of Colorado

*The Effects of Alliance Learning and Institutionalization Process on the Success of Strategic Alliances: The Moderating Effect of Social Capital*

Hui-Chun Chan, Fortune Institute of Technology  
Kuo-Ming Chu, Cheng Shiu University

The success of an alliance depends largely on the processes within the alliance it-self; and this still largely remains a black box. Based on organizational learning and in-stitutional theory, this study proposes two interrelated processes - alliance learning and institutionalization – as two crucial processes in the alliance. Moreover, this study pro-poses that social capital moderates the effects of learning and institutionalization processes on alliance success. The hypotheses are tested based on major survey data on all companies listed on the Taiwanese stock exchange. The results indicate that learning and institutionalization processes play prominent role in the alliance success. Moreover, the effects of these processes are greater when the inter-relationships are characterized by higher social interaction and relationship quality. *(For more information, please contact: Hui-Chun Chan, Fortune Institute of Technology, Taiwan: oscar85@ms55.hinet.net)*

*Factors Influencing International Equity Joint Venture Performance: A Meta-analytical Review*

Michael Hunoldt, Friedrich-Schiller-University of Jena  
Andreas Bausch, Friedrich-Schiller-University of Jena

During the last two decades international equity joint ventures (IJVs) have attracted considerable interest among both academic researchers and managers. However, the empirical findings on variables influencing IJV performance are inconsistent. The aim of this paper is to consolidate existing empirical findings and to identify possible moderating variables that explain conflicting results of different studies. We address the question if and how several variables are related to IJV performance by integrating findings of 58 studies (N=10,882) through the method of meta-analysis. Our results suggest that interpartner trust is the most critical factor for IJV performance. In addition, a prior relationship between the IJV partners, goal congruity, and relatedness also affect IJV performance positively. Furthermore, we reveal that organizational cultural distance has a stronger negative effect on IJV performance than national cultural distance. *(For more information, please contact: Michael Hunoldt, Friedrich-Schiller-University of Jena, Germany: michael.hunoldt@uni-jena.de)*

*Executives' Assessments of International Joint Ventures and Divestitures: A Host Country Perspective*

Tony W. Tong, University of Colorado  
Jeffrey J. Reuer, Purdue University  
Beverly B. Tyler, North Carolina State University  
Shujun Zhang, Sun Yat-Sen University

While a substantial body of research exists on the means through which multinational firms enter into foreign markets, little research has examined the entry mode preferences of local, host country firms. In this study, we

focus on the host country's perspective and investigate what factors influence Chinese host country executives' preferences for international joint ventures (IJVs) versus divestitures when assessing inward FDI opportunities. We employ the policy capturing technique to examine the effects of sixteen decision criteria associated with four prominent theories in the market entry literature: the resource-based view, transaction cost economics, information economics, and real options theory. Our findings indicate that these theories all contribute important policy criteria that shape Chinese executives' preferences for IJVs versus divestitures. In addition, we show how executives' preferences or non-preferences are driven by the attractiveness they attach to one investment compared to the other in different ways. The findings reveal some of the important underlying mechanisms that shape executives' decisions in entry mode choice that are hitherto unstudied. *(For more information, please contact: Tony W. Tong, University of Colorado, USA: tony.tong@colorado.edu)*

*The Dimensionality of International Alliance Experience and Diversity, and Implications on Firm Performance*

Donghun Lee, University of Pittsburgh

Min-Young Kim, University of Illinois at Urbana-Champaign

Research in alliance experience suggests that the experience from accumulated partnering is an important factor for the success of firms in alliances. However, empirical findings have shown limited or mixed support. This study introduces several boundary conditions of the effect of gaining experience via international alliances and the diversity within the alliances on firm performance. We propose that accumulated experience through international alliances affects firms' performance, but the relationship is moderated by the number of member firms in the alliances. Moreover, we suggest that the diversity, based on country of origin, within each international alliance will have an interaction effect with experience on firm performance. We test our hypotheses using data on international alliances during the period of 1993 to 2007. Implications are made to managers who make effort to reap benefits from international alliances and at the same time deal with the liability of foreignness when forming alliances with foreign partners. *(For more information, please contact: Donghun Lee, University of Pittsburgh, USA: dlee@katz.pitt.edu)*

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**Session: 1.5.10 - Competitive**

**Track: Track: 1 - The Political, Institutional, and Historical Context of Global Business**

***Entrepreneurship: Culture and Context***

**Presented On:** June 28, 2009 - 15:45-17:00

**Chair:** Martina Musteen, San Diego State University

*Culture, Values, and Female Entrepreneurship*

Michael L. Troilo, University of Tulsa

Katherine Terrell, University of Michigan

To what extent does the cultural environment explain women's economic behavior? We study the effects of a woman's life and work values, derived from her culture, on the likelihood of female participation in the labor market and self-employment using religion as an instrument using data from various points in time for 82 countries. First, we find that women with the life value that 'men should have scarce jobs before women' are less likely to enter the labor force than woman who do not hold this value. Second, we find that work values of initiative, achievement, and respect are correlated with entrepreneurship and influenced by culture. Men tend to hold these values to a greater degree than women and are also more likely than a woman to be an entrepreneur for a given unit of these values. Hence, we find higher rates of entrepreneurship in countries/cultures where women are more likely to hold these values. *(For more information, please contact: Michael L. Troilo, University of Tulsa, USA: mike-troilo@utulsa.edu)*

*Toward A Duality Framework of Firm-Context Co-Evolution: Multinational Enterprises as Ambidextrous Institutional Entrepreneurs*

Peter Ping Li, California State University, Stanislaus

Applying the duality lens and transaction value perspective to multinational enterprise (MNE), we propose a duality framework of MNE-globalization co-evolution. This framework seeks to settle the debates over globalization as converging or diverging as well as over MNE as reactive or proactive. We reframe the debates into dualities, with the first into a unity-diversity duality for the content of MNE ambidexterity, and the second into an adaptation-creation duality for the process of MNE ambidexterity. As an ambidextrous institutional entrepreneur, MNE can build a unified global network of diverse local units to adaptively exploit a given general context and creatively explore a firm-specific context. *(For more information, please contact: Peter Ping Li, California State University, Stanislaus, USA: pli@csustan.edu)*

*Institutional Environments for Entrepreneurship - A Three Country Study*

Maija Renko, University of Illinois at Chicago

Paresha N. Sinha, Waikato Management School

Jukka Kontula, University of Oulu

Rico Baldegger, University of Applied Sciences Fribourg

Sumit K. Kundu, Florida International University

Previous studies have demonstrated that institutional factors affect entrepreneurial macro-level outcomes. However, little is known on the mechanisms through which those effects appear. In this study, we propose that entrepreneurs' perceptions of institutions are central to understanding those mechanisms. Specifically, we use a previously developed measure, country institutional profile for entrepreneurship (Busenitz et al., 2000), to study how software entrepreneurs in three small, open economies (Switzerland, New Zealand, and Finland) perceive their institutional environments in terms of regulatory, normative, and cognitive aspects. Our research results reveal that the country institutional profiles for entrepreneurship differ significantly between the three countries studied, and that entrepreneurs' perceptions of elements of the institutional environment are quite different from the World Bank data concerning institutional factors affecting start-ups. Also, we find some evidence of a link between entrepreneur's perception of institutional environment and firm performance. This finding suggests that entrepreneurs' perceptions of institutions may, indeed, have a key role as a moderator between "hard" measures of institutions and economic outcomes. Also, the effects that we find are specific to young firms (less than 10 years of age), which suggests that institutional profiles are domain specific. *(For more information, please contact: Majja Renko, University of Illinois at Chicago, USA: majja@uic.edu)*

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**Session: 1.5.11 - Pedagogy Session**

**Track: Track: 12 - Special Track on IB Pedagogy**

***Role-Playing Exercises for Teaching IB***

**Presented On:** June 28, 2009 - 15:45-17:00

**Chair:** Maureen Maguire Lewis, Duke University

*Simulating a Trade and Investment Fair*

Nila Wiese, University of Puget Sound

*(For more information, please contact: Nila Wiese, University of Puget Sound, USA: nwiese@ups.edu)*

*Face-to-Face: The Value of Role-Play Simulations in Teaching Cross-Cultural Communication and Negotiation Skills*

Maureen Maguire Lewis, Duke University

(For more information, please contact: Maureen Maguire Lewis, Duke University, USA: [mml2@duke.edu](mailto:mml2@duke.edu))

*The Xion Exercise: A User-Friendly, Cross-Cultural Role Play Simulation*

Roberto Garcia, Indiana University

(For more information, please contact: Roberto Garcia, Indiana University, USA: [pr.garcia@indiana.edu](mailto:pr.garcia@indiana.edu))

**Session: 1.5.12 - Interactive**

**Track: Track: 1 - The Political, Institutional, and Historical Context of Global Business**

***Institutions and Development***

**Presented On:** June 28, 2009 - 15:45-17:00

Chair: U. Srinivasa Rangan, Babson College

*Unraveling the East Asian "paradox": A New Theoretical Perspective on Governments' Ability to Make Credible Commitments*

Charles E. Stevens, Ohio State University

Joseph T. Cooper, Ohio State University

An expansive literature exists linking institutional constraints, credible commitments, and economic growth. Yet this literature runs into difficulty when it tries to explain the East Asian "paradox": rapid economic growth achieved by countries with low levels of formal constraints on government discretion. We introduce a theory from a related field to show how structural, cultural, and behavioral elements combine to create credible commitments. This theory enables us to better understand the paradox presented by these East Asian countries and is easily generalized to fit the diverse institutional environments with which firms must contend as they operate their activities globally. (For more information, please contact: Charles E. Stevens, Ohio State University, USA: [stevens.316@osu.edu](mailto:stevens.316@osu.edu))

*Re-evaluating the Role of Bribes, Entertainments, and Gifts in Business Settings*

Francis Sun, University of Western Ontario

Shih-Fen S. Chen, University of Western Ontario

Business practices such as bribery, entertainment, and gift-giving (BEG) are often seen as social vices. In this article, we argue that BEG practices in business settings play a constructive role in economic life. The starting point is that each society, depending on its cultural and historical heritages, has formed a transaction governance structure (TGS) featuring a unique combination of market, social, and legal sanctions. Our main thesis is that BEG enhances the power of social sanctions to alleviate market failure, especially in societies where market and legal infrastructures are under-developed. We draw a set of propositions to predict the pervasiveness of BEG practices across different institutional contexts. (For more information, please contact: Francis Sun, University of Western Ontario, Canada: [fsun@ivey.ca](mailto:fsun@ivey.ca))

*Institutions and International Trade: An Exploratory Study of the South American Countries and the Transitional Economy Countries of Eastern Europe*

Edwin C. Moore Jr., Strayer University PBG Campus

The purpose of this research was to find evidence of the relationships between instructional development, using trade as measured by the Economic Freedom Index (EFI), and culture, as measured by Hofstede's Four Cultural Dimensions. A representative group of South American and Eastern European countries (EE) were chosen as sample countries. The research employed data from the period 1996 to 2007.

The results would indicate that while culture, as a measure of informal institutions, may affect trade freedom, as a measure of formal institutions, a universal conclusion cannot be made. What can be assumed is that there is a cultural relationship between trade freedoms, but that relationship must be viewed on a region by region basis. It would serve a firm's entry method strategy formulation well to consider not only current trade freedoms but the informal institutions that they will evolve from as well. *(For more information, please contact: Edwin C. Moore Jr., Strayer University PBG Campus, USA: emoore17@bellsouth.net)*

#### *Impact of Belief Salience on Work*

William J. Worthington, Baylor University

The west cannot assume that all nations desire to be as 'secular' as the United States. This paper suggests that religious beliefs may be more important with respect to business strategies and individual decision making than literature suggests. As the influence of globalization activity challenges the understanding inter-nation cooperation, religious salience will grow more important. Data is pulled from the World Values Survey to investigate a proposed measure of eternal belief salience and its subsequent relationships. Those relationships are explored empirically and discussed in the context of increasing globalization. *(For more information, please contact: William J. Worthington, Baylor University, USA: bill\_worthington@baylor.edu)*

#### *Institutional Theory and Global Corporate Social Responsibility: Highlights on Vale's Mining Activities*

Dayse A. Gomes, Vale S.A.

Luiz Alberto N. Campos Filho, Ibmec Business School

Over the last two decades, Corporate Social Responsibility (CSR) has become a keynote in the corporate agenda and strategic planning. This paper aims to assess a conceptual model that claims that despite operating in different countries or industries, multinationals follow their own rules and norms and that this trend complies with recent behaviour expectations and global management practices, especially regarding CSR. It also highlights the conditions which lead corporations to act in a more or less socially responsible manner in various socioeconomic and cultural contexts in central and peripheral countries, showcased by Vale, a global mining company. *(For more information, please contact: Luiz Alberto N. Campos Filho, Ibmec Business School, Brazil: camposfo@gmail.com)*

#### *Institutional Foundations of Competitive Advantages: Japan's Industrial Policy for Aerospace*

Felicia Fai, University of Bath

Steven McGuire, University of Bath

Toshiya Ozaki, Rikkyo University

Change in technology and in the policy environment can provide opportunities for firms to enter new markets by leveraging competencies in a new market place. This paper examines Japan's search of its competitive advantages in entering into a new market place in the aerospace industry. For decades, Japanese aerospace has failed to attain the international market share enjoyed by Japanese automobiles, machine tools, or consumer electronics. Part of this failure relates to the industry's ties to the American aerospace sectors, which constrained Japanese firms. However, a new policy environment, motivated in part by China's growth and technological change, opened up opportunities for them, most notably Mitsubishi.

One of the significances of their decision to enter the new market rests on the assessment of "social embeddedness of firms" and their implications to competitive advantage. Even if they recognized that the new market would become crowded with entrants from China and Russia, they concluded that the project would let



Mitsubishi develop a plane with a significant competitive edge founded on Japan's institutional advantage in a closed-integrated, rather than open-modular, product architecture. Their argument offers an interesting case study about the search of competitive advantage in the comparative institutional context. *(For more information, please contact: Toshiya Ozaki, Rikkyo University, Japan: ozakit@rikkyo.ac.jp)*

*An Institutional Explanation of Crossvergence*

Ashar Saleem, Lahore University of Management Sciences  
Mehdi Farashahi, Concordia University

What else changes besides national culture and business environment when we move from one country to another, if we are studying micro managerial phenomena? The CDC frame work (e.g. Ralston, 1993, 1997, 2006) is a way of showing development of managerial values through an interaction of business environment and national cultural sources. However some researchers have provided a broader perspective and suggested a three way interaction of institutions, agency and culture for providing true context to any international business theory (e.g., Redding, 2005; Witt and Lewin, 2007; Witt and Redding, forthcoming ). This paper draws on institutional theory relying mainly on Scott(1998, 2004,2008), D.C North (1998, 2005), DiMaggio and Powell(e.g. 1983, 1991), Meyer and Rowan (e.g.,1977), and Selznick(e.g.,1957, 1996) in order to formulate its propositions. It postulates that the regulative, normative and cultural-cognitive pillars can explain the phenomenon of Crossvergence in a comprehensive manner. Two frameworks are presented in order to explicate change of institutions across countries through two different world views. Related propositions are drawn in order to theorize on the change of managerial beliefs, values and practices under different institutional environment *(For more information, please contact: Ashar Saleem, Lahore University of Management Sciences, Pakistan: 07080006@lums.edu.pk)*

*Measuring Power in the Bargaining Power Model*

James Nebus, University of North Carolina Charlotte  
Carlos Rufin, Suffolk University

Empirical studies applying bargaining power theory are prefaced on the measure of power. IB bargaining power literature up to the mid 1990s focused on bargaining studies between the host country and MNE dyad and measured antecedent variables indicating economic power. More recent bargaining power literature calls for the expansion of this dyadic model to include additional numbers and types of actors (as NGOs, multilateral organizations, and others) in order to more accurately depict contemporary bargaining issues. Network theory and analysis can provide a framework by which to analyze these more complex bargaining scenarios. Nevertheless, we still left with the problem of how to measure power among these different types of actors. Relationships between nation states, MNEs, NGOs, and multilateral organizations reflect not only economic power but also political and legal power. We develop two complementary measures of power for the bargaining power paradigm: the "events" measure, and the "capabilities" measure. We argue the validity of these measures, discuss their merits relative to previous measures of power, and describe the methodology to employ these measures. Scales are presented to measure motivation and power for the events measure, and formulae are given for calculating the capabilities measure of power. *(For more information, please contact: James Nebus, University of North Carolina Charlotte, USA: jfnebus@uncc.edu)*

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**Session: 1.5.13 - Interactive**

**Track: Track: 7 - The Location of FDI, Clusters, and Inter-Firm Spillovers**

### ***Location of FDI***

**Presented On:** June 28, 2009 - 15:45-17:00

Chair: Daniel G. Van Den Bulcke, University of Antwerp

#### *Country Distances and Location Choice: An Experiential Learning Approach*

Guo-Liang Frank Jiang, University of Western Ontario

Guy L.F. Holburn, University of Western Ontario

This study proposes an experiential learning framework to examine MNEs' location choice. We argue that various country distances and learning from different types of experience systematically affect MNEs' choices. Our analysis of 10,749 foreign entries made by 931 Japanese firms indicates that country distances decrease a country's attractiveness to MNEs. However, experiential learning within a country directly improves its attractiveness and mitigates the negative impact of country distances. Moreover, the relative importance of different types of experience is evident in our results. Direct experiential learning diminishes the effect of learning from competitors. Meanwhile, the impact of compatriot experience is less significant when a large body of competitive experience exists. The trade-off effect between direct experience and compatriot experience is modest, suggesting firms' simultaneous commitment to explorative and exploitative learning in the internationalization process. *(For more information, please contact: Guo-Liang Frank Jiang, University of Western Ontario, Canada: fjiang@ivey.ca)*

#### *The Direction of Cultural Distance on FDI: Attractiveness or Incongruity?*

Linghui (Lynn) Tang, College of New Jersey

This study examines how cultural difference can result in both confusions and synergy for multinational companies (MNCs) by taking into account the direction of foreign direct investment (FDI). Building on values-based organizational theory, we posit that cultural distance in individualism encourages FDI while difference in power distance discourages FDI. In addition, the direction of FDI matters for cultural distance in uncertainty avoidance and masculinity. Using bilateral FDI data between 1990 and 2000, our hypotheses for individualism and power distance are supported by both the Hofstede and GLOBE cultural dimensions, while hypotheses for uncertainty avoidance and masculinity are partially confirmed. *(For more information, please contact: Linghui (Lynn) Tang, College of New Jersey, USA: tang@tcnj.edu)*

#### *Foreign Direct Investment, Real Options, and Preemption under Incomplete Information: Theory and Empirical Test*

Naoya Takezawa, Nanzan University

Katshushige Sawaki, Nanzan University

Marc Bremer, Nanzan University

This project will extend the real option with preemption and uncertainty framework of Lambrecht and Perraudin (2003) to the foreign direct investment decision. In a sense, this is an extension of classic real option analysis where the potential investors impact each other. The optimal investment strategy will depend on the distribution of competitors' costs and the implied fear of preemption. Preemption includes expropriation by a local partner/competitor with the assistance of the foreign government. The model has empirical predictions about the distribution of equity returns and their cross-sectional differences. These predictions will be tested with data from a real foreign direct investment by Mitsui & Company, Mitsubishi Corporation and the Royal

Dutch Shell Group in the Sakhalin oil and gas project. This research is at a preliminary stage. *(For more information, please contact: Marc Bremer, Nanzan University, Japan: myxen@bf7.so-net.ne.jp)*

*Is No News Good News? Media Coverage and Foreign Firms' Location Choices*

Elena Kulchina, University of Toronto

In this study, I examine the location choices of foreign firms within a host country. I argue that foreign investors entering a large country often possess unequal awareness of its cities. Media coverage of a city increases such awareness and thus, improves a city's chances of attracting foreign firms. Using a novel dataset of foreign firms in Russia and a new instrumental variable for media coverage, I show that an increase in foreign media coverage of a city has a positive effect on the number of foreign entries. *(For more information, please contact: Elena Kulchina, University of Toronto, Canada: elena.kulchina06@rotman.utoronto.ca)*

*The Effects of Korean Firm Specific Advantages on Foreign Subsidiary Performance: Moderating Effects of Host-location and Chaebol*

Young Ryeol Park, Yonsei University

Yun-Ah Song, Yonsei University

Hyo-Jung Kang, Yonsei University

Ji-Won Lee, Yonsei University

This paper explores the effect of parent firms' firm-specific advantage (FSA) on foreign subsidiary performance based on data of Korean MNCs. R&D intensity had positive effect on subsidiary performance, while marketing intensity had negative effect. Both variables exhibit greater positive effect when the host country is a less developed country and the parent firm is a Chaebol. As the parent firms' FSA cannot be fully transferred to subsidiaries, host country selections and Chaebol's abundant resource and network helped overcome such limitations. On the other hand, international experience showed a U-shaped relationship with foreign subsidiary performance. The paper introduces unique results and implications in the Korean context through a resource based view and organizational learning theory. *(For more information, please contact: Young Ryeol Park, Yonsei University, Korea, South: yrpark@yonsei.ac.kr)*

*Determinants of Foreign Direct Investment in Cambodia: The Significance of Home Country Factors*

Ludo Cuyvers, University of Antwerp

Joseph Plasmans, University of Antwerp

Reth Soeng, University of Antwerp

Daniel G. Van Den Bulcke, University of Antwerp

The paper intends to study factors influencing inward FDI in Cambodia by referring to its economic, geographic, and political determinants. Using panel data sets during 1995-2005, for both approved and realized FDI from respectively seventeen and fifteen home countries, the estimation results show that the determinants of approved FDI and realized FDI are consistently similar, but not identical. The FDI home country's GDP growth rate, its bilateral trade with the host country and the exchange rate have a positive impact on inward FDI flows into Cambodia. As expected, geographic distance negatively affects the level of FDI inflows in Cambodia. *(For more information, please contact: Daniel G. Van Den Bulcke, University of Antwerp, Belgium: daniel.vandenbulcke@ua.ac.be)*

*Location Decisions for Foreign Direct Investment: A Holistic and Interdisciplinary Framework of Analysis*

Fiona Margaret Quinn, University of Sydney  
 Chris William Styles, University of Sydney  
 Robert Bruce McKern, University of Sydney

Foreign direct investment flows hold numerous and substantial benefits for their host locations, and consequently the process of attracting these flows has become a high priority for public-policy makers and managers, as well as an important field for academic research. This study explores the processes of decision-making behind location choices for foreign direct investment, with a specific focus on the Australia-USA economic relationship. Drawing upon a rigorous review of relevant theory, the study employs in-depth qualitative research and large scale quantitative analysis to formulate an index of city attraction. The study provides a holistic framework of decision-making for public-policy makers from which to build future development and marketing initiatives, as well for managers to guide multinational investment strategy. *(For more information, please contact: Fiona Margaret Quinn, University of Sydney, Australia: f.quinn@econ.usyd.edu.au)*

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**Session: 1.5.14 - Interactive**

**Track: Track: 1 - The Political, Institutional, and Historical Context of Global Business**

***Governance, CSR and Multinationality***

**Presented On:** June 28, 2009 - 15:45-17:00

Chair: Jean Boddewyn, Baruch, CUNY

*Contextualisation and Adaptation of Corporate Social Responsibility Practices in the Asian Emerging Economies (AEEs)*

M. Nazmul Amin Majumdar, Monash University  
 Quamrul Alam, Monash University

Corporate social responsibility (CSR) debate has emerged as an 'inescapable priority' for corporations in today's globalised world but CSR in developing countries particularly in Asian emerging economies(AEEs) has been neglected in the literature. This paper examines the existing global models of CSR practices and identifies difficulties in applying these models in the AEEs context. It argues that global models cannot be replicated or adapted by AEEs without prior examination due to different contextual issues. We argue that macro environmental conditions and country-specific characteristics are contextual determinants which influence the nature and extent of CSR practices of multinational enterprises (MNEs) in AEEs. These may include factors such as inadequate infrastructure facilities, lack of government initiatives, economic uncertainty, political instability, poverty, lack of awareness, and scarce resources.

Five domains are recognised in the existing CSR models, namely economical, legal, ethical, philanthropic, and environmental. However most MNEs in AEEs consider philanthropy as their major social responsibility and largely ignore other domains. This paper suggests an operational framework of CSR practices for the AEEs.

*(For more information, please contact: M. Nazmul Amin Majumdar, Monash University, Australia: nazmul.majumdar@buseco.monash.edu.au)*

*The Transform of MNCs Ownership Structure -An Institutional Perspective*

Chen-ying Tu, National Sun Yat-sen University  
 Cher-Min Fong, National Sun Yat-sen University

Since Taiwan government released the restrictions on foreign capital share holding proportions in 1984, international advertising agencies entered Taiwan market to establish their subsidiaries. The advertising market

has been totally erosion by foreign firms within twenty years after 1984 in Taiwan. Thus Taiwanese advertisement firms need a method to break through such badly status. The Southeast Asia market is in state of development for Taiwanese advertising firms to enter. So analyze the entry mode of international advertising agency as reference indicators to Taiwanese advertisement firms.

This study measured the ownership structure, institutional differences, legitimacy spillover, market attractiveness, and global legitimacy. The entry mode divided into ownership or not as the dependent variable. To apply logistic regression models to test the relations between the selected variables in this study. Outcomes indicate that institutional differences factor yielded insignificant results.

Emerging countries in Asia such as Vietnam and Thailand reveal similar development background with Taiwan. If advertising firms are willing to invest in these markets, it is suggested that firms enter with ownership, especially when the underlying countries' GDP growth rates are high. *(For more information, please contact: Chen-ying Tu, National Sun Yat-sen University, Taiwan: d92jenny@gmail.com)*

*Terror-Free Investment Index Screens: Corporate Governance Implications for Non-U.S. Multinational Corporations*

Thomas A. Hemphill, University of Michigan-Flint  
Francine Cullari, University of Michigan-Flint

Since 1979, the U.S. Department of State has maintained a list of nations (at present Cuba, Iran, Sudan, and Syria) which are designated as "State Sponsors of Terrorism." These countries have four main categories of sanctions applied against them by the U.S. government: restrictions on U.S. foreign assistance; a ban on defense exports and sales; certain controls over exports of dual-use technologies and other items; and miscellaneous financial and other restrictions. Foreign multinational corporations, unlike their U.S. counterparts, are not legally bound by these U.S. and state government restrictions on commercial transactions with terror sponsoring nation. State governments, public and private investment funds, and individual investors are now able to utilize terror-free corporate investment and divestment screening and certification services for their stock portfolios. This exploratory paper will address U.S. federal and state laws pertaining to state sponsors of terrorism and commercial restrictions; evaluate environmental, social and governance indexes and investment screens, focusing on their development and relative success versus other standard market investment indexes; discuss the potential effects of recently instituted terror-free stock index investment and divestment ("social") screens on corporate governance decision-making in non-U.S. corporations, and last, offer business policy recommendations and research questions for future scholarly investigation. *(For more information, please contact: Thomas A. Hemphill, University of Michigan-Flint, USA: thomashe@umflint.edu)*

*Preferences, Structure and Influence: The Engineering of Consent*

Witold Jerzy Henisz, University of Pennsylvania & Stanford University

I present a formal model of political influence strategy combining insights from agent-based dynamic utility and agent-based dynamic network models as well as a framework from strategic communications. I propose to subject the resulting interdisciplinary model to simulation analysis that reveals the environmental and strategic determinants of the efficacy of various influence strategies. *(For more information, please contact: Witold Jerzy Henisz, University of Pennsylvania & Stanford University, USA: henisz@wharton.upenn.edu)*

*The Banyan and the Birch Tree: Family Ties and Embeddedness in the Indian Film Industry in Bollywood*

Florian A. Täube, European Business School  
Mark Lorenzen, Copenhagen Business School

Theoretical and empirical research on entrepreneurial networks is largely outcome-oriented and little integrated with family firm research. In this paper, we draw on social network and entrepreneurship literatures in order to investigate how family businesses build and make use of a variety of embedded and arm's-length ties. We

present novel data self-collected in qualitative, inductive fieldwork from more than 50 interviews in mainstream film production in Bollywood.

Our findings contrast with extant research by showing that in the socio-cultural context of India the use of embedded ties is higher than predictions in the theoretical literature and empirical findings in cross-country studies suggest. Moreover, we show that the 'Indian' family is an institution that dominates embedded ties. The Banyan tree symbolizes this interconnectedness of the different branches of an Indian family compared to the plain structure of a birch tree describing Hollywood, where embedded ties can be different from familial ties.

*(For more information, please contact: Florian A. Täube, European Business School, Germany: florian.taeube@ebs-siie.de)*

*International Business Strategy and the Expansion of Monopolistic Market Control: An Analytical Framework*  
Daya Shanker, Deakin University

A major difference between domestic and international businesses and so in their strategies is the role of governments which is quite extensive either directly by opening international markets and providing extensive subsidies or indirectly through developing conducive monetary policy, facilitating innovation and competitiveness and providing tariff and other support. This difference in international and domestic business strategies gets amply reflected in the contemporary expansion of international monopolization through the expansion of intellectual property rights. Two major theoretical approaches of strategies are directed towards acquisition of monopoly in the market. In international business strategy, acquisition of monopoly is actively facilitated by governments and the success of such monopolization in international market depends on the position of governments in the world power structure. A theoretical model has been developed as per which international business strategy operates at two levels, macro and micro. The macro level strategy operates at a broad environmental level involving governments whereas the micro level strategy operates at the corporate level. The framework proposes that at the macro level, nonmarket strategy involving plays a significant role while at the micro level, it is the market strategy which plays a dominant role. *(For more information, please contact: Daya Shanker, Deakin University, Australia: dshanker@deakin.edu.au)*

*TMTs & Boards: Complements?*

Jose Luis Rivas, Instituto de Empresa

Monika Hamori, Instituto de Empresa

Drawing on Resource dependence theory we examine how the composition of the board of directors affects firms' degree of internationalization. Specifically, we sample 108 large-sized European and US corporations to test whether the international experience, the amount of CEO multinational experience, former government ties of the board and the top management teams are related to internationalization. We find that the international experience and the amount of CEO top management team multinational experience are positively related and the CEO multinational experience of the directors is negatively related to internationalization. We find no relationship between the former government experience of the boards, top management teams and internationalization. *(For more information, please contact: Jose Luis Rivas, Instituto de Empresa, Spain: jlrivas.phd2009@alumno.ie.edu)*

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**Session: 1.5.15 - Interactive**

**Track: Track: 3 - Alliances and Inter-Firm Relationships**

***Formation and Success of Alliances***

**Presented On:** June 28, 2009 - 15:45-17:00

**Chair:** Elizabeth L. Rose, Victoria University of Wellington

*Strategic Alliance: From an Individual Partner Firm's Perspective*  
Lei Wu, University of Texas at Dallas

Strategic alliances have been widely discussed in various management fields, especially in strategy, organizational theory and international management. After reviewing the literatures of strategic alliances, we point out that there's an over-concern of the alliance/joint outcomes and an unconditionally favor of cooperation. We argue that rather than aiming at alliance/joint outcomes and cooperation, individual partner firms care more about their own interests and outcomes. An Individual partner firm's outcomes are based on the calculations of the benefits that it gains and the costs it bears. We point out that the benefits and costs may arise both from the alliance and outside the alliance, and that individual partner firms with different time horizons also differ in terms of their perceptions and expectations of the benefits and costs. It is based on their perceptions and expectations of the outcomes of certain behavior, individual partner firms choose their behaviors: to form or continue the alliance relationship or not, or to cooperate or not. *(For more information, please contact: Lei Wu, University of Texas at Dallas, USA: nkwulei@gmail.com)*

*Co-option Entry and International Strategic Alliances: A Conceptual Framework*  
Kunal Banerji, Eastern Michigan University  
Stephanie Newell, Eastern Michigan University

This paper explores the converse aspects of co opting an international competitor firm into a particular industry with the intent to block entry of other international firms and to help the process of capability building against fellow domestic competitors. It identifies the effects of manufacturing cost advantages, experience curves, technologies employed and rate of technological changes, on the ability of incumbent firms to resist competitive entry. It also illustrates the relationship, which exists between the ability to resist entry and its converse, the co-option of entry. A model of international co-option entry is presented which incorporates the dynamics of interaction between existing firms and those, which are trying to enter the market. *(For more information, please contact: Kunal Banerji, Eastern Michigan University, USA: kbanerji@emich.edu)*

*Monitoring Costs, Asset Characteristics, and Alliances Structure in Domestic and Cross-border Alliances*  
Mohammad Yamin, Manchester Business School  
Sougand Goleshorkhi, Manchester Metropolitan University

Applying insights from the measurement branch of transaction costs analysis, this paper proposes that the relative specificity and opacity of assets contributed by alliance partners is significantly related to the ownership shares of the equity invested in the alliance. In particular this paper argues as well as empirically demonstrating that the link between assets specificity and opacity ownership structure in alliances is reinforced or strengthen in the context of cross border alliances. *(For more information, please contact: Mohammad Yamin, Manchester Business School, United Kingdom: mo.yamin@mbs.ac.uk)*

*The Influence of Strategic Alliance Team Coordination on the Relationship between Team Diversity and Effectiveness*

David Zoogah, Morgan State University  
Davina Vora, State University of New York at New Paltz  
Orlando Richard, University of Texas at Dallas

Drawing upon literatures on strategic alliances, teams, and diversity, we propose that strategic alliance team diversity warrants further examination. We suggest that strategic alliance team coordination moderates the relationship between strategic alliance team diversity and effectiveness. Specifically, we hypothesize that coordination strengthens the negative relationship between observable diversity characteristics of nationality

and gender and team effectiveness. We also argue that coordination strengthens the positive relationship between nonobservable diversity characteristic of functional background and team effectiveness. Results partially support our hypotheses. *(For more information, please contact: Davina Vora, State University of New York at New Paltz, USA: vorad@newpaltz.edu)*

*Working Abroad Together: How Partner Difference Affects IJV Survival?*

Jane W. Lu, National University of Singapore  
Xufei Ma, Chinese University of Hong Kong

By integrating resource-based view and learning perspective in the context of IJVs, we attend to equivocal results regarding the relationship between partner resource difference and IJV performance by examining different types of resource difference (tangible vs. intangible) and by considering the interplay between resource difference and ownership strategy. In a sample of 905 Japanese IJVs worldwide, we found that IJV partners' intangible resource difference had a negative effect on an IJV's survival likelihood. However, this negative effect can be reduced by the level of equity controlled by the partner who has more intangible resources over the other partner. Our findings highlight the importance to consider the nature of resources and ownership strategy simultaneously in structuring IJVs. *(For more information, please contact: Xufei Ma, Chinese University of Hong Kong, Hong Kong, SAR-PRC: xufei@cuhk.edu.hk)*

*Inter-organizational Networks in Highly Globalized Environments: Overlapping Relationships between Shipping Companies and Financial Institutions*

Abraham Stefanidis, Long Island University

Shipping is a highly globalized industry (UNCTAD 2008). During the last five years, while shipping markets were steadily booming, shipping companies have attracted from global markets vast amounts of capital to finance their international growth (Petropoulos 2008). Drawing on the social network (SN), transaction costs (TCE), marketing and resource-dependence perspectives on inter-organizational networking, this paper focuses on the overlapping relationships between shipping companies and financial institutions (Ouchi 1980, Engwall & Johanson 1990, Jarillo 1990, Poppo & Zenger 2002). Based on primary data from 100 Greek shipping companies, the empirical findings of our survey reveal that shipping companies maintain a complex network of overlapping relationships with banks and financial consortiums that extend from purely contractual (loans, public offerings) to non-contractual (information exchange) patterns of co-operation. Further, our survey concludes that network characteristics (duration, intensity, frequency of contact, customization of services) (a) are statistically correlated to the co-operation dimensions (information sharing, extendedness, flexibility, solidarity), and (b) have a positive impact on the shipping companies' growth in terms of sales and profits (Heide & John 1992, Heide & Miner 1992, Larson 1992, Anderson et al. 1994, Mohr & Spekman 1994, Morgan & Hunt 1994, Gulati 1995, Zaheer et al. 1998, Johnson 1999, Huggins 2000, Delmar et al. 2003, Hoang & Antoncic 2003, Sawyer et al. 2003, Medlin et al. 2005, Watson 2007). *(For more information, please contact: Abraham Stefanidis, Long Island University, USA: avraam.stefanidis@liu.edu)*



## ABSTRACTS FOR MONDAY, JUNE 29, 2009

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**Session: 2.1 - Plenary**

### ***JIBS 40th Anniversary Plenary***

**Presented On:** June 29, 2009 - 08:15-09:45

**Chair:** Lorraine Eden, Texas A&M University

#### *JIBS 40th Anniversary Plenary*

John D. Daniels, University of Miami

Jan Johanson, Uppsala University

Jan-Erik Vahlne, University of Gothenburg

Paul W. Beamish, University of Western Ontario

Julian Birkinshaw, London Business School

*(For more information, please contact: Lorraine Eden, Texas A&M University, USA: leden@mays.tamu.edu)*

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**Session: 2.2.1 - Panel**

**Track: Track: 11 - Emerging Market Economies**

### ***State-of-the-Art Research on Emerging Markets***

**Presented On:** June 29, 2009 - 10:00-11:15

**Chair:** Ravi Ramamurti, Northeastern University

**Chair:** Seung Ho (Sam) Park, Skolkovo Institute for Emerging Market Studies

#### *Global Strategy and Emerging Markets*

Anil Gupta, University of Maryland

#### *Business Groups and Emerging Markets*

Tarun Khanna, Harvard Business School

#### *Global Competitors from Emerging Markets*

Don Lessard, MIT Sloan School of Management

#### *Corporate Governance and Emerging Markets*

Jordan Siegel, Harvard Business School

*(For more information, please contact: : Ravi Ramamurti, Northeastern University, USA)*

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**Session: 2.2.2 - Competitive**

**Track: Track: 10 - Outsourcing, Offshoring, and Supply Chain Management**

### ***It's Valuable So Let's Move It Elsewhere***

**Presented On:** June 29, 2009 - 10:00-11:15

**Chair:** Susan M. Mudambi, Temple University

*Opening the Black Box: Antecedents for the Backsourcing of Production Activities from Offshore Locations*  
Steffen Kinkel, Fraunhofer ISI

Manufacturing offshoring has become an increasingly interesting option for firms of all sizes, not only large MNEs. Many SMEs have left their well-known export strategies and focus on international production strategies. But besides the opportunities to improve the company's cost position, the risks of production offshoring are also evident. Lack of experience in inter-national management can lead to crucial corporate changes that result in backsourcing. An analysis of the manufacturing offshoring and backsourcing activities of 1,040 companies of the German metal and electrical industry shows that internationalization processes are highly dynamic. Besides manufacturing relocation abroad, backsourcing of once offshored manufacturing capacities to the homebase is also a quantifiable phenomenon. Every fourth to fifth offshoring activity is followed by a backsourcing activity within the following four years, mainly due to lack of flexibility and quality problems at the foreign location. Companies can learn from the new insights from this study 1) which failures in location decisions might lead to backsourcing operations, 2) that adaptations to dynamic changes at foreign locations need to be strategically anticipated and 3) which are crucial requirements for a successful intensification of cross-border manufacturing activities. *(For more information, please contact: Steffen Kinkel, Fraunhofer ISI, Germany: steffen.kinkel@isi.fraunhofer.de)*

*Why Do MNC Subsidiaries Outsource Product Development?*

Dirk Michael Boehe, Insper Institute of Education and research, São Paulo  
Leonardo Liberman, Universidad Adolfo Ibáñez

This paper addresses the question of why MNC subsidiaries outsource product development to local collaborators such as engineering firms, suppliers, universities or research institutes. Drawing on literature on collaboration in R&D or product development, headquarter-subsidiary relationships and the location of R&D, we argue that the local outsourcing of product development is a function of a subsidiary's competitiveness as an offshoring site. To scrutinize this argument, we hypothesize the effects of captive offshoring, R&D incentives provided by the host country government, the subsidiary's degree of decision-making autonomy, the subsidiary's cost competitiveness and the intensity of subsidiaries' existing in-house R&D activities. The argument is tested through a hierarchical multiple regression analysis applied to a sample of 146 product development units located in Brazil. We find support for the hypotheses that propose a positive influence of captive offshoring, subsidiary decision-making autonomy, government incentives and cost competitiveness on local product development outsourcing. Finally, we discuss several contributions to scientific literature on MNCs; particularly, we claim that future research and literature on multinational companies needs to increasingly treat both the external, host country side and the internal MNC side of subsidiaries' operations in an integrated manner. *(For more information, please contact: Dirk Michael Boehe, Insper Institute of Education and research, São Paulo, Brazil: dirkmb@isp.edu.br)*

*The Impact of R&D Internationalization and Resource Deployment on Innovative Performance*

Chia-Wen Hsu, Yuan Ze University  
Lu-Jui Chen, Ming-Chuan University

This paper addresses the impact of R&D internationalization and dynamics of resource deployments on innovative performance. Based on a longitudinal data of Taiwanese high-tech firms with experience in foreign expansion, the present investigation shows that R&D internationalization was significantly helping to benefit innovative performance, and moreover demonstrate that dynamics of resource deployments were positively associated with innovative performance, and also moderated between R&D internationalization and innovative performance relationship. This paper extends R&D internationalization and enhances existing understanding of foreign subsidiaries' R&D activities. Further, it also suggests that how firms can improve innovative performance by managing resource deployments in internationalization of R&D. Theoretical implications of

these results and suggestions for future research are also discussed. *(For more information, please contact: Chia-Wen Hsu, Yuan Ze University, Taiwan: cwhsu@saturn.yzu.edu.tw)*

*A Passage to India: Process Models and Advanced Services Offshoring to India*  
Peter D. Ørberg Jensen, Copenhagen Business School

This paper addresses a recent strand of offshoring research that concerns the processes of evolution and change that appear in offshoring partnerships after the launch of offshoring operations. Based on longitudinal case studies of offshoring of advanced IT and engineering services from Danish firms to Indian firms, I identify a process model with three stages that captures the evolution of the initial 1-2 years of the offshoring partnership. Overall, the data portray a rapid development of the Danish-Indian offshoring partnerships which show that once trust is established and offshoring firms gain experience, the offshoring firms will increase the sophistication as well as expand the range and volume of advanced work done offshore. The dynamics of the process therefore suggest that at a broader scale, advanced services offshoring will increase in the coming years. *(For more information, please contact: Peter D. Ørberg Jensen, Copenhagen Business School, Denmark: poe.smg@cbs.dk)*

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**Session: 2.2.3 - Competitive**

**Track: Track: 2 - International Economics, Finance, Accounting and Taxation**

***Location, Location: The Influence of Home and Host***

**Presented On:** June 29, 2009 - 10:00-11:15

**Chair:** Joseph A. Clougherty, Wissenschaftszentrum Berlin (WZB) & CEPR-London

*Effects of Outward FDI on Home-Country Export Competitiveness: Do Investment Location and Industry Characteristics Matter?*

Chengqi Wang, University of Nottingham  
Wen Chung Hsu, University of Leeds  
Dorothy Aiwan Yen, University of Worcester

Employing Taiwanese manufacturing data for fifteen industries over the period between 1991 and 2007, this paper examines the effects of outward foreign direct investment (O-FDI) on home-country export competitiveness. We find that exports in Taiwan are positively associated with O-FDI by Taiwanese firms. The finding contributes to the literature by suggesting that Taiwan, being a newly industrialized economy and a net exporter of direct investment, enjoys similar benefits of O-FDI to their developed counterparts.

We find the distinction of O-FDI by location of investment to be conceptually important and empirically relevant. Our results suggest that Taiwanese FDI in China produces stronger effects than that in other countries. This finding corroborates the argument that the nature of the investment by multinationals varies between different host countries, leading to different patterns of the relationship between O-FDI and home country exports. Equally, we show that the strength of the relationship is moderated by industrial characteristics. These findings fill a gap in the literature on the effects of O-FDI by providing evidence to show that the investment of location and industry characteristics exert a substantial influence on the relationship between O-FDI and home country exports. Our findings carry important policy implications. *(For more information, please contact: Wen Chung Hsu, University of Leeds, United Kingdom: wenchung25\_@hotmail.com)*

*The Effect of Foreign Segment Location on the Geographic Diversification Discount*  
 Surendranath Rakesh Jory, University of Michigan-Flint  
 Thanh Ngo, University of Texas-Pan American

We study how the countries in which foreign segments are located affect the value of globally-diversified firms. We use the Index of Economic Freedom developed by the Heritage Foundation/Wall Street Journal to characterize the countries. The Index of Economic Freedom measures the freedom of employment, production, consumption, and investment in a country. We find that globally-diversified U.S. firms with foreign segments in countries that are highly rated on the Index of Economic Freedom generate positive excess value while controlling for the financial development and structure of the countries. Our findings suggest that globally-diversified firms can create more value by carefully selecting locations for their foreign segments in countries that rate highly on key indices of economic freedom. *(For more information, please contact: Surendranath Rakesh Jory, University of Michigan-Flint, USA: sjory@umflint.edu)*

*Weather-Related Natural Disasters, Political Risk, and Bilateral International Trade*  
 Chang Hoon Oh, Brock University  
 Rafael Reuveny, Indiana University

This paper studies the effects of weather-related natural disasters and political risk on bilateral trade in a large N sample of countries and years. We find that rises in the incidence of disasters and political risk level, respectively, in the importer or the exporter countries reduce their bilateral trade. As the incidence of disasters rises, politically riskier countries experience a greater decline in bilateral trade than less risky countries. Alternatively, as political risk declines, countries facing a higher incidence of disasters experience a greater increase in bilateral trade than countries facing a lower incidence of disasters. The conclusion suggests future research avenues and managerial and policy implications for climate change adaptation and mitigation. *(For more information, please contact: Chang Hoon Oh, Brock University, Canada: coh@brocku.ca)*

*Optimal Investment for Institutional Investors Under VaR Constraint in Chinese Stock Markets*  
 ZhengXiong Chen, TD Trust Bank  
 Ayse Yuce, Ryerson University

Value at Risk (VaR) is defined as the worst expected loss under normal market conditions over a specific time interval at a given confidence level. Given the widespread usage of VaR, it becomes increasingly important to study the effects of the portfolio optimization subject to the VaR constraint set by the fund manager. In this paper, we examine the classical portfolio optimization models and the most popular VaR methodologies. We show that the portfolio optimization models under VaR constraint provide the clear insight to the mean-variance decision. We also consider the problem with the extra tracking error constraint. Furthermore, we provide an empirical analysis on the model by using China's market data. VaR estimates are produced via Monte Carlo simulations. *(For more information, please contact: Ayse Yuce, Ryerson University, Canada: ayuce@ryerson.ca)*

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**Session: 2.2.4 - Competitive**

**Track: Track: 8 - International Human Resource Management, Cross-Cultural Management, and Qualitative Research Methods**

***Knowledge in the Context of Multinationals and Human Resource Management***

**Presented On:** June 29, 2009 - 10:00-11:15

**Chair:** Kathryn H. King-Metters, Capella University

*Hybrid Identities and Knowledge Management in Multinational Corporations: A Literature Review and Case Study*

Fiona Moore, University of London

Although the historical trend in international business has been to treat identity as essentially monolithic, a body of literature has sprung up in recent years which considers the implications of hybrid identities specifically for business and management. In this paper, I will conduct a review of the literature on hybrid or "bicultural" identity, strategic self-presentation and knowledge management, consider how well it applies to a case study of an Anglo-German bank from the early 2000s, examine how the organisation's population of hybrid managers employed their identities strategically for knowledge management, and then discuss the implications of my findings for the further study of identity, diversity and knowledge management in organisations. *(For more information, please contact: Fiona Moore, University of London, United Kingdom: fiona.moore@rhul.ac.uk)*

*HRM Practices and Market Knowledge in Foreign Subsidiaries*

Bernard L. Simonin, Tufts University  
Aysegul Özsoymer, Koc University

By examining the case of American and European firms operating in Turkey and through structural equation modeling, this article contributes to the debate of how HRM practices and market knowledge acquisition and dissemination are related. We assess how specific HRM-related practices (critical thinking encouragement, supervisory encouragement, learning incentives, deployment of internal mechanisms and processes) enhance (1) knowledge transfer outflows from the subsidiary to other parts of the multinational and (2) the performance of the subsidiary in its local market. We also find learning orientation to be a key antecedent of all HRM-related practices investigated. From a practical point of view, a noticeable finding relates to the positive effects of internal mechanisms and processes, learning incentives and critical thinking encouragement on market knowledge acquisition and dissemination. Market knowledge, in turn, is positively related to knowledge transfer out of the subsidiary and business performance of the subsidiary in the local market. *(For more information, please contact: Bernard L. Simonin, Tufts University, USA: bernard.simonin@tufts.edu)*

*Cross-border Recruitment of Knowledge Workers in the European Union: Assessing an Organization's 'Mobility Culture'*

Julie Anne Felker, University of Michigan-Dearborn

This article examines how an organization's 'mobility culture' can influence cross-border recruitment of knowledge workers in the European Union. It argues that a set of beliefs, attitudes, behaviors and practices comprise an organization's mobility culture and impact its propensity to strategically recruit across national borders within the EU. The research proposes a Mobility Culture Framework through which an organization can understand its own 'mobility culture' and assess whether its culture supports, or impedes, cross-border recruitment. As the global war for talent intensifies, organizations that better understand their own roles in affecting geographic mobility can develop more successful strategies to recruit the best talent throughout the European Union. *(For more information, please contact: Julie Anne Felker, University of Michigan-Dearborn, USA: jdziekan@umich.edu)*

*A Cross-National Study of Information Sharing and Information Technology Adoption: The Case of Human Resource Information Systems (HRIS)*

Bongsug (Kevin) Chae, Kansas State University  
J. Bruce Prince, Kansas State University  
Jeffrey Katz, Kansas State University  
Rudiger Kabst, University of Giessen

Information sharing has recently received considerable academic interest because of the recognized importance that knowledge management plays in the creation of sustained competitive advantage for global firms. The interest is attributed to the need for achieving higher levels of worker empowerment and effectiveness. However, the existing research in the area lacks an examination of how national differences impact information sharing behaviors. Our study responds to this need by presenting a more comprehensive inquiry into factors impacting information sharing and the adoption of Human Resource Information Systems (HRIS) by examining key national differences. In the present study, assessing national differences is extended beyond the examination of national culture by including institutional contexts. Using a 22-country sample from the CRANET database, our study suggests there is a significant and predictable variation in the level of information sharing and HRIS adoption among firms in different countries and that national differences, including institutional contexts such as economic and educational levels of advancement, clearly have an impact on information sharing. We discuss these findings, their implications for research and practice, and address limitations of our work along with opportunities for future research. *(For more information, please contact: Jeffrey Katz, Kansas State University, USA: jkatz@ksu.edu)*

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**Session: 2.2.5 - Panel**

**Track: Track: 1 - The Political, Institutional, and Historical Context of Global Business**

***WAIB Panel: Impacts of the Global Financial and Economic Crisis: Does Gender Matter?***

**Presented On:** June 29, 2009 - 10:00-11:15

Chair: Susan Trussler, University of Scranton

*Impacts of the Global Financial and Economic Crisis: Does Gender Matter? (Panel Sponsored by WAIB, Women in the Academy of International Business)*

Elizabeth L. Rose, Victoria University of Wellington

Bindu Vyas, King's College

Pamela Lirio, McGill University

Susan Trussler, University of Scranton

This panel explores the impacts of the current global financial and economic crisis on several types of economies and scales of firms while focusing on the question of whether gender provides a useful dimension of analysis. Moderator, Susan Trussler sets the background of the discussion. Gabriele Suder discusses the benefits and challenges of gender-bias research in the European context, where recent work appears to illustrate that women-led organizations may be better prepared to face economic crisis. Elena Sannikova reflects on how the financial crisis affects women entrepreneurs in countries with transition economies, such as those of Central Asia. She suggests that women entrepreneurs in transition economies are particularly vulnerable to the credit crunch due to their heavy dependence on government and NGOs' support, bank credit, limited recourse to financial markets and a reduction in housing prices meaning that they have less collateral leverage for credit. Bindu Vyas approaches the issue of the impact of the current crisis from the Indian context, where the fast growing economy had seen a surge in international business activity at the top of the economic and organizational spectrum, and significant growth in the importance of microfinance for women running very small "micro" enterprises. *(For more information, please contact: Susan Trussler, University of Scranton, USA: trussler@scranton.edu)*

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**Session: 2.2.6 - Competitive**

**Track: Track: 1 - The Political, Institutional, and Historical Context of Global Business**

***Institutional Environment and Firm Strategy***

**Presented On:** June 29, 2009 - 10:00-11:15

Chair: Ahmet H. Kirca, Michigan State University

*Institutions and Multinational Ownership Strategy*

Ari Van Assche, HEC Montréal

Galina Schwartz, University of California at Berkeley

This paper examines the role of the institutional environment on a multinational firm's ownership strategy in a foreign market. We develop a model in which both a multinational firm and its local joint venture partner can expect to take costly rent-seeking actions to increase their ex ante agreed upon revenue share. We show that the host country's degree of contract enforcement and level of cronyism affect the parties' incentives to contribute to the joint venture. The model allows us to identify testable hypotheses relating these institutional features with the feasibility, performance and optimal ownership structure of an international joint venture. *(For more information, please contact: Ari Van Assche, HEC Montréal, Canada: ari.van-assche@hec.ca)*

*How do Institutions Determine the Product Scope of the Firm? Evidence from Nine Asian Countries*

Kyeungrae (Kenny) Oh, University of Missouri-St. Louis

Seung-Hyun Lee, University of Texas at Dallas

What determines the product scope of the firm? Extant literature suggests diverse internal drivers such as complementary capabilities and resources influencing a firm's product scope. Despite the appeal of the institutional argument, there is relatively little empirical evidence on the direct effect of institutions on a firm's product scope. This study addresses this issue by examining how institutions as an external determinant directly affect a firm's degree of product diversification using data for 6,472 firms in nine emerging Asian countries. Drawing on institution-based theory, the study conceptualizes three main logics underlying firms' decision on product diversification: (1) internal institution, (2) expropriation avoidance, and (3) agency problems. After controlling for efficiency-based variables, I find that high quality of corporate governance is negatively associated with firms' degree of product diversification while well-developed financial institutions are positively related to the degree of firms' product diversification for the post-Crisis sample. In addition, interventionist governments are positively associated with the extent of diversification. The 1997 Asian Financial Crisis also influences firms' diversification behavior by reducing the scope of the firm. *(For more information, please contact: Kyeungrae (Kenny) Oh, University of Missouri-St. Louis, USA: ohky@umsl.edu)*

*Country Institutional Environments and Multinationality Advantage: An Empirical Study in Banking*

Mehmet Erdem Genc, Baruch College, CUNY

Xavier Castañer, University of Lausanne

We analyze the relationship between multinationality and financial performance, taking into account institutional similarities and differences across countries where a MNE operates. We argue that whether and how multinational presence through FDI contributes to greater performance depends on the extent to which resources can be transferred across country units. First, we advance two alternative hypotheses on the impact of institutional similarity on multinational advantage. On one hand, at any given level of multinational presence, institutional similarity across countries increases the applicability and transferability of existing resources across different country units and hence increases performance. On the other hand, institutional diversity across countries brings potential for new knowledge acquisition and transfer. Second, we argue that multinationality

magnifies the effect of institutional (dis)similarity on performance. Distinguishing between formal (legal) and informal (cultural) institutions, we test these arguments in a sample of 106 banks using data from 2000-2001. We find that (1) diversity in both some formal (property rights protection) and informal institutions across the firm's country portfolio have a positive impact on performance, (2) multinationality does not have a direct effect on performance, (3) multinationality magnifies the positive effect of both formal and cultural institutional diversity on performance. Our findings support the idea that the value of multinationality is contingent on institutional differences across countries where a firm operates. *(For more information, please contact: Mehmet Erdem Genc, Baruch College, CUNY, USA: mehmet.genc@baruch.cuny.edu)*

*International Diversification as a Strategy of External Control: A Resource Dependence Perspective*

Julia L. Lin, I-Shou University  
Chi-Yu Amy Huang, I-Shou University  
I-Pin Lu, I-Shou University

We explore how and when firm would select diversification strategy to survival or growth dependence on the level of dependence and commitment (when) to build different cooperation forms (how), and then to evolve in response the environment changes and reduce uncertainty. We argue external control of resource dependence matters more to diversification strategy when focal firms do not own enough critical resource or they likely simultaneously exercise both product and geographic diversification. We also take account of industry environment and different cooperation traits would affect firms to select different diversification strategies. We conclude that not only internal development from resource based view but also external control from RDT would effectively encourage firms perform different diversification to survival and growth. Furthermore, external control means would advance much speedier than internal development. *(For more information, please contact: Chi-Yu Amy Huang, I-Shou University, Taiwan: amy67039@ms27.hinet.net)*

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**Session: 2.2.7 - Competitive**

**Track: Track: 6 - Learning, Knowledge and Innovation**

***MNC Subsidiary Knowledge***

**Presented On:** June 29, 2009 - 10:00-11:15

**Chair:** Markus Venzin, Bocconi University

*Subsidiary Embeddedness and Market Competition: The Role of Knowledge Flows*

Grazia D. Santangelo, University of Catania

This paper investigates whether and under which conditions competition among foreign subsidiaries affects their embeddedness in the host economy. The analysis is conducted in a peripheral area, where competition for host resources is tougher than in richly endowed areas. In tune with extant research, the study subscribes to the view of embeddedness as a resource-seeking strategy. Furthermore, it also puts forward a competition argument accounting for knowledge revelation risks threatening the competitive advantage of embedded firms. The case study analysis, further corroborated by statistical evidence, suggests that competition among foreign subsidiaries limits their embeddedness in the host economy due to knowledge revelation risks. However, rival subsidiaries relate to domestic actors more when entering the market with a competence-creating rather than with a competence-exploiting scope. In this last case, unintentional knowledge leakages to foreign competitors are counterbalanced by valuable knowledge inflows from the local environment. Accordingly, four proposition to be tested on large scale datasets are suggested. *(For more information, please contact: Grazia D. Santangelo, University of Catania, Italy: grsanta@unict.it)*



*Tapping Subsidiary Knowledge by the Parent and Peer Subsidiaries*

Yuzhe Miao, Seoul National University  
 Soonkyoo Choe, Yonsei University  
 Jaeyong Song, Seoul National University

With the sample of foreign subsidiaries of MNCs operating in Korea, we empirically investigate the organizational factors that may influence the extent to which a subsidiary transfer its knowledge to the parent company and to peer subsidiaries. Our analysis suggests that accumulation of valuable new knowledge at the subsidiary level is an important facilitator of subsidiary knowledge transfer within the MNC network. We also confirm that outflow of knowledge from subsidiaries tends to increase, when they are given autonomy in the management domains that require more customization and localization (e.g., new product development, marketing, and human resources management). Lastly, we find that knowledge transfer to the parent company is positively influenced by the diversity of subsidiary experience and the emphasis on knowledge sharing as an important criterion for subsidiary performance evaluation, while knowledge transfer to peer subsidiaries is enhanced by the length of the subsidiary's operation period and its communication frequency with managers in other subsidiaries. *(For more information, please contact: Yuzhe Miao, Seoul National University, Korea, South: yzmiao@gmail.com)*

*Knowledge Sources and MNC Subsidiary Roles*

Michael J. Enright, Hong Kong University  
 Venkat Subramanian, Hong Kong University  
 Peter James Williamson, University of Cambridge

In order to improve our understanding of the roles that subsidiaries play in the knowledge generation and innovation processes, the present study draws together the literature on knowledge sources and subsidiary mandates to develop a series of hypotheses about where the subsidiary obtains the knowledge that it deploys, and how this is linked to the roles and functions that the subsidiary performs for the corporation as a whole. We report the results of a series of empirical tests of these relationships, using data from a survey of the subsidiaries of foreign firms in Singapore. The results indicate, as postulated, that different subsidiary roles of implementation, innovation for the local market, and innovation for international markets do indeed have different patterns of significant relationships when it comes to knowledge sources. Counter to expectation, however, sister subsidiaries do not show up as significant sources of knowledge for either implementation or innovation roles, casting doubt on whether MNCs in practice behave as "networked" knowledge system with direct knowledge flows between multiple subsidiaries. We conclude with a discussion of the implications of our findings for managers, policy makers and for further research. *(For more information, please contact: Peter James Williamson, University of Cambridge, United Kingdom: p.williamson@jbs.cam.ac.uk)*

*Legitimacy Deficits in MNC Subsidiary Knowledge Sourcing*

Wolfgang Sofka, ZEW Centre for European Economic Research  
 Tobias Schmidt, Deutsche Bundesbank

Multinational corporations (MNC) search increasingly for lead market knowledge and technological expertise around the globe. We investigate whether their subsidiaries get equal access to these valuable sources of host country knowledge compared with domestic rivals. We develop a theoretical framework for "why" and "how" a lack of embeddedness and legitimacy (liability of foreignness) may translate into additional obstacles for foreign subsidiaries. We test these hypotheses empirically for a broad dataset of more than 1,000 firms in Germany. We find that MNCs can compete on equal footing with host country competitors when it comes to generating impulses for innovations from universities. They are significantly challenged by liabilities of foreignness, though, when host country customers are involved. The disadvantages are especially pronounced when the host country industry is technologically leading. We suggest that the disadvantages from liability of foreignness in the host country are especially relevant when promising lead customers have to be identified and their tacit and often

unarticulated impulses have to be transferred, understood and prioritized. Management recommendations are developed based on these results. *(For more information, please contact: Wolfgang Sofka, ZEW Centre for European Economic Research, Germany: sofka@zew.de)*

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**Session: 2.2.8 - Competitive**

**Track: Track: 10 - Outsourcing, Offshoring, and Supply Chain Management**

***Can We Make It Perform?***

**Presented On:** June 29, 2009 - 10:00-11:15

**Chair:** Thomas Hutzschenreuter, WHU - Otto Beisheim School of Management

*Performance Implications of Business Process Outsourcing and Role of Client-Vendor Partnership Quality: An Examination of U.S Outsourcing Client firms*

Debmalya Mukherjee, University of Akron

Ben L. Kedia, University of Memphis

Somnath Lahiri, Illinois State University

Business process outsourcing (BPO) has become a dominant business practice in the recent years. This study proposed and tested a model of BPO dynamics using data from 96 US client firms. The central purpose of this study was to examine performance implications of BPO and moderating role of client-vendor partnership quality. Results of multiple regression analysis, moderated regression analysis generally provided support for the hypothesized relationships. The level of BPO had significant positive relationship with outsourcing performance (measured as perceived benefits from outsourcing). However, the effect of level of BPO on firm performance was not significant. In addition, the study demonstrated that client-vendor partnership quality positively moderates the level of outsourcing and outsourcing performance relationship. The positive moderating effect of partnership quality was not found on the level of outsourcing and firm performance relationship. The manuscript concludes with the illustration of theoretical and practical implications as well as limitations of this research. *(For more information, please contact: Debmalya Mukherjee, University of Akron, USA: dmukher@uakron.edu)*

*Technology Offshore Outsourcing and Firm Performance*

Annique Un, University of South Carolina

I study the impact of technology offshore outsourcing on firm performance. Theoretical arguments from the knowledge-based view suggest that technology offshore outsourcing has a negative influence on firm performance because this action erodes the firm's learning capabilities and future competitive advantage. I propose that we need to theoretically separate the outsourcing dimension from the offshoring dimension and argue that technology offshore outsourcing has a positive impact on firm performance. Whereas outsourcing dimension may limit learning and performance, offshoring dimension improves learning and performance, because it enables the firm to acquire new technologies that may not be available in the country and develop cross-border learning capabilities. Results from the analysis of 781 firms during the period of 1991-2002 indicate that technology offshore outsourcing has a positive impact on firm performance, while domestic technology outsourcing has a negative influence on performance. *(For more information, please contact: Annique Un, University of South Carolina, USA: annique\_un@moore.sc.edu)*

*Global Sourcing Capabilities and Firm Performance*

Lieven Quintens, Maastricht University  
 Pieter Pauwels, Maastricht University  
 Paul Matthyssens, University of Antwerp

In a resource-based perspective of the firm, we argue that the performance effect of global sourcing materializes only in the presence of global sourcing capabilities that allow the firm to reap the benefits of global sourcing opportunities. We propose sourcing standardization, sourcing pro-activeness and sourcing integration as global sourcing capabilities that allow a globally sourcing firm to reap the (latent) opportunities that the global sourcing arena offers. We test the importance of these capabilities on a sample of 264 European medium-sized firms that are actively sourcing on a global scale. The results confirm the role and impact of sourcing standardization and sourcing pro-activeness as global sourcing capabilities. Results are mixed with respect to sourcing integration. *(For more information, please contact: Lieven Quintens, Maastricht University, Netherlands: l.quintens@mw.unimaas.nl)*

*The Impact of Supply Chain Management and Information Systems Practices on Operational Performance: A Study of Turkish and Bulgarian Smes*

Erkan Bayraktar, Bahcesehir University  
 Ekrem Tatoglu, Bahcesehir University

Relying on the perceptions of executives, this paper empirically tests a framework identifying the impact of supply chain management (SCM) and information systems (IS) practices along with SCM-IS related enablers and inhibitors on operational performance of SMEs in Turkey and Bulgaria. The results of univariate analyses indicate that there are significant variations between Turkish and Bulgarian SMEs in terms of the implementation levels of SCM and IS practices and also the level of operational performance. Based on exploratory and confirmatory factor analyses, an attempt is made to identify empirically validated parsimonious set of variables to determine the underlying dimensions of SCM practices, IS practices, SCM-IS related enablers and inhibitors. Finally, the results of regression analyses reveal that there are some differences between Turkish and Bulgarian SMEs regarding the impact of SCM and IS implementation, and also regarding the impact of SCM and IS related inhibitors on operational performance of SMEs. No significant difference, however, is noted between Turkish and Bulgarian SMEs with regard to the impact of SCM and IS related enabling factors on operational performance of SMEs. *(For more information, please contact: Erkan Bayraktar, Bahcesehir University, Turkey: erkanb@bahcesehir.edu.tr)*

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**Session: 2.2.9 - Competitive**

**Track: Track: 5 - Organizational Structure, Capabilities, and Strategic Planning in the MNC**

*Capabilities and Competitive Advantage in International Business*

**Presented On:** June 29, 2009 - 10:00-11:15

**Chair:** Stephan Manning, Duke University

*International Orientation: Antecedents and Outcomes for Innovation*

Holger Ernst, WHU - Otto Beisheim School of Management  
 Mohan Subramaniam, Boston College  
 Anna Dubiel, WHU - Otto Beisheim School of Management

We examine the antecedents and outcomes of international orientation – or, a firm’s capabilities at recognizing and availing of opportunities outside its country borders. Drawing on two primary data sets from 129 companies and 138 business units from five export-intensive German industries our results suggest that a firm’s

international orientation is strongly influenced by its strategic intent, top manager's international exposure, intercultural training processes, and an interdependent international R&D structure. Additionally we also find that international orientation influences international new product development success. *(For more information, please contact: Anna Dubiel, WHU - Otto Beisheim School of Management, Germany: anna.dubiel@whu.edu)*

*The Moderating Impact of CEO Origin on Organizational Momentum: Does Firm Size Matter?*

CL Tien, Dayeh University

Carlos H. Chiu, Carlos-Marc Empire Capital Group

This study seeks to extend research issues relating to organizational behaviors and the influences of strategic leadership to solve puzzles between organizational momentum and the leadership effect from CEO succession origin between large and small and medium-sized enterprises (SMEs) firms. This study offers models mainly based on behavioral, evolutionary, agency and inertia theories, and tests hypotheses using panel data from 122 companies over 6 years in the high-technology sectors in the U.S. Results indicate that organizations partially follow their routines regardless of firm size because organizational momentum does not prevail in inventory and research and development (R&D) intensity for large firms and in inventory, nonproduction overhead, and R&D intensity for SMEs. Contrary to conventional wisdom, CEO succession origin can moderate organizational momentum only in nonproduction overhead and financial leverage in large firms but does not matter to organizational momentum in SMEs. The findings provide boards of directors with evidence regarding organizational momentum and successors' origin from a multidimensional perspective in various firm structures. *(For more information, please contact: CL Tien, Dayeh University, Taiwan: west4bc@gmail.com)*

*A Conceptual and Empirical Investigation of the Export Performance Construct*

Jorge Manoel Teixeira Carneiro, Pontifical Catholic University of Rio de Janeiro

Angela da Rocha, Federal University of Rio de Janeiro

Jorge Ferreira Da Silva, Pontifical Catholic University of Rio de Janeiro

Several phenomena in the social sciences exhibit a complex nature, which poses important challenges, both substantive and methodological, to their conceptualization and operational representation. Moreover, it has been recognized that "specifying the relationship between concepts and operational indicators is equally important to social research as the substantive theory linking concepts to one another" (Carmines and Zeller, 1979:11). We advance and test a new measurement model of the economic domain of export performance, a construct that has not yet reached agreement in the literature as to the appropriate representation of its complex nature. We assembled a comprehensive and integrated set of validation procedures to assess the satisfactoriness of measurement models of multifaceted constructs. A sample of 414 large Brazilian exporters of manufactured products was collected and five competing measurement models of the construct were proposed and comparatively assessed. Highlights into the nature and structure of the construct are drawn. *(For more information, please contact: Jorge Manoel Teixeira Carneiro, Pontifical Catholic University of Rio de Janeiro, Brazil: jorgemtc@iag.puc-rio.br)*

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**Session: 2.2.10 - Competitive**

**Track: Track: 2 - International Economics, Finance, Accounting and Taxation**

***Ownership Structure, Governance and Performance***

**Presented On:** June 29, 2009 - 10:00-11:15

**Chair:** Shirley Alyce Hunter, Tufts University

*Dominant Owners and Financial Performance of Continental European Firms*

Victoria Krivogorsky, San Diego State University  
 Gary Grudnitski, San Diego State University

To date, the academic discussion mostly identified the controlling versus widely-held feature of the ownership as central, disputing whether a particular distinct shareholder distribution relates to company performance. As the extension to the existing literature we provide an understanding of the diversity of ownership by complicating the analysis of controlling shareholders and corporate governance and providing a more nuanced taxonomy of controlling shareholder systems in different countries. In particular, after operationalizing the definition of "dominant owner", we investigate whether in Continental European (CE) countries economic performance is significantly affected by the nature of company's dominant stakeholder. After disaggregating the overall sample by specific ownership type and by country, we find consistent statistical support for the relationship between dominant ownership and performance from being strong positive for firms in which banks and families/ individuals are the dominant owners to being strong inverse for firms where other companies are dominant owners. Further testing this relationship for each country disclose even more complicated picture, revealing that CE countries are not homogenous in terms of their ownership effects on performance. *(For more information, please contact: Gary Grudnitski, San Diego State University, USA: gary.grudnitski@sdsu.edu)*

*An International Analysis of Dividend Policy: Balancing the Interests between Shareholders and Creditors*

Liang Shao, University of South Carolina  
 Chuck C.Y. Kwok, University of South Carolina  
 Omrane Guedhami, University of South Carolina

Dividends can be applied by corporate insiders (management or controlling shareholders) to please minority shareholders while inevitably irritating creditors, and vice versa. This study tries to model and test this behavior where corporate insiders balance dividend policies between interests of minority shareholders and creditors. We firstly argue that effect of shareholder rights on dividend policies follows the 'substitute' model, as opposed to the 'outcome' model whose traditional success is due to the failure to consider stock market development effect. Then we apply a partial equilibrium model to depict how firms decide dividend policies against pressures from outside claimants with the inference that creditor rights' effect on dividend policies is moderated by shareholder rights. Empirically, we find that (1) firms under strong shareholder rights, after fully controlling for stock market development effect, issue less dividends due to fewer agency problems with equity, and (2) creditor rights lose their effect on dividend policies without presence of strong shareholder rights. *(For more information, please contact: Chuck C.Y. Kwok, University of South Carolina, USA: ckwok@moore.sc.edu)*

*Multiple Large Shareholders and the Value of Cash Holdings*

Najah Attig, Saint Mary's University  
 Sadok El Ghouli, University of Alberta  
 Omrane Guedhami, University of South Carolina  
 Sorin Rizeanu, University of South Carolina

This paper evidences the impact of multiple large shareholders on the value of cash holdings for a sample of 2,723 firms from 22 countries. We find that the presence of multiple large shareholders is associated with enhanced value of a firm's cash. We also find that more evenly distributed voting rights among large shareholders and higher control contestability of the largest shareholder increase the value of cash holdings. Consistent with previous studies, we show that investors overlook excess cash in weak legal environments. More importantly, we bring new evidence that the value of cash holdings is not monotonic across firms in economies with good institutional environment, by showing that the presence of MLS increases significantly the value of firm's cash. Overall, our results contribute to the extant governance literature by showing that multiple large shareholders structures moderate the agency costs of a firm's liquid assets. *(For more information, please contact: Omrane Guedhami, University of South Carolina, USA: omrane.guedhami@moore.sc.edu)*

*The Law of One Price: Evidence from the Chinese Stock Market Integration*  
Liu Wang, Old Dominion University

First introduced in the theory of international trade, the Law of One Price is now the building block of many economic, financial and globalization theories. Nevertheless, empirical evidence to date has been mixed in documenting the effectiveness of the law on both commodity and financial markets. This paper exploits the unique opportunity of the Chinese stock market integration (i.e. the opening of the foreign-based B-share market to Chinese domestic investors in 2001 and the opening of the domestic-based A-share market to qualified foreign institutional investors in 2002) to investigate the empirical validity of the law. Consistent with the predictions of the law, we find that both the price differential and return dispersion between the A- and B-share twin portfolios shrink dramatically once the pre-segmented markets were opened up. *(For more information, please contact: Liu Wang, Old Dominion University, USA: l2wang@odu.edu)*

**Session: 2.2.11 - Pedagogy Session**  
**Track: Track: 12 - Special Track on IB Pedagogy**

***Using Smart Web Conferencing to Connect Globally Dispersed Participants***

**Presented On:** June 29, 2009 - 10:00-11:15

Chair: Roberto Garcia, Indiana University

*Online Multicultural Collaboration Project Using Technology: Lebanon, UK, Canada*

Gordon Lucyk, Grant MacEwan College

*(For more information, please contact: Gordon Lucyk, Grant MacEwan College, Canada: lucykg@macewan.ca)*

*Leveraging the IB Learning Experience with Web Conferencing Tools: A Must for Virtual Teams*

Sri Beldona, University of Dallas

*(For more information, please contact: Sri Beldona, University of Dallas, USA: sbeldona@gsm.udallas.edu)*

*Using Adobe Connect to Bridge Student Distances and to Bring Guest Speakers into the IB Classroom*

Roberto Garcia, Indiana University

*(For more information, please contact: Roberto Garcia, Indiana University, USA: pr.garcia@indiana.edu)*

**Session: 2.2.12 - Interactive**  
**Track: Track: 2 - International Economics, Finance, Accounting and Taxation**

***Conceptual and Analytic Models of Trade and Investment***

**Presented On:** June 29, 2009 - 10:00-11:15

Chair: Timothy Devinney, Australian School of Business

*A Bargaining Model for International Negotiations from a Reactive Perspective*

Ursula F. Ott, Loughborough University

This paper offers a new theoretical model which combines game theory and cognitive cultural behavior. It is based on the framework of activity-based bargaining types called linear-active (time-is-money), multi-active (negotiation-is-an-art) and reactive (building-up trust) categories of cultures. The complexities of international negotiations can be analyzed by using an activity-based approach with game theoretic bargaining models. In order to come up with useful results, the paper takes on the perspective of reactive bargainers as sellers and buyers which shows different outcomes, respectively. The article is structured into literature review, description of activity-based types, game trees (time lines) and the models of uncertainty. In terms of solution concepts we are dealing with Perfect Bayesian Equilibria (PBE). The results of the games show a possibility to circumvent problems in international business negotiations which are related to different time perceptions and strategic behavior in this respect. It is therefore important to anticipate the deadlocks, stalemates and even break-ups when bargaining with culturally programmed types. We are, now, able to show that international negotiations are prone to fail due to incompatibilities and lack of knowledge of different cultural bargaining strategies. *(For more information, please contact: Ursula F. Ott, Loughborough University, United Kingdom: u.f.ott@lboro.ac.uk)*

*Modes of Foreign Entry: A New Perspective from Property Rights Theory*  
Jaiho Chung, Korea University

We provide a new perspective for the optimal foreign market entry mode decision by multinational corporations drawing on the property rights theory. We argue that a new framework in our paper is particularly effective in examining the implications of changes in the standards of intellectual property rights (IPRs) in host country on the optimal entry mode choice of multinational corporations. We contend that stronger IPR protection may encourage multinational corporations to choose wholly owned subsidiary as the optimal entry mode, which is in contrast to what internalization theory predicts. *(For more information, please contact: Jaiho Chung, Korea University, Korea, South: jhochung@korea.ac.kr)*

*The Causal Relationship between Corruption and Foreign Direct Investment: Evidence from Multi-Country Panel Data*

Erin McLaughlin, Cabrini College  
Joshua Shackman, TUI University  
Stephen Pollard, California State University, Los Angeles  
Steven Brown, Cedar Valley College

Corruption has been studied widely and has been perceived to damage the economies of both developed and developing countries. There have been an enormous number of studies explaining how corruption has affected various variables including Foreign Direct Investment (FDI). However, little research, with the exception of Robertson and Watson (2004), has been undertaken to empirically examine the impact that changes in foreign direct investment have on corruption, where corruption is the dependent variable. Robertson and Watson (2004) looked at two years in their analysis. This study, however, contributes to the current research by examining the effects of changes of FDI on corruption while, at the same time, examining the effects that changes in GDP per capita, changes in democratic accountability, and changes in rule of law have on corruption over a twenty year period. The study uses a cointegration analysis using an error correction model on data for 145 countries using 22 years of data. In addition, the study uses stepwise regression to examine the effects of changes in FDI, GDP per capita, rule of law, and democratic accountability have on corruption. *(For more information, please contact: Joshua Shackman, TUI University, USA: jshackman@tuiu.edu)*

*Causes and Effects of Demutualization of Financial Exchanges*  
Chinmay Jain, University of Memphis  
Pankaj K. Jain, University of Memphis

We model how the forces of automation, competition, and demutualization are rapidly changing the industrial organization of financial exchanges industry. We derive the conditions under which demutualization becomes optimal from exchange owners' perspective. We then proceed to build an empirical dataset characterizing the evolution of leading stock and derivative exchanges around the World along these three dimensions. We empirically find that trade automation appears to be a pre-requisite for demutualization of exchanges and competition servers as stimulus for demutualization. The potential for launching new products such as derivatives stimulates exchange owners to adopt demutualization. Finally, we analyze the impact of demutualization from the perspective of other stakeholders in financial markets. Volume, turnover and other liquidity measures all improve and stock market valuations increase after demutualization helping reduce the cost of capital. *(For more information, please contact: Chinmay Jain, University of Memphis, USA: cjain1@memphis.edu)*

*If You Speak English, Why Bother Learning a Foreign Language?*  
Yener Kandogan, University of Michigan-Flint

After an overview of the literature on cultural differences acting as trade barriers, and the role immigrants play as cross-cultural bridges thus reducing the barrier, this paper examines attaining cross-cultural literacy through learning foreign languages. A three-country theoretical model follows data on foreign language learning in mostly European countries. The model's results are consistent with the data showing preference for learning the dominant culture through its language, and those of major trade partners. The model's implications on language learning patterns are further discussed for the role of relative population sizes, cultural proximity, transportation costs, and cost/ease of learning particular languages. *(For more information, please contact: Yener Kandogan, University of Michigan-Flint, USA: yener@umflint.edu)*

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**Session: 2.2.13 - Interactive**

**Track: Track: 7 - The Location of FDI, Clusters, and Inter-Firm Spillovers**

### ***Technology and Entrepreneurship***

**Presented On:** June 29, 2009 - 10:00-11:15

**Chair:** Andre Sammartino, University of Melbourne

*Inward Foreign Direct Investment and Domestic Entrepreneurship: A Regional Analysis of New Firm Creation in Korea*

In Hyeock (Ian) Lee, Western Kentucky University  
Eunsuk Hong, Queen's University Belfast

Built on the regional perspective on domestic entrepreneurship, we investigate how initial inward foreign direct investment (FDI) affects new firm creation by prospective entrepreneurs in locality. Using a sample of 234 sub-national regions in Korea between 2000 and 2004, we explore whether and how new firm creation in a focal region is stimulated by initial inward FDI in the same region and in its neighboring regions. Spatial maximum likelihood (ML) estimation results on the panel data show that new firm creation is positively related to the initial inward FDI in both the focal region and its neighboring regions, but the former exhibits a stronger effect than the latter on new firm creation. We also find that the effect of initial inward FDI on new firm creation in locality decreases over time. *(For more information, please contact: In Hyeock (Ian) Lee, Western Kentucky University, USA: ian.lee@wku.edu)*



*Outward Direct Investment and Entrepreneurial Formation: The Entry and Exit of Firms in Taiwan's Manufacturing Industries*

Huilin Lin, National Taiwan University  
Ryh-song Yeh, Yuan Ze University

Based on occupational choice models, this paper examines the effects of outward direct investment that gives rise of entrepreneurial opportunities created through the number reduction of firms, the price and wage fall on product and labor market and the export expansion of intermediate products. A panel-data set at the three-digit industry level covering the period 1998-2000 is used and the negative binomial models for entry/exit in Taiwan's manufacturing industries are specified. The results are in line with theoretical prediction that ODI creates opportunities for domestic entrepreneurs through firm number reduction, export expansion and selections in product and labor market. The ODI in downward industries demonstrates much stronger effects than those for ODI in the same industry. Our empirical results further suggest that the ODI outflow in downward industries may have a negative effect in short run and a positive effect in long run on entrepreneurial formation. *(For more information, please contact: Ryh-song Yeh, Yuan Ze University, Taiwan: rsyeh@saturn.yzu.edu.tw)*

*Does Technological Base Matter in Location Choice of Assets-Exploiting FDI?*

Shengsheng Huang, Rutgers University

Previous studies on location choice of assets-exploiting foreign direct investment (FDI) neglect the role of host country technology base. This study argues that learning from local is as important for exploitation type FDI as for assets-seeking type one. Localizing the technology for full exploitation and adapting to local environment to establish an effective production system creates the need for subsidiary to tap into local technology pool and obtain local-specific and complementary assets. Therefore, higher host country technological base implies higher locational attractiveness for assets-exploitation type of FDI. Assuming that sub-country level location choice could be the better research setting to control country heterogeneity and that FDIs to China are mostly assets-exploitation type, the hypothesis is supported by data from China patenting database and other various sources. Specifically, technological specialization of the location, measured by patent counts, has significant positive effect on location choice of multinational corporations. The findings have rich implications for future research as well as policy makers to attract inward FDI and achieve technological catching-up. *(For more information, please contact: Shengsheng Huang, Rutgers University, USA: huangs@andromeda.rutgers.edu)*

*Determinants of International Corporate Entrepreneurship: A Study of Emerging Economy Firm*

Yung-Chih Lien, National Taiwan University  
Igor Filatotchev, City University  
Roger Strange, King's College London  
Jenifer Piesse, King's College London

A data set of 151 publicly listed Taiwanese firms and their 329 ventures within the People's Republic of China were examined to ascertain the determinants of international corporate entrepreneurship (ICE). According to location choice, the ventures were categorized into two groups: first, those ventures that clustered in locales with existing Taiwanese investments, and second, those in areas that show promise for long-term returns but, at present, are not sites of current investment. We understand the latter category to be evidence of ICE. We argue that antecedent contingencies of internal governance and the control level on affiliates are relevant for the determination of ICE. Empirically, our results support the arguments. However, because of resource constraints, firms in emerging economies often cannot engage in both of these efforts simultaneously. Rather, they may alternate between these two ICE-enhancing mechanisms in order to optimally foster ICE activities. *(For more information, please contact: Yung-Chih Lien, National Taiwan University, Taiwan: lienyc@ntu.edu.tw)*

*FDI Spillover Through Network Ties: How Chinese Firm Innovations Benefit from Inward FDI*  
Yuanyuan Zhou, Ohio State University

With its fast growing pace, foreign direct investment is having tremendous impact on host country economies. Knowledge spillover from inward FDI is one of the important ways that host country firms are likely to benefit from the presence of foreign direct investment. This study aims to explore how knowledge spillover from inflow FDI affects host country firms, more specifically, how network ties with foreign firms affect host country firms' exploratory innovations. Hypotheses are developed by bringing different theoretical perspectives together, including FDI theory, innovation management, and network theory. Using survey data from China we investigate whether domestic Chinese private enterprises' exploratory innovations are affected by their network ties with foreign investment enterprises. Empirical findings suggest that the number of foreign firm ties help host country firms engage in exploratory innovations. Other findings show that the strength and nature of ties are relevant for knowledge spillover. They indicate that strong ties and technology cooperation ties have a stronger positive effect on host country firms' exploratory innovation in contrast to weak ties and non-technology related ties. (For more information, please contact: Yuanyuan Zhou, Ohio State University, USA: [yuanyuanzhou@gmail.com](mailto:yuanyuanzhou@gmail.com))

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**Session: 2.2.14 - Interactive**

**Track: Track: 10 - Outsourcing, Offshoring, and Supply Chain Management**

***Bring Your Partners to the Party!***

**Presented On:** June 29, 2009 - 10:00-11:15

Chair: Eugene D. Hahn, Salisbury University

*Drivers of the Supplier's Responsiveness in International Asymmetric Subcontracting Relationships: the Role of Trust, Virtual Integration and Cultural Distance*

Ruey-Jer 'Bryan' Jean, University of Manchester

Rudolf R. Sinkovics, University of Manchester

In order to enhance local suppliers' responsiveness in global chain relationships, MNEs must work with their local suppliers to create new form of relationship structures. The cultural and country differences may limit the use and effectiveness of traditional tools that govern the relationships between and MNE and its local suppliers. Drawing on the resource-based view and transaction cost economics, this study use 219 local suppliers to examine the influence of information technology integration and trust on supply chain responsiveness in varied cultural distance conditions. Further, the process is mediated by certain governance mechanisms including coordination efforts and MNEs control. This study demonstrates that the use of virtual integration through B2B information technology and trust can help MNEs enhance local suppliers' responsiveness in global supply chain relationships. (For more information, please contact: Rudolf R. Sinkovics, University of Manchester, United Kingdom: [rudolf.sinkovics@manchester.ac.uk](mailto:rudolf.sinkovics@manchester.ac.uk))

*The Role of International Trade Intermediaries in a Global Context: The Case of Small Household Appliances*

Gabriella Lojacono, Bocconi University

Olga Annushkina, Bocconi University

The sustainability of a business model within the existing resource-based view of the firm and the international business literature is often analysed versus direct competitors and new entrants arriving from complementary or unrelated industries. This exploratory research analyses the international trade intermediaries' business model sustainability versus threats arising from possible vertical integration of their suppliers and clients as the conducted empirical study revealed lasting in time overlaps in value chain activities of foreign producers,

international trade intermediaries and local distributors -- so called "grey areas". The "external" time compression diseconomies, asset mass efficiencies, interconnectedness and erosion along with casual ambiguity protected the analysed company from direct competitors and from vertical integration threats, whereas the firm continued to operate with good performance results in the "grey area" of the industry value net. *(For more information, please contact: Gabriella Lojaco, Bocconi University, Italy: gabriella.lojaco@unibocconi.it)*

*The Influence of Top Management Global Orientation and Partnership Quality on the Performance of Offshore Information Technology Service Providers in India*

Doren Chadee, University of Southern Queensland  
Revti Raman, University of Auckland

This paper investigates how the global orientation of top management and their ability to manage partner relationships impact on the performance of offshore service providers (OSP) in the IT sector. Based on a sample of 68 offshore IT service providers in India, the results suggest that although individually both global orientation of top management and relationship management contribute positively to the performance of OSPs, firms with higher global orientation are better at managing their client relationship and perform better. The implications of the mediating effects of top management global orientation are discussed fully. *(For more information, please contact: Doren Chadee, University of Southern Queensland, Australia: chadee@usq.edu.au)*

*Bullwhip Effect on Supply Chain Performance: The Impact of Information Sharing and Channel Collaboration*

Hsin Hsin Chang, National Cheng Kung University  
Kit Hong Wong, National Cheng Kung University

Information systems support coordination strategies aimed at strengthening inter-organizational co-operation and reducing distortions in the exchange of demand information. This study investigates how information integration supports enterprises to counter the bullwhip effect and further verify the damaging influence of bullwhip effect on a firm's performance. Information sharing, channel collaboration, bullwhip effect, and supply chain performance are four research constructs analyzed in the study. An in-depth case study method is then used to explore the differences between theory and practice. Further, the study conducts quantitative analysis by evolving a formal questionnaire. The results are consistent with a positive impact of information sharing on channel collaboration and the improvement in company performance by diminishing the negative impact of the bullwhip effect. Finally, there is the discussion of different supply chain settings that would influence the effectiveness of supply chain collaboration. *(For more information, please contact: Kit Hong Wong, National Cheng Kung University, Taiwan: r4897701@mail.ncku.edu.tw)*

*Effects of Supplier Dependency on Business Performance: A Study of the Brazilian Automobile Industry*

Ronaldo Couto Parente, Rutgers University  
Rakesh B. Sambharya, Rutgers University - Camden

The dynamics of competition in global markets, especially between tier-one suppliers in the automobile industry is increasingly shifting from inter-firm rivalry to rivalry between networks of firms. Based on the resource dependency perspective, we examine how three distinct types of resource dependency influence the performance of foreign tier-one automotive suppliers in the context of the Brazilian automotive industry. In addition, we investigate the moderating effect of suppliers' innovative strategic orientation. Our findings show the importance of trust base dependency and relational dependency on suppliers' performance. Our results also confirm the critical role of suppliers' innovative strategic orientation as a moderator of the relationship between relational dependency and supplier performance. *(For more information, please contact: Ronaldo Couto Parente, Rutgers University, USA: ronaldo@parente.com)*

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Session: 2.2.15 - Interactive

Track: Track: 7 - The Location of FDI, Clusters, and Inter-Firm Spillovers

***FDI, Agglomeration and Clusters***

Presented On: June 29, 2009 - 10:00-11:15

Chair: Philippe Gugler, University of Fribourg

*Regionalization and Economic Growth Volatility: An IB Perspective on Dreher's 2006 Article Linking Globalization Index Levels and Economic Growth*

Keith James Kelley, Florida International University

Marcelo Alvarado-Vargas, Florida International University

Yannick Thams, Florida International University

Economists have for many decades studied the effects of international trade on host and home countries. International Business scholars have addressed the impact of foreign direct investment on host and home countries, but have a tendency to view the international investment, or FDI, activity from the point of view of MNCs. IB scholars have suggested that FDI flows may follow pattern of "clustering" or "regionalization", which is a tendency for MNCs and related companies, to locate their international transactions (investments) in a more geographically, and/or culturally, proximal pattern, rather than a truly global one. It is the purpose of this paper to propose that patterns in FDI, which can be very regional in nature, will affect the relationship between globalization levels and economic growth such that countries perceived as being highly globalized, that engage in mostly regional transactions, will experience more volatile growth than those countries engaged in more globally dispersed transactions. (For more information, please contact: Keith James Kelley, Florida International University, USA: [kkell006@fiu.edu](mailto:kkell006@fiu.edu))

*Realized Locational Munificence: How Firm Capabilities Change the Effect of Locational Resources*

Helena Barnard, GIBS, University of Pretoria

This paper interrogates the notion of the "richness" of resources in a location, and proposes that locational munificence is contextual rather than absolute. The range of elements that comprise the potential munificence of a location represent a theoretical abstraction. In assessing realized locational munificence, the richness of locational resources cannot be conceptually separated from the resource base of the firm. Thus differing effects can be expected from locational resources that directly challenge firms to better performance, resources that are available only to insider firms in a location, and locational resources that are directly and through the market accessed by the firm. The paper draws on literature documenting the dynamic interrelationship between country and firm-specific assets and on research on the liability of foreignness. The entry of firms that are generally viewed as still "emerging" into the USA provides a useful setting for assessing what constitutes a munificent location for firms with more limited resource bases, and I survey and analyse which locational factors subsidiary heads of developing country MNCs identify as important to their learning and upgrading in the USA. (For more information, please contact: Helena Barnard, GIBS, University of Pretoria, South Africa: [barnardh@gibs.co.za](mailto:barnardh@gibs.co.za))

*Have Inward FDI Flows been affected by the Enlargement of the EU?: An Empirical Analysis of Korean and Japanese FDI in Europe*

Jong Kun Jun, Hankuk University of Foreign Studies

Jae Hoon Hyun, Hankuk University of Foreign Studies

Chie Iguchi, Rikkyo University

This study examined the effects of the EU accession of the 5 CEECs including Czech Republic, Romania, Poland, Hungary, Slovak Republic on the Korean and Japanese FDI to these countries by analyzing data sets between 2000 and 2007. The results indicated that the number of new investments from Korea showed significant increase after the enlargement while the monetary amount of total investment was found out to be insignificantly changed. However, the Japanese FDI after the enlargement found out to be ineffective in both the number and monetary terms. This result implies that Japanese firms considered factors related to market potential in the gravity model more important than the enlargement of the EU. The extended analysis of the Korean and Japanese FDI in 5 Western European countries shows that the FDI inflows to the CEECs after the enlargement were not at the expense of FDI inflows to Western Europe. This also shows that the enlargement of the EU had minimal effects on the FDI inflows to the Western Europe from Korean and Japan. *(For more information, please contact: Jae Hoon Hyun, Hankuk University of Foreign Studies, Korea, South: indigo@hufs.ac.kr)*

*Agglomeration and Competition of Taiwanese High-TRCH Firms FDI in China—A Social Network Perspective*

Keng-Hsiang Cheng, National Chung Hsing University  
 Yu-Ching Chiao, National Chung Hsing University  
 Hsin-Yu Shih, National Chi Nan University  
 Tai-Yu Lee, National Chung Hsing University  
 Ta-Shun Cho, National Chi Nan University

The purpose of this study is to investigate how Taiwanese high-tech firms' investment trajectories form agglomeration and competition in Chinese cities. Through a social network analysis of 847 subsidiaries affiliated within 323 multinational corporations from the years 1988 to 2006 in thirty main Chinese cities, we find that (1) agglomeration in Chinese cities can be divided by the cluster analysis into the hub cluster, the communication-extended cluster and the computer-extended cluster. Cities in the hub cluster are important places of investment for Taiwanese high-tech companies and are also the most important places in the network. (2) Application of structural equivalence analysis divided Chinese cities into four blocks: the core block, the coast block, the inland block and the periphery block. Structural equivalence analysis showed the existence of four separate groups each of whose members are in competition. By linking our results of cities network characteristics to Chinese regional economic policies, this study provides guidance to aid headquarters' executives in determining FDI location choice in the future. Implications and suggestions for host country government in terms of firms investing trajectories are discussed. *(For more information, please contact: Keng-Hsiang Cheng, National Chung Hsing University, Taiwan: kenghsiang.c@gmail.com)*

*Intangible Resources, Agglomeration Effect of FDI Intensity, and Firm Performance: Evidence from Chinese Semiconductor Firms*

Qin Yang, Robert Morris University  
 Sali Li, University of Wisconsin-Milwaukee  
 Crystal Xiangwen Jiang, Bryant University  
 Yong Wang, Western New England College

This study analyzes the impact of intangible resources on firm performance in an emerging economy context. Intangible resources are considered essential to firms' competitive advantage; however, we argue that firms' intangible resources can be negatively related with performance in emerging economies, due to their weak intellectual property rights protection. Furthermore, we incorporate the resource-based view and geographical agglomeration perspective to propose that geographical locations with dense foreign direct investment can affect the appropriability of intangible resources, thereby moderating the relationship between intangible resources and firm performance. We find empirical evidence to support our argument by examining 70 semiconductor firms in China from 1999 to 2006 period. *(For more information, please contact: Qin Yang, Robert Morris University, USA: yang@rmu.edu)*

*FDI, Regional Clusters and the Catching-up of Nations*  
Christos Pitelis, University of Cambridge

We explore the role of foreign direct investment and (its relationship to) clusters for the competitiveness (and catching-up) of small(er) developing countries. We suggest that while size per se need not eventually matter, small(er) developing countries need to explicitly allow for size when devising and implementing strategies for competitiveness and catching-up. Moreover, we claim that international strategic management scholarship helps shedding light on this important issue. *(For more information, please contact: Christos Pitelis, University of Cambridge, United Kingdom: c.pitelis@jbs.cam.ac.uk)*

*Market Clusters for International Franchising*  
Ilan Alon, Rollins College  
Amir Shoham, College of Management

While many studies of franchising have examined the organizational antecedents of internationalization, few have examined how differences among markets lead to this internationalization. Studies linking environmental factors to the companies' decision to internationalize showed that various political, social and economic factors either attract or repel international franchising investment. We build on these studies' selected variables to understand the similarities and differences among international franchising markets. Using these variables, our results show that countries divide into eight clusters with similar international franchising market characteristics. A discussion of each cluster follows with implications for franchising research. *(For more information, please contact: Ilan Alon, Rollins College, USA: ialon@rollins.edu)*

**Session: 2.3.1 - Panel**

**Track: Track: 10 - Outsourcing, Offshoring, and Supply Chain Management**

***State-of-the-Art Research in Outsourcing, Offshoring, and Supply Chain Management***

**Presented On:** June 29, 2009 - 11:45-13:00

**Chair:** Michael Mol, Warwick Business School

*State-of-the-Art Research in Outsourcing, Offshoring, and Supply Chain Management*  
Michael Mol, Warwick Business School  
Arie Y. Lewin, Duke University  
Janet Y. Murray, University of Missouri-St. Louis

*(For more information, please contact: Michael Mol, Warwick Business School, United Kingdom: michael.mol@wbs.ac.uk)*

**Session: 2.3.2 - Competitive**

**Track: Track: 11 - Emerging Market Economies**

***Location Choices of EM Firms***

**Presented On:** June 29, 2009 - 11:45-13:00

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

*Resources, Strategies and Host Country Location Choice of Emerging Market Firms*

Naveen Kumar Jain, Florida International University  
Sumit K. Kundu, Florida International University

The paper studies various resources possessed by emerging market firms and suggests a conceptual framework to propose that different combinations of resource and strategy types of emerging market multinational firms differentially affect their international location path. The paper further investigates whether emerging market firms are deterred by psychic, cultural, geographic or economic distance. *(For more information, please contact: Naveen Kumar Jain, Florida International University, USA: njain001@fiu.edu)*

*Entry Mode Imitation by Emerging Market Firms Investing in Developed Markets*

Dan Li, Indiana University  
Stewart R. Miller, University of Texas at San Antonio  
Lorraine Eden, Texas A&M University

Drawing upon the interorganizational imitation and endorsement literatures, we argue that emerging market firms (EMFs) entering developed markets imitate entry mode choices of earlier entrants, and pay differential attention across reference groups that vary by country of origin and type of entry mode. We test the framework with a sample of 591 emerging market firms investing in the United States. Controlling for transaction costs and resource-based explanations, our results support an imitation-based framework with differential influence across reference groups and entry modes. *(For more information, please contact: Dan Li, Indiana University, USA: lid@indiana.edu)*

*Chinese Enterprises in Germany: Strategic, Structural, and Cultural Patterns*

Andreas M. Klosek, Freiberg University  
Bernd M. Linke, Friedrich-Schiller-University of Jena  
Michael C. Nippa, Freiberg University

Despite growing figures of outward foreign direct investment, the outward internationalization of Chinese companies is still a relatively novel phenomenon to management research. Thus, research questions such as "Are Chinese companies able to cope with the specific environmental hurdles of foreign countries?" or "What sort of modern management system is compatible with the path that China has followed?" remain unanswered so far. In our study, we approach these questions by analyzing case-level data of seven Chinese companies that have entered a Western developed market, i.e., Germany, during recent years. Our data involves 31 interviews with employees stemming from different hierarchical levels, different functional fields, and different national cultures, as well as interviews with external stakeholders such as investment bankers. Based on this, we provide a comparative case analysis of these companies' strategies, structures, and cultures as well as their respective fit with the German environment and develop several important propositions. *(For more information, please contact: Andreas M. Klosek, Freiberg University, Germany: klosek@bwl.tu-freiberg.de)*

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**Session: 2.3.3 - Competitive**

**Track: Track: 4 - Subsidiary Evolution and Strategy**

***Subsidiaries Knowledge Flows; Power, Complementaries & Sourcing Strategies***

**Presented On:** June 29, 2009 - 11:45-13:00

**Chair:** Tina C. Ambos, WU Vienna

*Global Knowledge Sensing: The Internal Challenges of External Knowledge Sourcing*

Felipe Monteiro, University of Pennsylvania  
Julian Birkinshaw, London Business School

This multi-methods paper provides a fine-grained account of the process through which large multinational corporations (MNCs) use specialized subsidiaries (viz. technology scouting units) to systematically search for opportunities to transfer knowledge across geographic and organizational boundaries. Our data collection effort has extended over the period of 34 months; involved more than 50 semi-structured interviews with managers in three continents; numerous field observations and the access to a proprietary database containing detailed information on 137 external technologies that were scouted by one of the largest telecommunication services provider in the world, between January 2003 and December 2005. The combination of our qualitative and quantitative findings sheds new light on our understanding of the different stages involved in the initiation of the external knowledge sourcing process and reveals a much less studied facet of this process: the challenges and the importance of the inward looking activities such as internal search, translation, matching and internal selling. *(For more information, please contact: Felipe Monteiro, University of Pennsylvania, USA: luizm@wharton.upenn.edu)*

*Understanding Knowledge Transfer in Multinational Corporations: The Roles of Knowledge Complementarities and Thresholds*

Christian Geisler Asmussen, Copenhagen Business School  
Nicolai Juul Foss, Copenhagen Business School  
Torben Pedersen, Copenhagen Business School

The literature on the "differentiated MNC" proposes that such firms can be seen as networks of units that each control heterogeneous knowledge assets, and that they may derive advantages relative to national firms to the extent that they can exploit complementarities between such knowledge assets. We develop a simple formal model of these ideas, and test hypotheses derived from the model against a unique dataset on subsidiary knowledge development which includes sources of subsidiary knowledge and the extent of knowledge transfer to other MNC units. A surprising result is that benefits only exceed costs of knowledge transfer when certain thresholds for internally and externally sourced knowledge are reached. We estimate the thresholds that determine whether these different types of knowledge become assets or liabilities to the MNC. *(For more information, please contact: Christian Geisler Asmussen, Copenhagen Business School, Denmark: cga.smg@cbs.dk)*

*The Power of Knowledge*

Lisa K. Gärber, Wirtschaftsuniversitaet Wien

In recent writings on the differentiated MNC there is plenty of evidence that the global dispersion of knowledge has gradually shifted the balance of power between headquarters and subsidiaries. However, beyond the growing consensus knowledge and power constitute two of the major challenges for MNCs today, so far practically no attempts have been undertaken to explain how and under which circumstances knowledge actually leads to increased subsidiary power within the MNC. The "knowledge-controlling" subsidiary and its knowledge supremacy vis-a-vis headquarters and other units has up to now only vaguely hit scholars' attention. In an attempt to redress this situation, this study draws on two theoretical streams, notably resource-dependency and social network theory, to explain how and under which circumstances knowledge leads to power within the MNC. *(For more information, please contact: Lisa K. Gärber, Wirtschaftsuniversitaet Wien, Austria: lgaerber@wu-wien.ac.at)*



*Subsidiary-related Knowledge Flows in Multinational Corporations: Research Accomplishments and Opportunities*  
 Snejina Michailova, University of Auckland  
 Zaidah Mustafa, University of Auckland

In this paper, we map the existing literature on knowledge flows within MNCs by putting the subsidiary at the center, or what we call here subsidiary-related knowledge flows in MNCs. We examine studies published in 15 top-tier management journals and international business journals from 1996 to 2007 inclusive. We organize the literature in two main clusters: studies that examine knowledge inflows and studies that focus on knowledge outflows. We group existing research as belonging to the literature on knowledge inflows as long as the measures used suggest that MNC subsidiaries are the recipient of knowledge/technology/organizational practices. We then categorize the articles within this cluster in two sub-clusters according to the source of knowledge that flows into subsidiaries – knowledge inflows from HQ (vertical inflows) and knowledge inflows from other units within the same MNC (horizontal inflows). We group the articles that treat MNC subsidiaries as the source of knowledge/technology/organizational practices as belonging to the literature on knowledge outflows. The articles within this group are also organized in two sub-groups depending on whether the recipient of subsidiaries' knowledge is the HQ (vertical outflows) or other units within the MNC (horizontal outflows). We then identify existing gaps within the literature and propose future research agenda. *(For more information, please contact: Zaidah Mustafa, University of Auckland, New Zealand: z.mustaffa@auckland.ac.nz)*

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**Session: 2.3.4 - Competitive**

**Track: Track: 6 - Learning, Knowledge and Innovation**

### ***Transfer of Knowledge and Organizational Practices***

**Presented On:** June 29, 2009 - 11:45-13:00

**Chair:** Anja Schmiele, ZEW - Mannheim

#### ***A Multi-Dimensional Analysis of Subsidiaries' Competence Development within the MNC***

Qin Yang, Robert Morris University

Ram Mudambi, Temple University

Ulf Holm, Uppsala University

Christina Hallin, Uppsala University

Christine Holmstrom, Uppsala University

Multinational corporations (MNCs) are recognized to be differentiated networks where constituent units take on distinct roles. Some subsidiaries exploit the competencies of their parent firm while others create competencies that are new to the corporate group. In this paper, we posit that subsidiaries' competence creation is likely to be expressed in specific activities. Further, we argue that both a subsidiary's role and its functional area of competence will affect its pattern of knowledge inflows and outflows. In particular, we categorize competence-creating subsidiaries into three different activity foci: product, process and marketing. Based on 376 subsidiaries located in Sweden, we find that competence-creating subsidiaries have higher extent of both knowledge inflows and outflows than competence-exploiting subsidiaries. More importantly, a competence-creating mandate in one activity is associated with higher levels of knowledge inflows and outflows in other activities as well. A competence-creating mandate in process activities is strongly associated with knowledge inflows from the parent MNC. On the other hand, a competence-creating mandate in marketing activities is most strongly associated with knowledge outflows from the subsidiary to the parent firm. *(For more information, please contact: Qin Yang, Robert Morris University, USA: yang@rmu.edu)*

*Transferring Organizational Routines to an Automobile Assembly Line: Replication, Improvisation and Re-creation*

Paulo Prochno, University of Maryland  
Eric W. K. Tsang, University of Texas at Dallas

Based on a one-year ethnography, this study investigates the transfer of organizational routines by a European multinational automaker to its new assembly plant in Brazil. Adopting a structuration view of routines, we identify three interrelated processes of transfer, namely replication, improvisational adaptation and re-creational adaptation, each of which consists of different phases. Our study suggests that while organizations often expect a straightforward process of replicating routines, the process may end up as a mixture of replication, improvisation and re-creation. Deviation from replication should not be considered "noise" in the replication process, but a necessary step toward developing routines that can function effectively in their new context. *(For more information, please contact: Eric W. K. Tsang, University of Texas at Dallas, USA: ewktsang@utdallas.edu)*

*Transfer of Organizational Practices and Values in MNCs: A Recontextualization Perspective*

Alexei Koveshnikov, Hanken School of Economics

Previous work on the transfer of values and practices in MNCs has to a large extent overlooked the role of language and, in particular, the role of discourse in this process. In this paper we take a discursive perspective, arguing that value and practice transfer processes in MNCs essentially always involve the juxtaposition of various discourses pertinent to either the host or the home cultural context, and that the outcome of the transfer process nearly always is a recontextualization of values and practices in question. Drawing on 64 personal interviews conducted to investigate two cases where Finland-based MNCs attempted to transfer values and practices from their headquarters to important Russian subsidiaries, we pursue two goals in this paper. First, we intend to illustrate the role of discourses in the process of recontextualization and to show how various types of discourses initially inculcate specific meanings into practices and values and how then other types of discourses produce changes in these meanings, thus driving the recontextualization process. Second, our analysis highlights the dynamics of recontextualization, especially with regard to power, illustrating how specific practices or values are often recontextualized into new situations in ways consistent with interests of dominant groups. In pursuing these two goals we also identify various forms of recontextualization that take place in MNCs. *(For more information, please contact: Alexei Koveshnikov, Hanken School of Economics, Finland: alexei.koveshnikov@hanken.fi)*

*Host Country-Specific Knowledge Sharing between Member Firms in Business Groups*

Hui Yi Fan, National Chengchi University  
Chwo-Ming Joseph Yu, National Chengchi University

Though knowledge sharing is a widely studied topic and is particularly emphasized in business groups, how knowledge is shared in business groups among member firms remains unclear. This paper addresses this issue by identifying how business groups from an emerging market transfer country-specific knowledge among their group members about a host country. Based on the data gathered from two business groups in Taiwan, we have the following findings. First, a business group accumulates knowledge about a particular host country incrementally by solving problems faced by group members in that market.. Second, the more intense the competition among group members, the less freely host country-specific knowledge is shared among them. Encouraging sharing of host country-specific knowledge by informal and formal mechanisms can overcome the negative impact generated by inter-member firms' competition. *(For more information, please contact: Hui Yi Fan, National Chengchi University, Taiwan: fan\_1007@hotmail.com)*

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**Session: 2.3.5 - Panel**

**Track: Track: 6 - Learning, Knowledge and Innovation**

***Toward a New System of Innovation in Japan: Changes in Entrepreneurship and Knowledge Creation***

**Presented On:** June 29, 2009 - 11:45-13:00

**Chair:** Ulrike Schaede, University of California at San Diego

*Venture Capital Investment Patterns in Japan*  
Robert Eberhart, Stanford University

*The Networked-based Digital Business World in Japan and Shifts in Women's Entrepreneurship*  
Charla Griffy-Brown, Pepperdine University

*"Wounded goose?" Japan's place in Asia's innovation ecosystem*  
Glenn Hoetker, University of Illinois

*Toward A Market for Ideas: New Business Opportunities for Japanese Startup Companies*  
Ulrike Schaede, University of California at San Diego

In the late 1980s, active research on Japanese innovation resulted in a stereotypical image of knowledge creation innovation and entrepreneurship: Large companies were the focal points of innovative activity, whereas venture capital and startups – meaning individual entrepreneurship – were greatly restricted due to a closed system of innovation, a bank-centered financial system, and a societal predisposition against risk-taking. Therefore, innovation research on Japan focused on large companies: How was knowledge generated, shared, and disseminated within large firms, from large to small firms, and across global subsidiaries? However, during the 1990s Japan began to change. Deregulation brought market access for small startups, financial reforms brought access to finance, and the banking crisis and subsequent reorganization of Japan's large firms brought a shift towards open innovation, i.e., a market for ideas. This panel analyzes these new developments and discusses their ramifications for Japan's system of innovation, and for future global creation and dissemination of innovation created in Japan. Thus, the panel provides not only new insights into business practices in the world's second largest economy, but also suggests that important reforms are occurring in what used to be considered "monolithic" national innovation systems amidst the economic turbulence of the early 21st century. (For more information, please contact: Ulrike Schaede, University of California at San Diego, USA: [uschaede@ucsd.edu](mailto:uschaede@ucsd.edu))

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**Session: 2.3.6 - Competitive**

**Track: Track: 7 - The Location of FDI, Clusters, and Inter-Firm Spillovers**

***FDI Location***

**Presented On:** June 29, 2009 - 11:45-13:00

**Chair:** Andreas Schotter, University of Western Ontario

*Country-of-origin and Industry Agglomeration of Foreign Investors in Emerging Economies*  
Danchi Tan, National Chengchi University  
Klaus E. Meyer, University of Bath

Foreign investors who want to tap into existing business networks often choose to co-locate with the subsidiaries of multinational enterprises (MNEs) in the same industry and from the same country-of-origin. While industry agglomeration has been well established in the literature, the dynamics of country-of-origin agglomeration are less well understood.

Country-of-origin networks benefit from high levels of trust, and thus provide an important channel to share sensitive and tacit knowledge about the local business environment. Such knowledge is particularly important for investors entering a context for the first time, operating without a local JV partner, and perceiving local institutions as particularly weak. In consequence, we find that these types of foreign investors are most likely to locate in country-of-origin agglomerations in Vietnam. *(For more information, please contact: Danchi Tan, National Chengchi University, Taiwan: dktan@nccu.edu.tw)*

*The Hassle Factor as Impediment to MNC FDI*

Andreas Schotter, University of Western Ontario  
Paul W. Beamish, University of Western Ontario

This study investigates an overlooked phenomenon within location-specific MNC research. We focus on the personal reasons of managers to “not” invest in certain locations, specifically the inconvenience experienced with visits to these locations. We argue that factors such as how troublesome it is to travel to a country, and how bothersome it is to accomplish basic business play an important role for MNC location decisions. We call this phenomenon the “hassle factor”. Utilizing a multi-method research design and drawing on data for 136 countries, we show that the hassle factor moderates inward MNC investment and sales significantly and negatively. *(For more information, please contact: Andreas Schotter, University of Western Ontario, Canada: aschotter@ivey.uwo.ca)*

*It's All about Words: The Influence of Communication on Inward Foreign Direct Investment*

Fabian Jintae Froese, Korea University  
Hye Min Park, Korea University  
Shi Young Lee, Korea University

Many studies have tried to explain the reasons for foreign direct investment (FDI) location, yet the findings are still inconclusive and sometimes contradictory. This study offers a new perspective to better understand FDI location. As communication is at the core of any transaction, including FDI transactions, this study introduced Berlo’s communication model into the context of FDI location. Indeed, the postulated model explained a large portion of FDI location in 56 countries. To be more specific, English language proficiency, knowledge, less in-group collectivism, less uncertainty avoidance, and less assertiveness of the FDI host country population were associated with higher levels of inward FDI. *(For more information, please contact: Fabian Jintae Froese, Korea University, Korea, South: fabian.froese@gmail.com)*

**Session: 2.3.7 - Competitive**

**Track: Track: 1 - The Political, Institutional, and Historical Context of Global Business**

***Political and Nonmarket Strategies***

**Presented On:** June 29, 2009 - 11:45-13:00

**Chair:** Rob van Tulder, Erasmus University

*The Effectiveness of Corporate Political Strategies in the Transition Economies*

Alina Kudina, Warwick University  
Simon Collinson, Warwick University

This paper presents a framework for the analysis of the effectiveness of MNE's corporate political activities in the transition economies. We relate the success of corporate political strategy to 1) the strength of the fit between the host country's industrial policy and MNE resources; 2) institutional distance between the two countries, and 3) choice of the host or home government for the action. We also discuss the circumstances in which the MNE should consider proactive strategies in the public policy domain and when the compliant strategies will be more effective.

We argue that proactive political strategies are effective when there is a strong fit between the MNE's resources and the industrial policy of the host government. We also suggest that proactive strategies are likely to be effective if used by a multinational coming from institutionally similar countries with the transition economies and best implemented via the host government. At the same time, multinationals coming from highly dissimilar institutional environments are likely to be better off drawing on the assistance of their home governments in negotiations in the transition economies. Finally, we offer real world examples from a large scale study of foreign businesses operating in China to illustrate the framework. *(For more information, please contact: Alina Kudina, Warwick University, United Kingdom: [alina.kudina@wbs.ac.uk](mailto:alina.kudina@wbs.ac.uk))*

*International Expansion, Diversification and Regulated Firms' Nonmarket Strategy*

JP Bonardi, University of Lausanne  
Santiago Urbiztondo, FIEL  
Bertrand Quelin, HEC Paris

Previous studies have shown that regulated firms tend to diversify for different reasons than unregulated ones. This is the case for product but also for geographical diversification, i.e. international expansion. The logic generally advanced is that regulated firms tend to diversify when they face costly and difficult relationships with the regulatory authority in charge of their sector. This approach, however, does not explain (1) what is really at the core of the problem in regulated firms' relationships with regulators, (2) why these firms cannot overcome part of the problem by developing nonmarket strategies –lobbying, campaign contributions, etc.– to influence regulatory decisions, and (3) why they sometimes opt for international expansion rather than product diversification. In this paper, we propose a theoretical model that provides potential answers to these questions. We start by considering the firm-regulator relationship as an incomplete information problem, in which the firms know things that the regulator does not, but cannot convey hard information about these things. In this setting, we show that when firms face tough nonmarket competition domestically, going abroad can create a mechanism that makes information transmission credible and therefore strengthen their position in their home market. International expansion, in consequence, can be a way to solve some of the problems that regulated firms face at home in addition to a way for these firms to grow their business abroad. *(For more information, please contact: JP Bonardi, University of Lausanne, Switzerland: [jbonardi@unil.ch](mailto:jbonardi@unil.ch))*

*Institutional Impact on Firms' Political Behaviors in Transition Economies*

Kyeungrae (Kenny) Oh, University of Missouri-St. Louis

How does institutional underdevelopment facilitate firms' political activities such as lobbying and bribing? How do these activities differ across different types of institutions? Are lobbying and bribing substitutes or complements? Linking new institutional economics with the literature on corporate political strategy, I develop an integrative model illustrating the interactions between institutions and firms' political behaviors. This study contributes to the literature by examining how and why institutions matter in firms' choices of lobbying and bribing, using data on approximately 15,000 firms in 26 transition economies. The results show that weak institutions cause more bribing but less lobbying, and individual institutions have differential effects on firms' political actions. In two distinct time periods, as institutions evolve to feature more market competition, firms are more engaged in lobbying and less involved in bribing, suggesting that lobbying is a substitute for bribing. When a bi-directional causality is applied, lobbying is complementary to bribing, whereas bribing is a substitute

for lobbying in the static model. *(For more information, please contact: Kyeungrae (Kenny) Oh, University of Missouri-St. Louis, USA: ohky@umsl.edu)*

*TMT Political Capital and Economic Performance*  
Menita Liu Cheng, Peking University

Drawing upon the resource-based view and social capital theory, this study aims to examine the utilization of top management team (TMT) political background characteristics (membership to industry associations and cooperatives, unions, military, party, congress and a variety of government agencies) to improve enterprise financial performance objectives. In a panel study of Shenzhen listed firms from 2000 through 2007, we analyze the effects of TMT political capital on economic performance (sales growth and return on assets) of 4576 enterprises. For sales growth, we find that membership with industry associations and cooperatives, party and county government agency TMT are positively and significantly related to performance. But for return on assets, we find that party membership of TMT is negatively associated with performance outcomes. Political capital is essentially two-faced. Enterprises enjoy political benefits, but at the same time have to pay for the costs of maintaining those relationships. *(For more information, please contact: Menita Liu Cheng, Peking University, China: atinem@hotmail.com)*

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**Session: 2.3.8 - Competitive**  
**Track: Track: 11 - Emerging Market Economies**

### ***Home-Country Competitiveness***

**Presented On:** June 29, 2009 - 11:45-13:00

Chair: Shige Makino, Chinese University of Hong Kong

*The Effects of Outward FDI on Home-Country Productivity: The Role of Location of Investment and Market Orientation of Industry*

Chengqi Wang, University of Nottingham  
L, Jeremy Clegg, University of Leeds  
Wen Chung Hsu, University of Leeds

Employing Taiwanese manufacturing data for fifteen industries over the period between 1991 and 2007, this paper examines the effects of outward foreign direct investment (O-FDI) on home-country productivity. Overall, we find no significant positive or negative effect on productivity. Breaking down the data by location of the investment, however, we find that the role of O-FDI in productivity varies with the location of the investment. We show that O-FDI in other countries enhances productivity in Taiwan, whilst O-FDI in China does not. We interpret the positive role of O-FDI in other countries as relating to the outcome of strategic asset-seeking nature of Taiwanese investments in these countries.

Furthermore, we find that the segments of home-owned industry that are best able to benefit from O-FDI in other countries are export-oriented industries. We interpret this finding as relating to the greater ability of export-oriented firms to take advantage of outward FDI by other firms, thereby absorbing the associated technological spillovers. Overall, the findings of this paper contribute to the literature by highlighting the role of the location of investment and industry characteristics in explaining the effect of O-FDI on home productivity.

*(For more information, please contact: Wen Chung Hsu, University of Leeds, United Kingdom: wenchung25\_@hotmail.com)*

*The "Dubai Model": A New Paradigm for Growth and Investment Strategies for Oil-Based Economies - Case Study Eurasia*

Scheherazade Rehman, George Washington University  
 Karlygash Dairabayeva, George Washington University

The goal of this paper is to address the framework of the so-called "Dubai Model" and to gauge its adaptability to the Eurasian oil-rich economies. In doing so, it outlines the non-traditional growth and investment strategies and the key components necessary for the oil-rich economies to develop sustainable comparative advantage. Furthermore, it analyzes the oil-rich economies of Eurasia through the prism of the Dubai Model, to see if these Eurasian economies are employing traditional growth strategies or if they are adopting the newer non-traditional model of economic growth, such as the Dubai Model. We apply Bayesian analysis. We find the Dubai Model to be working in Qatar and UAE. Azerbaijan and Kazakhstan are seeing the merits and attempting to adopt the elements of the "Dubai Model" of sustainable economic growth, i.e., growth through private investment in the R&D-driven sectors, and instant credibility via name-branding. However, the above are interdependent with global liquidity and inward FDI flows. Given the uncertainties facing financial sectors in 2009, the Dubai Model's strategy will require more time and liquidity to unfold than previously anticipated. *(For more information, please contact: Karlygash Dairabayeva, George Washington University, USA: karly@gwmail.gwu.edu)*

*Foreign Direct Investment in The Caucasus and Central Asia*

Serkan Yalcin, Saint Louis University  
 Hongxin Zhao, Saint Louis University  
 Selim Ozdemir, Qafqaz University  
 Nurettin Can, Fatih University

This study is an attempt to fill the research gap related to the FDI in Caucasus and Central Asia (CCA). While China, other Asia-Pacific, and East European countries have been the subject matter of various FDI research, our knowledge about FDI in CCA is limited as the literature is scant. Difficulty of conducting field research in CCA may account for such a gap in FDI scholarship. We examined various dimensions of FDI in eight countries in CCA through qualitative and quantitative analyses. First, a qualitative descriptive method was used to provide detailed information with respect to the origin, sectoral distribution, and motives of the FDI in CCA. Second, a case study method was used to provide insights into key issues of establishing, running, and managing businesses by foreign investors in CCA. Last, a quantitative approach was adopted to find out the country-level FDI determinants in CAA. Therefore, the article is an attempt to fill the knowledge gap regarding FDI in CAA, to give fresh insights to managers and international entrepreneurs, to provide policy-related suggestions, and to stimulate scholarly works related to CCA. *(For more information, please contact: Serkan Yalcin, Saint Louis University, USA: syalcin@slu.edu)*

*Sustainability and Accountability: An Empirical Study of the United Nations Global Compact*

Luis Antonio Perez-Batres, Central Michigan University  
 Van Miller, Central Michigan University

Drawing from institutional and stakeholder theories, we explore the three mechanisms of institutionalization (coercive, normative, and mimetic) and their influence on Corporate Social Responsibility (CSR) and Sustainable Development (SD) initiatives. Though both CSR and SD are deemed important, the issue of sustainability, as specified in the Brundtland Report, has emerged in a distinct ethical light due to its emphasis on survivability. To test the institutionalization of CSR-SD initiatives to date, we study UNGC registration and accountability patterns on 394 large corporations from 12 Western European and Latin-American countries. Results indicate that the normative and mimetic mechanisms (i.e., academic and peer influence) are better indicators of SD initiatives than the coercive one (i.e., government regulation). The implications of these findings are

consequential if CSR-SD practices continue as an ethical choice for corporate decision makers (*For more information, please contact: Luis Antonio Perez-Batres, Central Michigan University, USA: perez1la@cmich.edu*)

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**Session: 2.3.9 - Competitive**

**Track: Track: 9 - Internationalization Processes and International Marketing Strategies**

***Incentives, Attention, and Motivation in International Firms***

**Presented On:** June 29, 2009 - 11:45-13:00

Chair: Minna Söderqvist, Helsinki School of Economics

*The Effects of Compensation Gaps of Upper Echelons on Firm Internationalization*  
Kuei-Yang Cheng, National Taiwan University

This paper examines the effects of compensation gaps between a chief executive officer (CEO) and top management teams (TMT) on the internationalization process of firms. Using longitudinal data (2000-2005) on 528 public listed high-technology firms in Taiwan as our sample, results show that higher levels of CEO and TMT member pay will lead to high levels of international involvement. In addition, there is a curvilinear (U shaped) relationship between the CEO-TMT compensation gap and firm's internationalization. Together, these findings highlight that compensation structure has a significant influence on a firm's internationalization strategy. The contributions of this paper to human resource management issues in international businesses literature, along with the managerial implications of our findings are discussed in the concluding section of the paper. (*For more information, please contact: Kuei-Yang Cheng, National Taiwan University, Taiwan: d94724015@ntu.edu.tw*)

*Influence of Networks on Internationalization Decisions: An Attention-Based Perspective*  
Serdar Yavuz, York University

This paper develops a theoretical argument that an organization's network contains various characteristics that, when taken together, become a major factor in influencing the decision to internationalize as well as the degree of internationalization, and the location, method, and speed of entry into foreign markets. The argument presented in this paper views internationalization decisions as a sociocognitive process. It uses a cognitive approach to explain the phenomenon of attention allocation, and how it influences internationalization by getting decision makers to focus on certain internationalization characteristics while filtering out the others. The paper argues that to influence internationalization decisions, information needs to be available and salient to managers so that it warrants their attention. An organization's network—i.e., the collection of its social and business ties—has the capacity to influence both the availability and the salience of information to managers, thus significantly influencing, as well as limiting, the alternatives and the courses of action considered by an organization during internationalization. (*For more information, please contact: Serdar Yavuz, York University, Canada: syavuz@schulich.yorku.ca*)

*The Accelerated Internationalization of Born Global Firms: A Knowledge Transformation Process View*  
Hsiu Ying Huang, National Taiwan University  
Ming Hwei Hsieh, National Taiwan University

By investigating into the global niche market strategy of a born global firm, this study suggests that though founding resources such as the founder experiences may play an important role in the accelerated internationalization process of born global firms, the internationalization knowledge transformation process may distinguish the internationalization performance of conventional globals and born globals more adequately. A



born global firm is able to create its sustainable global competitiveness by speeding up the process of accumulating and transforming internationalization knowledge into firm strategies and routines than its global giant rivals. Organizational mechanism such as top-down hierarchical knowledge integration is helpful to accelerate the knowledge transformation process. (For more information, please contact: Hsiu Ying Huang, National Taiwan University, Taiwan: d93724005@ntu.edu.tw)

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**Session: 2.3.10 - Competitive**

**Track: Track: 2 - International Economics, Finance, Accounting and Taxation**

***Variations in the Cost of Capital: Culture, Location and Politics***

**Presented On:** June 29, 2009 - 11:45-13:00

Chair: Susan Feinberg, Rutgers University

*National Culture and Cost of Equity Capital: The Case of Secrecy*

Sidney J. Gray, University of Sydney  
 Tony Kang, Florida Atlantic University  
 Yong Keun Yoo, Korea University

This study examines the influences of national culture of secrecy on firms' cost of equity capital. Prior literature suggests that national culture explains certain corporate governance mechanisms (e.g., corporate disclosure and external audit) that are designed to reduce agency risk, which increases the cost of equity capital. However, no prior study explicitly examines how national culture influences firms' cost of equity capital. Our evidence shows that cost of equity capital tends to be higher in more secretive cultures and that this relation is mitigated by the strength of disclosure requirements of the country. This study contributes to the international business, culture, finance, accounting, and legal literatures by identifying national culture as an important determinant of firms' cost of equity financing across countries. (For more information, please contact: Sidney J. Gray, University of Sydney, Australia: s.gray@econ.usyd.edu.au)

*Political Connections and the Cost of Equity Capital*

Narjess Boubakri, HEC Montréal  
 Omrane Guedhami, University of South Carolina  
 Dev Mishra, University of Saskatchewan  
 Walid Saffar, University of Southern Indiana

In this paper, we examine the cost of equity capital for politically connected firms. After controlling for several firm- and country-level determinants, our results show that politically connected firms have a lower cost of equity capital than their non-connected peers. Our results are robust to alternative measures and proxies for the cost of equity capital. We thus provide strong evidence that investors require a lower cost of capital for politically connected firms, suggesting that these firms are generally considered to be less risky than non-connected firms. Our findings imply that the benefits of political connections outweigh their costs. We conjecture that this perception is fueled by the soft budget constraints generally enjoyed by politically connected firms, and by their lower default probability, given the assurance of corporate bailout in the event of financial downturns. (For more information, please contact: Dev Mishra, University of Saskatchewan, Canada: mishra@edwards.usask.ca)

*The Political Determinants of the Cost of Equity: Evidence from Newly Privatized Firms*

Hamdi Ben Nasr, Laval University  
 Narjess Boubakri, HEC Montréal  
 Jean Claude Cosset, HEC Montréal

We use a unique dataset of 126 privatized firms from 25 countries between 1987 and 2003 to investigate the political determinants of the cost of equity. We find strong, robust evidence that the cost of equity is increasing in government control, while controlling for other determinants of the cost of equity. We also find that the cost of equity is significantly related to the political system and to the government's tenure. Overall, our research suggests that the government's control rights and political characteristics determine the privatized firm's equity financing costs. *(For more information, please contact: Jean Claude Cosset, HEC Montréal, Canada: jean-claude.cosset@hec.ca)*

*Going Abroad through Buying Foreign Assets: Stock-market Evidence on Liability of Foreignness*

Yujin Jeong, George Washington University  
 Robert J. Weiner, George Washington University

We seek insights into the effect on firm value of going abroad by comparing cross-border asset purchases with both domestic asset purchases and takeovers. If liability of foreignness is relevant, domestic asset purchases should create more value than foreign asset purchases. Cross-border takeovers, in contrast, are likely to have multiple (possibly offsetting) effects on firm value, due to agency problems, liability of foreignness, but also to improvements in corporate governance as well as the usual value-enhancing dimensions of FDI.

We use a novel dataset covering an industry of petroleum exploration and production with extensive trading of corporate assets, as well as M&A. Consistent with a hypothesis of liability of foreignness, we find that buying domestic assets create more value than purchasing foreign assets, and it is statistically and economically significant. For M&A, we find statistically significant value destruction in domestic transactions, but insignificant effects in cross-border, perhaps due to offsetting influences.

Our results suggest empirical evidence of liability of foreignness in buying foreign assets, and that the positive effect of corporate governance enhancement and traditional FDI motives may be greater than the combined effect of liability of foreignness and potential value-destroying managerial motives that have been studied in M&A literature. *(For more information, please contact: Yujin Jeong, George Washington University, USA: yujin@gwu.edu)*

**Session: 2.3.11 - Pedagogy Session**

**Track: Track: 12 - Special Track on IB Pedagogy**

***Fostering Experiential Learning for IB Teaching Effectiveness***

**Presented On:** June 29, 2009 - 11:45-13:00

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

*IB Pedagogy: Content and Cohort Challenges*

Sandra Seno-Alday, University of Sydney  
*(For more information, please contact: Sandra Seno-Alday, University of Sydney, Australia: s.seno-alday@econ.usyd.edu.au)*

*A Distance-Based Field Learning Approach to Enhancing IB Learning Outcomes in Study Abroad*

Charles Vance, Loyola Marymount University  
*(For more information, please contact: Charles Vance, Loyola Marymount University, USA: cvance@lmu.edu)*

*Experiential Learning: Practicing Exporting*

Robert Moussetis, North Central College

*(For more information, please contact: Robert Moussetis, North Central College, USA: rcmoussetis@noctrl.edu)**Using Company Projects in the International Business Curriculum: Experience from Three Universities*

Tom Roehl, Western Washington University

*(For more information, please contact: Tom Roehl, Western Washington University, USA: tom.roehl@wwu.edu)***Session: 2.3.12 - Interactive****Track: Track: 3 - Alliances and Inter-Firm Relationships*****Alliances, Networks and Technology*****Presented On:** June 29, 2009 - 11:45-13:00

Chair: Marjorie Lyles, Indiana University

*Determinants of Ownership Positions in International Multipartner R&D Alliances*

Stephen Chen, Macquarie University

B. Elango, Illinois State University

Several studies have now examined the factors that influence ownership positions in international alliances but few have examined ownership positions in multipartner alliances that are becoming increasingly common in many industries and how these might differ from dyadic alliances. Based on a sample of 1,328 international R&D alliances involving US firms during the period 1990-2002, we examine the firm, industry and country-specific factors that favor the formation of international multipartner alliances compared with dyadic alliances and secondly, factors that favor high ownership positions in international multipartner alliances. *(For more information, please contact: Stephen Chen, Macquarie University, Australia: stephen.chen@mq.edu.au)*

*Technology-based Alliance and Innovation Performance in the Pharmaceutical Industry*

Ranfeng Qiu, Rutgers University

Jun Li, Rutgers University

Our research proposal categorizes firm performance as exploitative and explorative, and linking them to alliance attributes through a three-dimensional construct which covers both focal and partner firms. We propose three kinds of structural aspects of firm's strategic alliances: relational discrepancy, institutional discrepancy, and technological discrepancy. We then link these alliance-specific factors to firm's performance. We argue that firm's performance in terms of exploitation and exploration is affected by the attributes of these discrepancies. Our study will analyze U.S. pharmaceutical firms covering years from 1995 to 2000. The data will be collected from Security Data Company (SDC) strategic alliance database and Compustat. Our propositions hopefully contribute to the debate on whether and how firms benefit from strategic alliances by drawing attention to the nature of alliance structure and its impact on explorative/exploitive innovation. *(For more information, please contact: Ranfeng Qiu, Rutgers University, USA: rqiu@pegasus.rutgers.edu)*

*The Antecedents of R&D Alliance Formation: Technological Position and Market Position*

Bau-Jung Chang, National Taiwan University  
 Hsiu-Ling Li, National Taiwan University  
 Shuwen Wang, National Taiwan University  
 Shihmin Lo, Chi Nan University

Relative position either in technological field or end product market impacts on R&D alliance formation. Previous research only takes either one into consideration and ignores the interaction effect of technological position and market position on R&D alliance. Drawing on resource-based view, industrial economics, and learning theory, this article proposes that relative technological and market positions have caused R&D alliance formation in different degree. The results support the arguments and show that firms are more likely to undertake R&D alliance when firms occupy higher technological position and lower market position, or when firms possess lower technological position and higher market position. The findings offer new insight into the research on R&D alliance, and enrich the understanding on R&D alliance formation in the light of the relative positions the firms possess. (For more information, please contact: Bau-Jung Chang, National Taiwan University, Taiwan: d93724009@ntu.edu.tw)

*Offshore Strategic Alliances and the role of Social Capital in IT outsourcing*

Mahesh Ramamani, Michigan State University

The outsourcing of information technology (IT) services to offshore firms is primarily seen as a cost economizing strategy by many firms. Such a view to offshore outsourcing relationships has seldom resulted in the latter being treated as strategic partnerships by many managers. State of the art academic analysis of the outsourcing phenomenon also has been dominated by transaction cost economics view that studies the factors that affect the cost of outsourcing. In this article, we argue for a more wholesome view to outsourcing relationships in order to go beyond cost benefits that firms accrue and to understand how firms develop unique differentiating capabilities from outsourcing relationships. We adopt the lens of social capital framework to study multiple IT outsourcing relationships of a global service provider headquartered in India. We show that social capital plays a central role in outsourcing relationships in generating unique and special capabilities and benefits for the client firms. Social capital is shown to reduce barriers of knowledge and information sharing and foster learning amidst parties involved in a relationship that leads to generation of special, unintended and unique benefits for the client. (For more information, please contact: Mahesh Ramamani, Michigan State University, USA: ramamani@bus.msu.edu)

*The Human Factor: An Exploratory Examination of the Influence of Foreign Subsidiaries' Buyer Behavior on Strategic Supply Chain Initiatives*

Marcel Maria Zondag, University of Tennessee, Knoxville

Multi National Corporations ('MNC') rely ever more on foreign subsidiaries to implement and execute global sourcing initiatives, increasing the firm's cross-border interactions and inter-organizational relationships. Recognizing the often weak empirical fit of international business buyer behavior models, this paper proposes a conceptual, dynamic process model of the international business buying process, integrating individual buyer, organizational, and environmental factors. Next, a conceptual framework, delineating influence factors for the buying process in four influence spheres is proposed. From this framework research propositions are developed, intended to test the framework's ability to assist in understanding and predicting not only international buyer behavior and inter-firm relationship formation, but also related phenomena in the realms of international strategic management, sourcing, and marketing. (For more information, please contact: Marcel Maria Zondag, University of Tennessee, Knoxville, USA: mzondag@utk.edu)

*The Roles of Strategic Orientations and Environment Turbulence in Networks Formation*  
 Wen Zhang, City University of Hong Kong  
 Muammer Ozer, City University of Hong Kong

Different strategic orientations have been perceived as the important factors that affect firms' operations and performance, and have the critical impacts on networking. This study investigates the different roles of strategic orientations (i.e., market and technology orientation) in networks formation. It also argues that market turbulence and technology turbulence have different moderating impacts on networks, and firm performance varies when the levels of these turbulences vary from low to high. *(For more information, please contact: Wen Zhang, City University of Hong Kong, Hong Kong, SAR-PRC: mgwendy@cityu.edu.hk)*

*Extremes Meet: Quantity and Quality of Collaboration Network for New Venture's Financial Performance*  
 Ming-Chao Wang, National Cheng Kung University

In this research, we introduce the concept of new venture network structures, which is the structure of new venture's interaction positions within the industry and in the social configuration of a wider external cooperative organization, and examines the hypothesis that new venture performance is maximized through optimal and effectiveness formations of different channels for such network structure. These channels include new venture partners' closure collaboration relationships, network centrality that span industry boundaries, and partnership network that cross to partner boundaries. Results are examined from 189 technology-based new ventures and showed that empirical tests are supported. The discussions and implications are provided in the final section. *(For more information, please contact: Ming-Chao Wang, National Cheng Kung University, Taiwan: r4894113@mail.ncku.edu.tw)*

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**Session: 2.3.13 - Interactive**

**Track: Track: 7 - The Location of FDI, Clusters, and Inter-Firm Spillovers**

***Multinational Firms and Local Context***

**Presented On:** June 29, 2009 - 11:45-13:00

**Chair:** Rajneesh Narula, University of Reading

*A Study of Multinational Investment Property Companies*  
 Albert Wöcke, University of Pretoria  
 Saul Klein, University of Victoria  
 Tod Ridgeway, University of Pretoria

The eclectic paradigm is applied to investment decisions made by multinational property investment companies. The strategies undertaken by five companies are examined with respect to their capabilities, the criteria that they use for location decisions, and their modes of entry. The eclectic paradigm allows us to study the internationalization of these companies whose strategies aim to reduce risk. Building appropriate capabilities is a method to mitigate property risk, market risk is managed by location selection, and internalization and mode of entry decisions correspond with product choice. *(For more information, please contact: Saul Klein, University of Victoria, Canada: sklein@uvic.ca)*

*Effects of Inward Investment on Outward Investment: Venture Capital Industry Worldwide 1980-2007*  
 Qian Gu, National University of Singapore  
 Jane W. Lu, National University of Singapore

The linkage between the entries of foreign firms and the international expansion of host country firms has been understudied. We develop a taxonomy of inward and outward investment relationship between different pairs of home and host countries. Our analysis of Venture Capital (VC) investments worldwide of 1980-2007 period shows that there is a strong connection between the inward and outward VC investments of pair countries. Moreover, this connection is contingent upon the relative stages of VC industry development of the pair countries. When the host country is a laggard and the home country is a leader in the VC industry, the impact of inward VC investment on outward VC investment between the pair country is the most prominent. Meanwhile, the host country's propensity to make outward VC investments to the home country will be enhanced with an increased number of co-investments between the two. *(For more information, please contact: Qian Gu, National University of Singapore, Singapore: guqian@nus.edu.sg)*

*Financial Giants and Moral Pygmies? Multinational Corporations and Human Rights*

Shaomin Li, Old Dominion University  
Ajai Gaur, Old Dominion University

How should a multinational corporations deal with the human rights issues in a country with a poor human rights standard - uphold the high standard as in its home country, or lower the standard to stay competitive and legitimate in the host country? The institutional duality arising due to the differences in the home country and host country environments poses difficult challenges for MNCs in dealing with the human rights issues. Surprisingly, while the role of MNCs in host country development has become increasingly important, there is little research on the interplay between MNCs' practice and the human right conditions in a host country. Using the institutional perspective, we develop a dynamic model that depicts how MNCs interact with the host country environment. We show that, first, in a country with a high level of human right abuses, a firm will have to lower its human rights standard to survive; second, despite that, a collective effort by all firms is essential to improve the human rights condition in such a society; and third, a firm's human right practice may have a multiplicative effect that can significantly affect the momentum of the human right development in a country. *(For more information, please contact: Ajai Gaur, Old Dominion University, USA: agaur@odu.edu)*

*Entry Mode Choice and Ownership Strategy of Japanese Services Firms*

Nobuaki Endo, Tokyo University of Marine Science and Technology  
Toshiya Ozaki, Rikkyo University

This study examines the choice of entry mode by MNEs in the services sectors between a joint venture and a wholly-owned subsidiary and its decision about the ownership level in foreign operation. The study uses the Japanese services firms as samples. The positive relationship between advertising intensity and ownership level is observed, although it is not statistically significant. The statistically significant positive relationship is observed between international experience and ownership level. With more international experience, a service firm may accumulate capabilities of, and confidence in, operating international business and may have incentives to more actively engage internationally through establishing subsidiaries with a higher level of control. Furthermore, the international experience may serve as an integral part of the contributed assets. Also, the results indicate the significance of institution for services seems paramount. If a service firm finds host country institutions "more advanced," it may safely establish its wholly owned subsidiary. The overall results seem to suggest that Japanese service firms demonstrate similar patterns for their entry mode choice with those of manufacturing and service firms examined in the past studies. *(For more information, please contact: Nobuaki Endo, Tokyo University of Marine Science and Technology, Japan: nendo@kaiyodai.ac.jp)*

*Integrating Managerial Information Processing Capabilities into the Transaction Cost Model of Entry Mode Choice*

YuKai Wang, Florida International University

Based on transaction cost economics, the choice of entry mode is based on transaction cost factors, such as asset specificity, which represent the extent of potential transaction costs. However, transaction cost economics implicitly assumes that each firm has the same level of bounded rationality and has neglected the idiosyncrasies of managerial information processing capabilities in each firm. Drawing from the behavioral theory of the firm and upper echelons perspectives, this study aims to argue that the characteristics of the top management team representing its information processing capabilities will differentiate the relationships between transaction cost factors and the choice of entry mode. This study proposes that a firm with high managerial information processing capabilities may weight potential transaction costs lower and thus is more willing to use the joint venture mode rather than the wholly-owned mode, compared to a firm with low managerial information processing capabilities. The arguments of this study will enhance our understanding regarding how the managerial information processing capabilities play the moderating role in the transaction cost model of entry mode choice. *(For more information, please contact: YuKai Wang, Florida International University, USA: ywang012@fiu.edu)*

#### *FDI and Business Groups*

Meghana Ayyagari, George Washington University  
Luis Alfonso Dau, University of South Carolina  
Jennifer W. Spencer, George Washington University

We study the impact of inward FDI on the strategic response of emerging market firms whether or not to expand their operations. Building on transaction cost economics and social network theory; we argue that the response of these firms depends on their financial and technological strength, on whether they are affiliated to a business group or other network, and on the composition of that network. Business group affiliates tend to have more access to flexibility in terms of resources and capabilities by virtue of being part of a network of firms. However, not all firms within the business group benefit equally from their association, because they may or may not be a central constituent of their network. The more central a firm is within its business group, the more likely it is to benefit from its relationship with the group. We therefore argue that centrality within a business group positively moderates the relationship between inward FDI and a firm's decision to expand its domestic operations. Furthermore, we argue that the centrality of a firm vis-à-vis domestic and foreign firms provides similar advantages for the firm than the centrality of a business group affiliate. Based on a sample of 9007 public companies in India for the period 1988-2007, we generally find support for these arguments. *(For more information, please contact: Luis Alfonso Dau, University of South Carolina, USA: luis\_dau@moore.sc.edu)*

#### *Liability of Foreignness – Questions that we Don't Ask?*

Suresh Singh, Ohio State University

Two assumptions regarding the concept of liability of foreignness are challenged in this paper. First is that foreignness is not only unambiguously established but is also known to all the relevant stakeholders. The paper argues that globalization is making it increasingly difficult to identify the foreignness of a firm and therefore its liability may have been overstated. The second assumption to be challenged is that foreigners necessarily face higher costs than domestic competitors and therefore must have absolute advantages over domestic firms to compete. Drawing inspiration from the behavior of migratory birds and their competition with the resident birds, the paper argues that both foreign and domestic firms have comparative advantages over each other. The competition between foreign and domestic firms should therefore be separated from the concept of liability of foreignness. *(For more information, please contact: Suresh Singh, Ohio State University, USA: singh.258@osu.edu)*

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**Session: 2.3.14 - Interactive**  
**Track: Track: 11 - Emerging Market Economies**

***Internationalization of Emerging Market Firms***

**Presented On:** June 29, 2009 - 11:45-13:00

Chair: Mary B. Teagarden, Thunderbird School of Global Management

*Definitions of Emerging Markets and Emerging Market Global Companies: Double Triangle Model*  
Zukweon Kim, Konkuk University/Samsung Economic Research Institute  
Moosup Jung, Samsung Economic Research Institute

Many institutions and researchers in international economics and business have studied the characteristics, trends, and sources of competitive advantages of emerging markets (EMs) and/or emerging markets global companies (EMGCs) compared to those of other markets and MNEs because the growing importance of EMs and EMGCs in the world economy. However, there are no clear-cut definitions of EMs and EMGCs. Therefore, this study is trying to develop a theoretical model called as 'Double Triangle Model' to define EMs and EMGCs who have sustainable competitive advantages. Based on Double Triangle Model, this study defines EMs as countries whose competitive advantages measured by the shares of GDP, exports, and outward foreign direct investment in the world are higher than the average of all countries except developed countries. Also, EMGCs are defined as companies whose competitive advantages measured by trans-national, growth, and profitability indices are higher than the average of all companies from EMs. *(For more information, please contact: Zukweon Kim, Konkuk University/Samsung Economic Research Institute, Korea, South: zkkim@konkuk.ac.kr)*

*Transnationalization of Brazilian Companies: Lessons from the Top 20*  
Jase Ramsey, Fundacao Dom Cabral  
Paulo Resende, Fundacao Dom Cabral  
Andre Almeida, Fundacao Dom Cabral  
Flavia Pereira Carvalho, UNU MERIT/Fundacao Dom Cabral

Emerging market transnational corporations have had difficulties making decisions involving their international strategic plans. These difficulties largely stem from the lack of a historical foundation for making decisions about international trade due to their relatively recent materialization as large players in the international arena. This obstacle makes it difficult to predict what might become a future success or failure in global markets. Brazilian TNCs (BTNCs) are also experiencing the same obstacles related to lack of prior familiarity with the transnationalization process. However, in recent years, the BTNCs' degree of transnationalization has been increasing, as evidenced by a number of companies solidifying recurrent positions in the top 20 BTNC ranking. This study examines the process of transnationalization of BTNCs and offers insight into their plight. *(For more information, please contact: Jase Ramsey, Fundacao Dom Cabral, Brazil: jase@fdc.org.br)*

*Technology Sourcing and Internationalisation of IT Firms in India*  
Krishnan Narayanan, Indian Institute of Technology Bombay  
Savita Bhat, Madras School of Economics, Chennai

The paper analyzes the determinants of internationalisation, defined in terms of export intensity and overseas investments, of the IT firms in India. In particular, the paper examines the role of technology sourcing, both internal (in-house R&D) and external (technology imports), in determining inter-firm variation in internationalisation. The study, using the resource-based perspective, finds that there are differences in the determinants of exports and overseas investments. Also, the effects of the technological factors differ between software and services firm and a hardware firm. By and large, the study finds support to the view that,



presently, IT firms in India are gaining competitive advantage over their rivals by exploiting the technological gap along with factor cost differentials. The paper suggests that the firms from emerging markets need to create niche markets to have long-run competitive advantage in the international market. *(For more information, please contact: Krishnan Narayanan, Indian Institute of Technology Bombay, India: knn@hss.iitb.ac.in)*

*The Role of the Subsidiaries in Emerging Multinationals: The Case of Multilatinas*  
Armando Juan Borda, Florida International University

Despite the growing importance of multinationals from emerging countries, relatively few studies have been conducted so far. Moreover, MNCs from Latin America have received smaller attention in IB research. This paper analyzed the different roles assumed by the subsidiaries of Multilatinas. It is argued that MNCs from Latin America structure different activities of the value chain in different countries to exploit and gain competitive advantage. Multilatinas have different strategic motives that will determine the role and evolution of their subsidiaries abroad. These relations are channeled by the type of market pursued (develop or developing) and activity conducted (upstream or downstream activities). *(For more information, please contact: Armando Juan Borda, Florida International University, USA: abord001@fiu.edu)*

*Exploring the Role of Firm Capabilities and Institutional Environment in the International Market Entry of Firms from Emerging Economies*  
Arvin Sahaym, Washington State University, Pullman  
Dae-il Nam, Washington State University

We identify and examine the drivers of international market entry for the firms from emerging economies. We meld insights of resource- and capability-based views with institutional theory to develop a multi-level theoretical model. Our cross-level research model examines the interactions between country-level institutional environment and firm-level resources and capabilities. We find that a TMT with global managerial experience is a key motivator for international market entry for the firms from emerging economies. A domestic firm's experience with global technologies in combination with TMT's global managerial experience further drives international market entry. Our cross level analysis shows that conditions will be particularly conducive for international market entry in the presence of: 1) favorable institutional environment for human capital when a firm already has experience with global technologies along with a TMT with global experience, and 2) favorable institutional environment for human capital as well as technological capital when TMT has global managerial experience. Our analyses provide a more complete and refined view of exchanges between country-level institutional environments and firm-level resources and capabilities. *(For more information, please contact: Arvin Sahaym, Washington State University, Pullman, USA: arvin@wsu.edu)*

*The Investment Development Path Theory: Evidence from India*  
Rakhi Verma, Trinity College Dublin  
Louis Brennan, Trinity College Dublin

This paper aims to focus at the country-specific level on India's recent outward foreign direct investment (OFDI) surge, and more broadly test the investment development path (IDP) hypothesis for India. A combination of descriptive and empirical analysis has been used to ascertain the relevance of the IDP theory for India. The theoretical background of this paper is the IDP hypothesis, which states that the net outward investment position of a country depends on its level of development. The hypothesis is tested with a time series data set from 1991 to 2006. This paper highlights how Indian OFDI supports the stylized IDP model and shows that the sharp rise in outward investments since 1991 has followed the growth in GDP driven development. This study undertakes a macro level analysis at an aggregate level and concludes by raising the issue of some unique features of Indian OFDI that deviate from the assumption underpinning the IDP. Hence further study is needed

to gain a full understanding of India's investment position. This paper addresses an under researched topic of Indian OFDI. *(For more information, please contact: Louis Brennan, Trinity College Dublin, Ireland: brennaml@tcd.ie)*

*The Mechanisms and Drivers of Chinese Foreign Investments -The Prominent Role of the Visible Hand -*  
Philippe Gugler, University of Fribourg  
Bertram Boie, University of Fribourg

Chinese outbound investment can overall be explained by traditional theories on FDI and MNEs. However, in some aspects Chinese outward FDI is unique and differs from known investment in the "Western" context. Most importantly, it is largely executed by Chinese SOEs. This paper aspires to deepen understanding on the phenomenon by focusing on the policy dimension of Chinese outbound investment. It provides an understanding of the potential and actual government influence, comparing motivations for internationalization by Chinese enterprises and the Chinese government, and pointing out where Chinese companies own a comparative advantage in their internationalisation activities compared to its mostly Western competitors due to the particular Chinese policy support. Apart from typical motivations for internationalization that apply for Chinese MNEs (market-seeking, resource-seeking, strategic asset seeking and efficiency-seeking motivations), a number of additional motivations exist, which are directly linked to the particular institutional and societal context of China. *(For more information, please contact: Philippe Gugler, University of Fribourg, Switzerland: philippe.gugler@unifr.ch)*

*The Impact of Host Country Acculturation Policy on Diaspora FDI to the Home Country: The case of the Indian diaspora in North America*  
Masud Chand, Wichita State University

Host country acculturation policies have an important impact on how immigrants interact with both the home and host countries. . In this paper, we investigate the effect that host country acculturation policies can have on the attitudes that immigrants have towards the home and host countries, and how these attitudes can affect the flow of FDI from the host to the home countries. We use the example of the Indian diaspora in North America to examine this effect. The empirical study is based on a questionnaire survey of 158 Indian managers and professionals followed by 25 more detailed interviews with select survey respondents. *(For more information, please contact: Masud Chand, Wichita State University, USA: masudc@sfu.ca)*

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**Session: 2.3.15 - Interactive**

**Track: Track: 8 - International Human Resource Management, Cross-Cultural Management, and Qualitative Research Methods**

### ***Taking the Pulse of Cross-Cultural Research***

**Presented On:** June 29, 2009 - 11:45-13:00

**Chair:** John Child, Birmingham Business School

*Measuring Values for Cross-cultural Research*  
Robbert Maseland, Radboud University Nijmegen  
André van Hoorn, Radboud University Nijmegen

This paper investigates the empirical relevance of the recent critique that values surveys, as they are, suffer from the problem of measuring marginal preferences rather than values. By surveying items from cross-cultural surveys by Hofstede, Inglehart and GLOBE, we show that the marginal preferences problem is pervasive, even

in cases where improved survey items are used. As an alternative to survey items about the importance respondents attach to various objectives, we therefore propose the use of so-called happiness or experienced utility functions as method to assess more directly what people across cultures care about and how much. Several recent contributions show the feasibility of such methods. We conclude that value measures based on cultural variation in the structure of happiness appear viable and superior substitutes for survey-based value indicators. *(For more information, please contact: Robbert Maseland, Radboud University Nijmegen, Netherlands: r.maseland@fm.ru.nl)*

*Wither Future Cross-Cultural Research and Practice in Business and Management?*

Nikos Bozionelos, University of Durham

The idea the paper advances is that research in international business and management probably ought to change direction. There is a line of thought, epitomized by theories such as the crossvergence theory, which suggests that a global culture is forming as an amalgam of extant cultures and economic ideologies. If this approach is correct extant research in cross-cultural issues in management will be obsolete in the not distant future. Therefore, current concerns of transferability of management processes (e.g., leadership) and systems (e.g., human resource systems) across cultures will not be of validity in the future. Management systems will be applicable across geographic locations, and notions such as expatriation or inpatriation will not be meaningful, as a uniform global culture will exist and global careers will be the norm. Therefore, research should abandon the study of cross-cultural differences and should focus on the identification of the laws that govern cultural crossvergence with the purpose to formulate accurate models of the new culture that will emerge as a consequence of globalization. This will inform businesses, organizations, managers and individuals on the norms to which they will have to operate in the new era of global culture and management systems. *(For more information, please contact: Nikos Bozionelos, University of Durham, United Kingdom: nikos.bozionelos@durham.ac.uk)*

*Explore the Gap between Rigor and Relevance in Management Research*

Jing Shang, National University of Singapore

Zheng Yan, National University of Singapore

Vivien Kim Geok Lim, National University of Singapore

This study focuses on the integration of rigor and relevance. By using scholarly and practitioner journals as the proxies of rigor and relevance, we identify the research gap between scholarly and practitioner journals by examining their divergence and convergence on research topics, authorship and research methodologies. Based on 10-year data collected from five different journals published by AOM and AIB, we found that research in scholarly and practitioner journals pays comparable attention to topics pertaining to green management and emerging markets. In addition, the dominance of papers authored by scholars affiliated with American universities decreases over time in scholarly journals, but not in practitioner journals. This difference suggests the pace of authorship internationalization in scholarly research is faster than that in practitioner research. Moreover, scholarly journals tend to publish papers using robust statistical analyses more than practitioner journals. The latter focuses more on descriptive analyses. We suggest that scholars use simpler statistical analyses in academic research to increase its readability to practitioners and narrow rigor-relevance gap. *(For more information, please contact: Jing Shang, National University of Singapore, Singapore: shangjing@nus.edu.sg)*

*On the Merits of the Qualitative Approach in the Research of Managerial Practices in International Business: The Case of Corruption*

Christos Antoniou, University of Leeds

Malcolm Chapman, University of Leeds

This paper looks at two conjoined issues: 1, the issue of corruption in international business (and in society and politics more generally), and 2, the issue of how best this might be researched. The paper argues that positivist and quantitative methods reach a dead end in this most important arena of research. The paper argues that the slow emergence and acceptance of interpretive, qualitative and relativist research within international business studies, offers a route into the research of issues, like corruption, which have previously been, in effect, off limits to international business researchers. *(For more information, please contact: Malcolm Chapman, University of Leeds, United Kingdom: mkc@lubs.leeds.ac.uk)*

*Web Sites Localization and Korean Consumer E-Commerce Expectations*

Ji Eun Park, Saint Louis University  
Nitish Singh, Saint Louis University  
Seung H. Kim, Saint Louis University

This paper is motivated by two research questions: (1) How cultural differences of multinationals affect localization of web contents in their target market? (2) What are consumers' expectations toward web contents and design? To examine these questions, this paper conducts comparative analysis of U.S multinationals' web sites with Japanese multinationals' web sites for South Korean consumers when localizing their content for South Korean B-C online market. Furthermore, this study explores South Korean online consumers' web sites expectations. Content analysis is used for study 1 to compare the localization efforts, and the results provide evidence that Japanese multinationals do better work in terms of web sites localization to Korean B to C markets than U.S. multinationals do. Study 2 uses the focus group method to generate the experiential account of Korean consumers' web sites expectations. The themes and insights generated from focus groups then form the basis for future research using hypotheses development and testing. *(For more information, please contact: Ji Eun Park, Saint Louis University, USA: parkj2@slu.edu)*

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**Session: 2.4.1 – Special Session**

***Farmer Dissertation Award Presentations***

**Presented On:** June 29, 2009 - 14:00-15:15

Chair: Mary Zellmer-Bruhn, University of Minnesota

*Do Chief Executive Officers Matter More in Some Countries than Others? The Antecedents and Consequences of Cross-National Differences in Managerial Discretion (Ph.D. Awarded by Pennsylvania State University)*

Craig Crossland, University of Texas at Austin

*Political Strategies in Emerging Economies (Ph.D. Awarded by University of Toronto)*

Nan Jia, University of Toronto

*Connecting the Dots: Uncovering the Technology Scouting Process (Ph.D. Awarded by London Business School)*

Felipe Monteiro, University of Pennsylvania

*Institutional Distance, Social Capital, and the Performance of Foreign Acquisitions in the United States (Ph.D. Awarded by Florida Atlantic University)*

Daniel Rottig, California State University, Long Beach

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**Session: 2.4.2 - Competitive**

**Track: Track: 8 - International Human Resource Management, Cross-Cultural Management, and Qualitative Research Methods**

***The Effectiveness and Assessment of Cross-cultural Teams***

**Presented On:** June 29, 2009 - 14:00-15:15

Chair: Sabina Nielsen, Copenhagen Business School

*Cognitive Organization and Identity Maintenance in Cross-cultural Teams: A Discourse Analysis of Decision-making Meetings*

Jolanta Aritz, University of Southern California

Robyn Walker, University of Southern California

Measuring culture is a central issue in international management research and has been traditionally accomplished using indices of cultural values. Although a number of researchers have attempted to identify measures to account for the core elements of culture, there is no consensus on those measures. This paper uses an alternative method—discourse analysis—to observe what actually occurs in terms of communication practices in cross-cultural decision-making meetings, specifically those involving U.S.-born English speakers and participants from East Asian countries. Previous discourse studies in this area suggest that differences in communication practices may be attributed to power differentials or language competence. Our findings suggest that the conversation style differences we observed might be attributed to intergroup identity issues instead. *(For more information, please contact: Jolanta Aritz, University of Southern California, USA: aritz@marshall.usc.edu)*

*Cross Cultural Communication and Team Performance*

Kenji Klein, University of California, Irvine

Cristina B. Gibson, University of California, Irvine

This study examines the role of cross-cultural communication skills in culturally diverse teams. Scholars have long argued about whether diversity hurts team performance by creating tensions and miscommunications or helps team performance by providing broader information and perspective that enable richer reflection and creativity. This paper proposes that the ability of team members to communicate effectively across cultural boundaries eliminates the problems diversity creates and enables culturally diverse teams to leverage the potential benefits diversity offers. Empirical data from 56 aerospace engineering teams provides support for the argument that cross-cultural communication skills moderate the relationship between team cultural diversity and team innovation. *(For more information, please contact: Kenji Klein, University of California, Irvine, USA: kklein05@merage.uci.edu)*

*The Influence of Organizational Culture on Multinational Teams*

Aida Hajro, Brunel University

Markus Pudelko, University of Edinburgh

This study explores in detail the relationship between multinational teams (MNTs) and the culture of the organization in which they operate. On the basis of 91 in-depth, semi-structured interviews in six multinational companies, five criteria were identified that are of significance when studying the impact of organizational culture on MNTs: role of expatriates; role of inpatriates; socialization; organizational values and norms; and exploitation and exploration. We could reveal clear differences in organizational cultures among our case companies on the basis of these criteria which led to significant differences in corporate approaches towards MNTs. Based on this analysis of organizational cultures and their impact on MNTs, we distinguished three

different company types: 1. companies with a strong-flexible organizational culture; 2. companies with a strong-inflexible organizational culture; and companies with a weak-flexible organizational culture. By relating for the first time systematically organizational culture to MNTs, this study puts into question previous findings on both aspects and reveals major implications for the management of MNCs. *(For more information, please contact: Markus Pudelko, University of Edinburgh, United Kingdom: markus.pudelko@ed.ac.uk)*

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**Session: 2.4.3 - Competitive**

**Track: Track: 9 - Internationalization Processes and International Marketing Strategies**

***Export and FDI Barriers***

**Presented On:** June 29, 2009 - 14:00-15:15

Chair: Douglas Dow, University of Melbourne

*The Impact of Geographic and Linguistic Barriers on the Choice by Multinationals between Greenfield and Acquisition Entry: An Agency Theoretic Perspective*

Arjen Slangen, University of Amsterdam

This study identifies two new country-level barriers affecting the choice by multinational enterprises (MNEs) between greenfield and acquisition entry, viz. geographic and linguistic barriers. Taking an agency theoretic perspective, I hypothesize that the geographic distance between an MNE's home country and the focal host country, the magnitude of the native language barrier between both countries, and the level of foreign language deficiency in the host country all increase the likelihood that MNEs choose greenfield over acquisition entry. I also hypothesize that the positive effects of geographic and linguistic barriers on the likelihood of greenfield entry are weaker for MNEs planning to grant the focal subsidiary considerable autonomy, and stronger for high-technology MNEs. An analysis of 217 foreign entries by Dutch MNEs into 39 countries over 1996-2003 lends support to most of these hypotheses. My findings illustrate the importance of incorporating geographic and linguistic barriers in studies of foreign entry and in those of international capability transfers. *(For more information, please contact: Arjen Slangen, University of Amsterdam, Netherlands: a.h.l.slangen@uva.nl)*

*The Nature of Barriers to Export in Emerging Markets: The Case of Mexico*

Francois Duhamel, Universidad de Las Americas, Puebla

Robyn Lynn Johnson, Universidad de Las Americas, Puebla

This research studies Mexican exporters' perceptions of export barriers based on a survey of 78 firms in the South-Central region of Mexico. These firms identify information, brand and working capital concerns as their main internal barriers to export. Less importance is given to supplying inventory abroad, access to technology and qualified human resources as well as factors related to product, pricing and culture. Similarities and contrasts regarding the perception of internal export barriers appear between emerging markets and developed countries. Additionally, Mexican exporters reveal specific external export barriers affecting them, which are consistent with the institutional voids typically present in emerging markets. *(For more information, please contact: Francois Duhamel, Universidad de Las Americas, Puebla, Mexico: francois.duhamel@udlap.mx)*

*Influence Factors, Barriers and Effects of International Divestment – A Review*

Dirk Morschett, University of Fribourg

Annett Donath, University of Fribourg

Jan Hendrik Fisch, University of Augsburg

Hanna Schramm-Klein, Universität Siegen

Previous research on internationalization processes has mainly considered this a one-way street with companies consistently increasing their commitment in a specific foreign market. However, a few empirical studies have demonstrated that divestment, i.e. the reduction of a company's engagement in a particular market, is a very common phenomenon. Thus, divestment should also be considered an integrative part of internationalization strategies.

The objective of our paper is to summarize previous findings on influence factors on the international divestment decision. We investigate influences on the subsidiary-, the host country- and the firm-level. We find that the size of the foreign subsidiary, its market entry mode, the relatedness of its business to the parent company's business, the cultural distance and the international experience of the parent company have displayed rather consistent results in previous studies. Furthermore, we discuss findings on barriers as well as on the effects of international divestment. Most important, our review reveals that empirical studies on international divestment are rare and many potential influence factors are under-examined.

*(For more information, please contact: Annett Donath, University of Fribourg, Switzerland: [annett.donath@unifr.ch](mailto:annett.donath@unifr.ch))*

#### **Session: 2.4.4 - Competitive**

**Track: Track: 7 - The Location of FDI, Clusters, and Inter-Firm Spillovers**

#### ***The MNE: Global vs. Regional Views***

**Presented On:** June 29, 2009 - 14:00-15:15

Chair: Ali Taleb, HEC Montréal

#### *Global Production Networks and China's Processing Trade*

Chang Hong, Clark University  
Alyson C. Ma, University of San Diego  
Ari Van Assche, HEC Montréal

This paper unveils a systematic pattern in China's processing trade. In a cross-section of Chinese provinces, the average distance traveled by processing exports is negatively correlated to the average distance traveled by processing imports. We show that this pattern reflects two different reasons why multinational firms locate their processing plants in China. A supplier access firm's decision is based on China's vicinity to input suppliers in neighboring countries. A market access firm's choice is based on China's closeness to key consumer markets in neighboring countries. We discuss the implications for our understanding of China's role in global production networks. *(For more information, please contact: Ari Van Assche, HEC Montréal, Canada: [ari.van-assche@hec.ca](mailto:ari.van-assche@hec.ca))*

#### *Global Fixed Capital Investment by Multinational Firms*

René Belderbos, Katholieke Universiteit Leuven  
Kyoji Fukao, Hitotsubashi University  
Keiko Ito, Senshu University  
Wilko Letterie, Maastricht University

We develop and test a simple model of the simultaneous determination of gross fixed capital formation by multinational firms in home and host countries. We treat multinational firms as multi-product firms under monopolistic competition choosing an optimal investment location for each product variant. We test the predictions of the model on a unique dataset covering 1620 fixed capital investment decisions by Japanese multinationals firms in the manufacturing sector. We find that the rate of investment is not only determined by factors affecting the return on investment in a country (e.g. effective demand and wages), but also by wage

levels in other countries in which the firm operates manufacturing affiliates. Firms facing global liquidity constraints show systematically lower investment ratios, suggesting that financing constraints are another source of interaction between investments. *(For more information, please contact: Wilko Letterie, Maastricht University, Netherlands: w.letterie@os.unimaas.nl)*

*Regional Multinationals, Firm-Specific Advantages, and Performance*

In Hyeock (Ian) Lee, Western Kentucky University  
Alan M. Rugman, University of Reading

Using original data on the multinationality of large Korean firms, this paper examines the impact that their firm specific advantages (FSAs) have on performance. Two types of FSAs are examined: upstream R&D investments and downstream advertising expenses. It is found that FSAs positively affect performance but only when a moderating variable for the regional nature of Korean multinationality is included in the regressions. *(For more information, please contact: In Hyeock (Ian) Lee, Western Kentucky University, USA: ian.lee@wku.edu)*

*A Balancing-Mechanism Approach to the Theory of the Multinational Enterprise*

Min-Young Kim, University of Illinois at Urbana-Champaign  
Joseph Mahoney, University of Illinois at Urbana-Champaign

Drawing on the resource-based view of the firm, this paper introduces a balancing-mechanism approach to the theory of the multinational enterprise (MNE) and examines three issues concerning foreign direct investment (FDI): (1) geographic scope; (2) location choice; and (3) the direction of investment in terms of the choice of exploitation or exploration. In regards to geographic scope, FDI is viewed as a means of balancing the firm's level of resources and capabilities and as a way to facilitate the growth of the firm and/or increase the likelihood of achieving isolation mechanisms by utilizing foreign strategic factor markets. In terms of location choice, this paper posits that firms choose a location to improve the dynamic balancing process of its resources and capabilities. Finally, in terms of the direction of investment, this paper maintains that both exploitative and explorative FDI are chosen in order to balance the different types of imbalances resulting from different country effects, initial endowments, path dependencies and prior strategic commitments. *(For more information, please contact: Joseph Mahoney, University of Illinois at Urbana-Champaign, USA: josephm@illinois.edu)*

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**Session: 2.4.5 - Competitive**

**Track: Track: 8 - International Human Resource Management, Cross-Cultural Management, and Qualitative Research Methods**

***National Culture at the Core of IB Research***

**Presented On:** June 29, 2009 - 14:00-15:15

**Chair:** Audra I. Mockaitis, Victoria University of Wellington

*Cultural Congruence and Firm Performance: A Cross-cultural Comparison*

Te-Yi Lin, National Chengchi University  
Carol Yeh-Yun Lin, National Chengchi University  
Carolyn P. Egri, Simon Fraser University

Since Hofstede (1980) first proposed a typology of national cultural values, national culture has been an integral facet of international management research. Although national culture has been studied intensively to elucidate how it impacts firm performance, previous research findings have been inconsistent. This study investigated the values congruence between national cultures and organizational cultures through the lens of institutional theory,



and then examined the relationship between cultural congruence and firm performance for a sample of 173 firms in Taiwan and 373 firms in Canada. The study findings indicate that national cultures influence the development of organizational culture orientations to some degree. Additionally, congruence between organizational culture orientations and societal cultural values is associated with enhanced organizational financial performance. *(For more information, please contact: Te-Yi Lin, National Chengchi University, Taiwan: linteli@nccu.edu.tw)*

*Cross-National vs. Intra-National Diversity: A Three-Country Study of Attitudes Toward Money, Material Possessions and Savings*

Rosalie L. Tung, Simon Fraser University  
Chris Baumann, Macquarie University

This study seeks to examine whether intra-national diversity can be as salient as cross-national differences. Data on attitudes toward money, material possessions and savings were collected from 730 consumers in Australia, Canada and China. On the basis of ethnicity, the sample was divided into five sub-groups: Caucasians in Australia, Chinese in Australia, Caucasians in Canada, Chinese in Canada, and Chinese in China. Results of bivariate and multivariate analyses revealed that the Chinese who were born and raised in Australia and Canada were more similar to their counterparts in China than the Caucasians in Australia and Canada. The implications of these findings for cross-cultural research and practice are discussed. *(For more information, please contact: Rosalie L. Tung, Simon Fraser University, Canada: tung@sfu.ca)*

*Examining the Impact of Culture's Consequences: A Three-Decade, Multi-Level, Meta-Analytic Review of Hofstede's Cultural Value Dimensions*

Vas Taras, University of North Carolina at Greensboro  
Bradley Kirkman Kirkman, Texas A&M University  
Piers Steel, University of Calgary

Using data from 571 studies, we meta-analyze relationships between Hofstede's (1980) original four cultural value dimensions and a variety of organizationally-relevant outcomes. First, at the individual level, values predict outcomes with similar strength with an overall effect size of  $\rho=0.17$ . Second, cultural value effects were stronger at the country level ( $\rho=0.34$ ) compared to the individual ( $\rho=0.17$ ) or group levels ( $\rho=0.20$ ). Third, cultural values were most strongly related to emotions, followed by attitudes, then behaviors, and finally job performance. Fourth, cultural values were more strongly related to outcomes for managers (rather than students) that were older, male, and more educated. Sixth, findings were stronger for primary, rather than secondary, data. Finally, we provide support for Gelfand et al.'s (2006) conceptualization of societal tightness-looseness, finding significantly stronger effects in culturally tighter, rather than looser, countries. *(For more information, please contact: Vas Taras, University of North Carolina at Greensboro, USA: v\_taras@uncg.edu)*

*Economic Performance and Entrepreneurial Culture*

Greg Hundley, Purdue University  
Shaun Duane Hansen, Purdue University

It is often asserted that national cultures supportive of entrepreneurship produce superior economic performance. Rather than focusing on the effects of culture on performance, this study explores the impact of economic performance on culture, specifically whether higher levels of economic performance produce more entrepreneurial cultures. Analysis of representative data from the World and European Value Surveys using a methodology that controls for unobserved country-specific effects provides strong evidence that the extent to which a nation is characterized by entrepreneurial values is affected by economic performance. Entrepreneurial job values are quite sensitive to differences in economic performance. Thus, business decision-makers should not regard national culture as immutable when making decisions about market entry and global transfer of

management practices. (For more information, please contact: Greg Hundley, Purdue University, USA: [ghundley@purdue.edu](mailto:ghundley@purdue.edu))

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**Session: 2.4.6 - Competitive**

**Track: Track: 11 - Emerging Market Economies**

***Institutions and Internationalization in Emerging Markets***

**Presented On:** June 29, 2009 - 14:00-15:15

Chair: Daya Shanker, Deakin University

*The Institutional Environment, Terrorism, Natural and Technological Disasters, and Subsidiary Response*  
Chang Hoon Oh, Brock University  
Jennifer Oetzel, American University

While terrorism and other types of catastrophic events can devastate business, the impact of these events varies across countries and firms. We seek to understand whether the institutional environment may account for some of this variation by moderating the relationship between exogenous event risks and subsidiary investment. To explore this issue, we build on institutional theory and the research on firm response to event risks using a panel dataset of large European multinational corporations and their subsidiaries with a total of 16,857 observations for the years 2001-2006. Results indicate that greater government effectiveness and political stability positively moderate the relationship between event risks and subsidiary investment decisions. (For more information, please contact: Chang Hoon Oh, Brock University, Canada: [coh@brocku.ca](mailto:coh@brocku.ca))

*Institutional Environment and Diversification Strategy: An Investigation of Chinese H-Share Firms*  
Nan Zhou, University of Pennsylvania

We examine the relationship between performance and diversification, among a population of Chinese firms (H-share firms) that are listed in Hong Kong Stock Exchange (HKSE) during the period of 1993 to 2006. We propose that performance and diversification for firms in emerging economy has a U-shape relationship: related diversification could be harmful because firms lack either the capability to recognize truly related business or the capability to exploit key resources; while unrelated diversification could be beneficial due to institutional voids in emerging economy. Institution environment plays an important role in diversification: by listing in HKSE, benefits from unrelated diversification and costs from related diversification decrease since HKSE fills the institutional voids. As a result, H-share firms refocus after they list in HKSE. Ownership identity is also important in determining firm strategy: state-owned firms are less likely to refocus. Using the sample of H-share firms, we find supports for the above arguments. (For more information, please contact: Nan Zhou, University of Pennsylvania, USA: [zhounan@wharton.upenn.edu](mailto:zhounan@wharton.upenn.edu))

*Principal-Principal Agency Theory: Ownership Conflict and Complementarity Regarding International Diversification*

Heechun Kim, Georgia State University  
Robert E. Hoskisson, Arizona State University  
Hicheon Kim, Korea University  
Albert A. Cannella, Tulane University

To understand principal-principal agency problems, we explore the relationships between ownership structures (family ownership and foreign institutional ownership) and emerging economy firms' international diversification strategies. Using data on 381 publicly traded manufacturing firms in South Korea during the 1998-2003 period,

we find that family ownership has a U-shaped relationship with emerging economy firms' international diversification, while foreign institutional ownership has an inverted U-shaped relationship with international diversification. Our evidence supports the notion that principal-principal agency problems (i.e., conflicts between family owners and foreign institutional investors) are less likely to arise when foreign institutional ownership is at high (low) levels and family ownership is at low (high) levels. The findings ultimately suggest that there are particular ownership configurations under which principal-principal agency problems are less likely to arise between family owners and foreign institutional investors. Our study also has important implications for establishing boundary conditions in principal-principal agency theory. *(For more information, please contact: Heechun Kim, Georgia State University, USA: heechunkim@gsu.edu)*

*Privatization as a Deinstitutionalization: An Empirical Study on Chinese State Owned Enterprises*

Guochen Du, Nankai University, Yantai University

Klaus E. Meyer, University of Bath

An key step of corporate transformation in transition economies is privatization because it deinstitutionalizes the firm from its inheritance, and thus opens up new paths of growth. We investigate this process by applying and advancing institutional theory to assess which firms are most likely to undergo this process. In particular, we argue that the external and internal institutional pressures (arising from embeddedness and survival threats) are moderated by the firm's cognitive and material resources. In an empirical study on state owned enterprise listed on the Shanghai and Shenzhen stock exchanges, we find support for both the direct and the moderating effects. *(For more information, please contact: Guochen Du, Nankai University, Yantai University, China: duguochen@yahoo.com.cn)*

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**Session: 2.4.7 - Competitive**

**Track: Track: 8 - International Human Resource Management, Cross-Cultural Management, and Qualitative Research Methods**

***International Staffing and the Multinational Firm***

**Presented On:** June 29, 2009 - 14:00-15:15

Chair: Leigh Anne Liu, Georgia State University

*Moderating Effect of International and Host Country Experiences in Staffing Foreign Affiliates with Expatriates: A Case of Japanese MNCs*

Naoki Ando, Hosei University

Yongsun Paik, Loyola Marymount University

Using a sample of foreign subsidiaries of Japanese companies, this paper examines how their international businesses experiences moderate the impacts of cultural distance and host country risk on the staffing policies for foreign subsidiaries. The results of this study suggest that Japanese firms respond differently to different sources of cultural distance and country risk in terms of staffing policies for foreign affiliates. International experience positively moderates the effect of the masculinity/femininity dimension on the ratio of PCNs, while it negatively moderates the effect of the individualism/collectivism dimension on the ratio of PCNs. Similarly, host country experience positively moderates the effect of the uncertainty avoidance dimension on the ratio of PCNs, while it negatively moderates the effect of the masculinity/femininity dimension. Internationally experienced firms tend to use more PCNs to staff foreign affiliates as country risk increases. In contrast, even under unstable and volatile environments, the ratio of PCNs decreases as host country experiences increase. *(For more information, please contact: Naoki Ando, Hosei University, Japan: nando@hosei.ac.jp)*

*Social Capital, Knowledge Management and Expatriate Performance*  
Huei-Fang Chen, Soochow University

The major purpose of this research is to integrate theories from social capital and knowledge management to explore their effects on expatriate performance. The research subjects were 234 expatriates from Taiwanese enterprises operating abroad. A structural equation modelling was used to test the path relationships. The major conclusion of this study is that expatriate social capital has a positive and significant influence on both absorptive capacity and foreign performance. The study evidences that expatriate absorptive capacity has a significant influence on knowledge acquisition and knowledge acquisition has a significant influence on expatriate performance. Theoretical and practical implications are discussed. *(For more information, please contact: Huei-Fang Chen, Soochow University, Taiwan: hfchen@scu.edu.tw)*

*Minding the Minders: The Relationship between a Firm's Level of Internationalization and its Expatriate Performance Management System*

Xiaohua Yang, Queensland University of Technology  
Susan McGrath-Champ, University of Sydney  
Anthony Fee, University of Sydney

The strategic use of expatriates as control agents by multinational enterprises is well documented. Less well understood is the way in which the performance of these expatriate staff is managed, and how this relates to the firm's level of internationalization. This paper presents the results of an empirical study exploring the breadth and depth of expatriate performance management systems of 16 Australian multinational firms operating in China and Hong Kong. The results show that more highly internationalized firms tend to deploy more formal and comprehensive control systems for their expatriates, suggesting that as a firm's international operations become more dispersed and more strategically important, managing the performance of expatriates takes on increased importance. *(For more information, please contact: Anthony Fee, University of Sydney, Australia: a.fee@econ.usyd.edu.au)*

*The Role of Expatriates and Local Agents' Relational Practices in MNE Global Performance*

Zandra Balbinot, Federal University of Parana  
Sergio Bulgacov, Federal University of Parana  
Yara Lucia Bulgacov, Positivo University

Prior studies concerning the internationalization process of MNEs demonstrate the necessity for companies to strive for the harmonious integration of diverse teams using business plans adapted for each subsidiary. In this sense, this study intends to enhance understanding about the relationship between strategic processes and strategic content. It verifies the influence that relational practices between local managers and expatriate managers have on MNE global performance. The exploratory study confirms that companies achieve limited learning from and knowledge fusion with their subsidiaries, due to the existence of an imbalance between the strategic process and strategic content. This imbalance directly affects the global performance of the MNEs analyzed. Through the lens of the socio-historical psychology literature, a proposal for the restructuring of management practices by implementing a scheme of co-configuration for relational practices between local and expatriate agents emerges. This, it is argued, is likely to improve MNEs' strategic content and, consequently, its global performance. *(For more information, please contact: Zandra Balbinot, Federal University of Parana, Brazil: zbalbinot@ufpr.br)*

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Session: 2.4.8 - Competitive

Track: Track: 9 - Internationalization Processes and International Marketing Strategies

### ***Internationalization Trajectories and Strategies***

Presented On: June 29, 2009 - 14:00-15:15

Chair: Susan Douglas, New York University

#### *An Organizing Framework of Global, Multidomestic, Multinational and Transnational Corporations: Concepts and Evolutionary Pathway*

Hwy-Chang Moon, Seoul National University

Jin-Sup Jung, Chungbuk National University

Jin-Uk Kim, Seoul National University

Based on a critical evaluation of existing studies on global strategies and internationalization, this paper presents an organizing framework which encompasses all the relevant classifications and definitions of global, multinational, multidomestic and transnational firms. With this foundation, this paper sheds light into the relationship between a firm's value chain and international expansion in a dynamic context. A firm places emphasis on different activities of the value chain and displays a distinct trajectory on its internationalization path. This pattern, dubbed "Dynamic Globalization," is affirmed by the strategic evolution of the various global firms operating in the white goods sector. What emerges is a distinct internationalization pathway which incorporates a dynamic perspective of globalization. *(For more information, please contact: Jin-Sup Jung, Chungbuk National University, Korea, South: jsjung1@gmail.com)*

#### *Evolutionary Trajectories of SMEs in the U.S. Biopharmaceutical Industry: International versus Domestic Expansion*

Lei Li, University of Portland

Weilei (Stone) Shi, Baruch College, CUNY

Dan Li, Indiana University

Drawing upon Penrose's theory of firm growth, this study compares the evolutionary trajectories of internationalizing and domestic SMEs. Consistent with prior research, we find that R&D based innovative capability is a key antecedent of international expansion. More importantly, we reveal the importance of alliance capability in driving internationalization. Further, innovative capability seems to enable internationalizing SMEs to accumulate disproportionately more resources and capabilities than their domestic counterparts over time. While there is little disparity of economic performance between the two evolutionary trajectories, internationalizing SMEs with higher (above normal) innovative capabilities seem to outperform their domestic counterparts. *(For more information, please contact: Lei Li, University of Portland, USA: lil@up.edu)*

#### *Value Creation by International Strategic Alliances in BRIC Countries*

Dan Li, Indiana University

Stewart R. Miller, University of Texas at San Antonio

Lorraine Eden, Texas A&M University

Michael Hitt, Texas A&M University

Prior research has shown that an international strategic alliance (ISA) enhances market value for the partnering companies in developed economies with a well-established rule of law. We develop a framework to explain the drivers of value creation attributed to the emerging market firm (EMF) partners in an ISA. Specifically, we draw upon transaction cost economics and institutional theory literatures to develop a model that examines how rule of law and two characteristics of ISAs (alliance activities and alliance governance) affect value creation

attributed to ISAs' EMF partners. We also explain how the rule of law in emerging markets moderates these relationships. Using a sample of 902 ISAs in Brazil, Russia, India and China (BRIC) during 1991-2005, our results generally support the theoretical framework. We also show evidence of insider trading in BRIC countries. (For more information, please contact: Dan Li, Indiana University, USA: lid@indiana.edu)

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**Session: 2.4.9 - Competitive**

**Track: Track: 11 - Emerging Market Economies**

***Corporate Governance in Emerging Markets***

**Presented On:** June 29, 2009 - 14:00-15:15

Chair: Arvind Phatak, Temple University

*Institutional Collision in Corporate Governance: The Incorporation of Independent Directors in Family Firms in Emerging Economies*

Chi-Nien Chung, National University of Singapore

Young-Choon Kim, National University of Singapore

Edward Zajac, Northwestern University

We study the influence of foreign institutional investors on corporate governance reform in the context of family governance in emerging economies. Using the sample of the listed Taiwanese firms, we examine the appointment of independent directors between 2002 and 2005. Our findings show that Taiwanese firms responded to pressure of foreign institutional investors when they are weakly controlled by the family or when a firm's CEO has been exposed to alternative governance models through formal education in the U.S. This finding supports the argument that external pressure of foreign institutional investors alone is not sufficient to realize the changes of traditional governance practices, but is moderated by the strength of family control and the alternative cognition scheme of the key decision-maker. We discuss the implication of our research on institutional change in globalized environments. (For more information, please contact: Young-Choon Kim, National University of Singapore, Singapore: bizky@nus.edu.sg)

*Corporate Governance and Corporate Fraud Behavior: An Empirical Study in China*

Yamin Zeng, Tsinghua University

Weichu Xu, Old Dominion University

Junsheng Zhang, China Central University of Finance and Economics

Our study investigates the relationship between corporate governance and corporate fraud in China using Chinese public firms' data from 1999 to 2005 as a sample. In examining the influence of corporate governance on the incidence of corporate fraud, we find that higher frequency of board meetings implies higher incidence probability of fraud, concentrated ownership helps to prevent corporate fraud, and directors' financial connection with companies increase fraud because directors' financial connection lowers their independence and monitoring incentives. Our further research on corporate governance changes during two years following incidence of fraud suggests that fraud companies' ownership becomes concentrating and proportion of directors who draw compensation from companies is decreasing relative to no-fraud firms. These changes in corporate governance reveal fraud companies' effort to improve internal control systems that will help to reduce the future fraud. (For more information, please contact: Weichu Xu, Old Dominion University, USA: wxxu@odu.edu)

*Impact of Firm Governance and Institutional Characteristics on Firm Performance*

Deeksha Singh, National University of Singapore

We utilize an integration of agency theory with the institutional perspective to suggest that the effect of within firm governance and business group affiliation is contingent on each other as well as the external institutional environment. Using archival data on top 500 Indian and Chinese firms from multiple data sources for 2007, we found that group affiliated firms performed worse than unaffiliated firms, and the negative relationship was stronger in the case of Indian firms than Chinese firms. We also found that ownership concentration had a positive effect on firm performance, while board independence had a negative effect on firm performance. Further, we found that group affiliation – firm performance relationship in a given country context was moderated by ownership concentration. *(For more information, please contact: Deeksha Singh, National University of Singapore, Singapore: deeksha@nus.edu.sg)*

*Stock Repurchase and Corporate Governance Reform in Korea: An Actor-Centered Perspective*

Amon Chizema, Loughborough University

Jootae Kim, Dankook University

Corporate governance reforms in Korea were taken seriously after the Asian currency crisis of 1997. Recommendations by International Monetary Fund and changes in the global financial and product markets precipitated the adoption of shareholder value oriented management practices by Korean firms. This paper shows the possible contest among firm actors over the idea of adopting one such shareholder value management practice namely share repurchase. The argument in this paper is that firm-level actors, reacting to external pressures, drive the adoption or rejection of management innovations (e.g., stock repurchase) from an alternative governance system, as they co-opt or dismiss Anglo-American corporate governance to reframe existing interests. Whether these management innovations get adopted, translated or rejected depends on the power, interests and value commitment of these actors. As such Anglo-American corporate governance provides a broad toolbox from which actors select different elements to craft their frames that suit their interests. Treating controlling shareholders, foreign shareholders, institutional shareholders and outside directors as organizational actors and employing a variant of the neo-institutional lens hypotheses were derived. The findings show that controlling shareholders in Korea resisted stock repurchase. On the other hand institutional and foreign investors as well as outside/independent directors were in favor of stock repurchase. *(For more information, please contact: Amon Chizema, Loughborough University, United Kingdom: a.chizema@lboro.ac.uk)*

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**Session: 2.4.10 - Competitive**

**Track: Track: 2 - International Economics, Finance, Accounting and Taxation**

***Rules and Standards and Their Influence on Trade and Investment***

**Presented On:** June 29, 2009 - 14:00-15:15

**Chair:** Sidney J. Gray, University of Sydney

*Perceptions of CFOs of US-based Companies towards Fair Value Accounting Option and International Financial Reporting Standards*

Hamid Pourjalali, University of Hawaii

Eric Wen, University of Hawaii

Shirley J. Daniel, University of Hawaii

Some have blamed the financial crisis on fair value accounting for reporting the reduction in value of (financial) assets. Former FDIC Chair William Isaac placed much of the blame for the subprime mortgage crisis on the Securities and Exchange Commission and its fair-value accounting rules, especially the requirement for banks to "mark-to-market" their assets, particularly the mortgage backed securities. By October 2008, the U.S. Congress responded to the financial crisis, and Section 132 of the Emergency Economic Stabilization Act of 2008, restates

the Securities and Exchange Commission's authority to suspend the application of fair value measurement. SEC recent study recommended that existing fair value and mark-to-market requirements should not be suspended. However it recommended improvements to existing accounting standards. This paper provides a report on how CFOs of public companies in the United States intend to use fair value option for non-financial assets and long-term liabilities based on FAS 157 and FAS 159. We found that while the majority of CFOs would like the option to use IFRS for their U.S. filings, they are resistant to fair value measurement for non-financial assets and long-term liabilities. Of the CFOs who resisted use of fair value option, the main reasons were that costs to determine fair value would be prohibitive, balance sheet accounts would fluctuate, the benefit is unclear, and users of financial statements would be confused. Interestingly, some CFOs who would use fair value believe that fair value provides a clearer picture of their company. *(For more information, please contact: Shirley J. Daniel, University of Hawaii, USA: sdaniel@hawaii.edu)*

*Sarbanes-Oxley and Foreign IPO Performance: Examining the Changing Role of Board Interests Following a Regulatory Punctuation*

R. Greg Bell, University of Dallas  
Igor Filatotchev, City University  
Curt B. Moore, Texas Christian University

Regulatory punctuations refer an environment characterized by an extended period of relative stability that is interrupted by a period of environmental turbulence. We evaluate the performance implications of sudden environmental change by examining the change in value of board interests of both board insiders and independent board members of foreign IPOs before and after the enactment of Sarbanes-Oxley (SOX) regulations. We find that the relationships that the interests of board insiders and independent members have with IPO performance significantly changed after SOX. *(For more information, please contact: Curt B. Moore, Texas Christian University, USA: c.b.moore@tcu.edu)*

*A Model of Double-Sided Uncertainty for International Negotiations*

Ursula F. Ott, Loughborough University

This article uses an intercultural bargaining framework for exporters and importers to analyze co-operation and conflict in international negotiations. On the basis of game theoretical reasoning, culturally programmed bargaining behavior is transformed into a buyer-seller interaction of importer-exporter negotiations. The cultural differences of the players can be seen in the initial offer, the strategic approach, the valuation of time, the frequency of rejection and the objectives of the negotiation. In order to provide prescriptions for cross-cultural bargaining, the clash of cultures is dealt with in nine scenarios on an abstract level to show potential conflicts and cooperation between the players. The direct bargaining mechanism offers a robust theoretical tool to show the solution concepts for double-sided incomplete information. Overall, the abstraction of the problem shows promising paths for culturally determined bargaining. *(For more information, please contact: Ursula F. Ott, Loughborough University, United Kingdom: u.f.ott@lboro.ac.uk)*

*International Evidence on Analyst Monitoring and Earnings Management: The Roles of Corporate Disclosure and National Culture*

Sam Han, Singapore Management University  
Tony Kang, Florida Atlantic University  
Gerald Lobo, University of Houston  
Yong Keun Yoo, Korea University

We examine country-level determinants of private information search incentives, and whether analysts' role in constraining managers' opportunistic earnings management varies across countries. In a sample of 31,312 firm-year observations originating from 30 countries, we document that: (1) analyst coverage is negatively



(positively) related to the level of corporate disclosure (how secretive the national culture is); (2) the negative association between analyst coverage and earnings management is observed in stronger investor protection countries but not in weaker investor protection countries; and (3) analyst monitoring fails to mitigate culture-driven earnings manipulations in countries with more individualistic and uncertainty-tolerant cultures. Taken together, financial analysts' role in constraining opportunistic earnings management across countries appears to vary with corporate disclosure and cultural environments. *(For more information, please contact: Tony Kang, Florida Atlantic University, USA: tonykang06@gmail.com)*

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**Session: 2.4.11 - Competitive**

**Track: Track: 9 - Internationalization Processes and International Marketing Strategies**

### ***International Performance***

**Presented On:** June 29, 2009 - 14:00-15:15

Chair: Luis Filipe Lages, Universidade Nova de Lisboa, Faculdade de Economia

#### *Towards a Clarification of Relationships Impact on Export Performance*

Claude Obadia, Advancia-Negocia, Paris

Irena Vida, University of Ljubljana

Most export performance models overlook the role of the importer in achieving economic success. This research shows that importer role performance mediates the link between relationship quality and export performance. It also uncovers the darker side of cross-border relationships by showing that relationship quality has concomitant opposite effects on export performance. Hence, the findings of this research augment the relational paradigm to export performance by the demonstrating the vital importance of the importer role and by discriminating and explaining the positive and negative influences of interfirm relationship quality. Hypotheses are tested using structural equations modeling with data from two samples of French and Slovene exporters. *(For more information, please contact: Claude Obadia, Advancia-Negocia, Paris, France: cobadia@advancia-negocia.fr)*

#### *Export Strategies: Archetypes and Their Performance Impacts*

Gabriella Lojacono, Bocconi University

Markus Venzin, Bocconi University

The amount of literature comparing the market entry strategies of exporting, FDI and strategic alliances is vast. However, few contributions actually unbundle and empirically corroborate various export strategies and their profit impacts. After collecting data on five exploratory cases, we conducted an empirical analysis of 97 small and medium-sized Italian manufacturing furniture firms. This article offers two main findings: first, a k-means cluster analysis shows the existence of four export archetypes. Second, those export archetypes are found to have significantly different effects on export performance. The article concludes with reflections on export strategies that could be most effective for small and medium-sized firms. *(For more information, please contact: Gabriella Lojacono, Bocconi University, Italy: gabriella.lojacono@unibocconi.it)*

#### *Contextual Resources, Firm-Specific Capabilities, and International Performance of Entrepreneurial Firms from Emerging Economies*

Lianxi Zhou, Brock University

Yuan Lu, Chinese University of Hong Kong

TS Chan, Lingnan University

This article examines institutional resources and managerial ties as determinants of firm capabilities for superior performance in the internationalization of small and medium-sized enterprises (SMEs) from a major emerging economy. We put forward a conceptual model to posit that a firm's ability to acquire information from institutional and business network resources (i.e., information acquisition capability) and to develop flexibility and speed in response to changes in the market (i.e., adaptive capability) are instrumental to the positive influence of contextual resources on performance outcomes. The model was tested using a large sample of Chinese SMEs which involves exporting and other forms of internationalization activities. We find support for the mediating path of adaptive capability but limited support for information acquisition capability. We argue that certain types of resources, such as institutional capital and managerial ties, not only provide critical inputs to the entrepreneurial firms' internationalization but also serve as the context through which they obtain other complex knowledge resources that can be used to drive respective capabilities needed for international growth. *(For more information, please contact: Lianxi Zhou, Brock University, Canada: lzhou@brocku.ca)*

*The Relationships among Firm Resources, Internationalization, and Performance of Emerging Market Multinationals*

Elitsa R. Banalieva, Northeastern University  
Ravi Sarathy, Northeastern University

This study focuses on how cost advantage and organizational slack affect the internationalization of emerging market multinational enterprises (EM MNEs), with its ensuing effects on profitability. Using three-stage least squares on a sample of 868 MNEs from 29 EMs during 2000-2006, we find that Relative Cost Advantages (RCA) and Relative Slack Resource Advantages (RSRA) increase internationalization and strategically complement each other. We find that performance differs across EM MNEs when grouped by their levels of cost and slack resource advantages, representing the use of distinctive strategies which we describe as: Optimizing Internationalizers, Commodity Internationalizers, Selective Internationalizers, and Market Share Internationalizers. *(For more information, please contact: Elitsa R. Banalieva, Northeastern University, USA: e.banalieva@neu.edu)*

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**Session: 2.4.12 - Interactive**

**Track: Track: 10 - Outsourcing, Offshoring, and Supply Chain Management**

***Moving it to Greener Shores***

**Presented On:** June 29, 2009 - 14:00-15:15

**Chair:** Somnath Lahiri, Illinois State University

*Understanding the Relationship between IT Offshoring and Uncertainty: A Conceptual Framework*

Mujtaba Ahsan, Pittsburg State University  
Peter Haried, University of Wisconsin – La Crosse  
Martina Musteen, San Diego State University

Drawing on organizational learning and real options literature, we examine how uncertainty affects a client's IT offshoring strategy. We introduce a two-dimensional framework to further our understanding of uncertainty and its impact on a firm's international sourcing. Based on the existing literature and our analysis, propositions are presented to guide future IT offshoring research. *(For more information, please contact: Martina Musteen, San Diego State University, USA: mmusteen@mail.sdsu.edu)*

*What Goes Around Comes Around: Microeconomic Effects of International Outsourcing on Firm Export Performance*

Olivier Bertrand, St. Petersburg State University

This paper tests the assumption that international outsourcing may enhance firm competitiveness in international markets. To this aim, we use a unique dataset on companies established in France in manufacturing industries for the year 1999. These data describe the breakdown of imports (respectively exports) by country of origin (respectively destination) at a product level, indicating the nature of goods that are traded (intermediary inputs vs. final goods) and its sourcing mode (market transaction vs. intra-firm trade). We conclude that international outsourcing boosts the export performance. In addition, we find that its impact is mitigated by different factors. First, adopting a multi-sourcing strategy seems to amplify the effects of international outsourcing. There appears also a country-of-origin effect: Importing intermediary inputs from one country increases exports to this same country. In addition, the leverage of external resources combined with intra-sourcing within the firm's boundary seems to generate synergistic gains. Finally, the export experience increases marginal gains from outsourcing abroad. These main findings tend to highlight the role of international outsourcing to achieve global competitive advantages. From an economic policy perspective, they suggest that implementing protectionist measures to improve the balance of trade and safeguard employment could be counter-productive. *(For more information, please contact: Olivier Bertrand, St. Petersburg State University, Russia: olivier.bertrand@som.pu.ru)*

*Impact of Offshoring and Outsourcing of Core Activities on Performance: The Case of Clinical Trials*

Farok Contractor, Rutgers University  
Pooja Thakur, Rutgers University

This paper examines the impact of offshoring and outsourcing of core activities on project level performance of these activities. Specifically, we look at whether offshoring and outsourcing of core activities have a positive impact on performance. We measure project level performance as the duration and cost of the study. The research setting for this study is the pharmaceutical industry and we focus on clinical trials, which is an important part of the R&D process. Our empirical data come from the CROCAS dataset compiled by FastTrack Systems. The study focuses on the period 1997-2005 and analyzes data on 14,305 clinical trials from 98 firms in the pharmaceutical industry. Controlling for project and firm level characteristics, our results show that outsourcing has a positive impact on performance while offshoring has a negative impact. We also find that domestic outsourcing improves project performance but offshore outsourcing decreases performance. Clinical trials done by foreign affiliates are more costly and take longer time to complete. We find that trials conducted by foreign affiliates in developing countries take shorter time to complete. *(For more information, please contact: Pooja Thakur, Rutgers University, USA: thakur@pegasus.rutgers.edu)*

*The Evolution of Offshore Outsourcing of Services: A Theoretical Perspective*

Wendy Lea Tate, University of Tennessee  
Lisa Maria Ellram, Miami University  
Evi Hartmann, EBS European Business School  
Lydia Bals, Copenhagen Business School

Offshore outsourcing is gaining increasing importance and attention in both theory and practice. The purpose of this research is to use nine in-depth case studies to analyze the evolution of offshore services outsourcing. The cases demonstrate that as buyer-supplier relationships move from tactical to more strategic, expectations and governance structures change. First, offshore outsourcing is initiated because of increasing internal and external pressure to conform and reduce costs. But after reducing costs, companies discover more strategic benefits (e.g. to increase quality and market share). Five testable propositions are presented, building on institutional theory, transaction cost, and resource-based perspectives. *(For more information, please contact: Lydia Bals, Copenhagen Business School, Germany: lydia.bals@web.de)*

*The Strategy of Internationalisation of Industrial Districts SMEs between International Subcontracting and Foreign Direct Investments*

Fiorenza Belussi, University of Padua  
Alessia Sammarra, Aquila University

To date, little empirical research has been conducted to investigate the propensity of industrial district SMEs to internationalise their operations through international subcontracting and direct investment abroad. This paper aims to contribute to fill this gap using primary data collected from a sample of 90 Italian manufacturing SMEs based in three industrial districts. Our findings reveal that export experience, innovative capabilities and local stable relationships with other firms via shareholdings and cooperative agreements are significantly and positively associated with SMEs propensity to internationalize their operations through international subcontracting and FDI. In addition, we found that firm's age and positioning in the business filière have an influence, being younger and commissioning firms more likely to be engaged in riskier international strategies. Finally, our findings do not support the hypothesis that family involvement inhibits firm's investment in international strategies. The implications of the findings for SMEs business research and the international business literature are discussed. *(For more information, please contact: Fiorenza Belussi, University of Padua, Italy: fiorenza.belussi@unipd.it)*

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**Session: 2.4.13 - Interactive**

**Track: Track: 8 - International Human Resource Management, Cross-Cultural Management, and Qualitative Research Methods**

***Strategic IHRM***

**Presented On:** June 29, 2009 - 14:00-15:15

Chair: Bernard L. Simonin, Tufts University

*Competitive Strategies in International Management: A Case of Multinational Corporations from Emerging Economies in a Subsidiary Operation*

Aloysius Marcus Newenham-Kahindi, University of Saskatchewan

This paper studies three South African multinational corporations (MNCs) and the ways that they implement distinctive management of human resources (HRM) on financial and telecommunication service sectors. The article begins by looking at MNCs from emerging economies and at their competitive strategies as influenced by their national and organizational systems, as well as the ways they attempt to strike a balance between global integration and local differentiation in subsidiaries. Based on a qualitative research study conducted in ABSA Bank, Standard Bank (Stanbic) and South Africa-Tanzania Vodacom, this article demonstrates how South African MNCs implement innovation by incorporating the cross-cultural HRM practices and those of the host nation's characteristics into their subsidiary operations. The article concludes by illustrating how diverse forms of hybrid management strategies that incorporate traditional values of Ubuntu and Indaba have enabled emerging South African organizational services to develop innovative HRM in the midst of global competitiveness. *(For more information, please contact: Aloysius Marcus Newenham-Kahindi, University of Saskatchewan, Canada: newenham-kahindi@edwards.usask.ca)*

*International Management Approaches: Learning and Human Resources of Multinationals in China*

Yingying Zhang, CUNEF, Complutense University of Madrid  
Maria Eugenia Sanchez, Polytechnic University of Cartagena  
Yu Zhou, Renmin University

This study focuses on the analysis of two multinationals located in China and proposes two factors that would affect the multinational performance in the host country: the learning orientation of the company and the managerial approach – ethnocentric, polycentric and geocentric. Based on a case study research we find that performance of the multinationals in China increases when the company adopts knowledge and learning orientation and that managerial style to the host country –polycentric- also leads to higher performance. Implications for multinationals interested in investing in China are highlighted together with the limitations of the study and the future research lines. *(For more information, please contact: Yingying Zhang, CUNEF, Complutense University of Madrid, Spain: yzhang@cunef.edu)*

*Effective Knowledge Transfer between HR Subunits in Central Eastern Europe*

Daniela Sorger, WU-Wien  
Michal Lemanski, WU-Wien

This paper is a case study of effectiveness of knowledge transfers between HR subunits of a multinational corporation in Central Eastern Europe. It is based on five interviews with HR managers at regional headquarters in Vienna, Austria, and subsidiaries in Czech Republic and Hungary. This study aims to bring contributions to the literature on knowledge transfers primarily by its focus on understudied functional subunits (Human Resources departments), geographical settings (Central Eastern Europe), and a more in-depth, case-study research approach. *(For more information, please contact: Michal Lemanski, WU-Wien, Austria: michal.lemanski@wu-wien.ac.at)*

*The Experience of International Acquisition: Perception and Process*

Hanna Gajewska-De Mattos, University of Leeds  
Malcolm Chapman, University of Leeds  
Peter J. Buckley, University of Leeds

This paper demonstrates the need for a better understanding of cultural meaning in international M&As. It adopts a qualitative, interpretive approach, based on face-to-face interviews with managers involved in German acquisitions of Polish companies. By exploring the asymmetry of views from Polish and German managers, it illustrates the difficulties of agreement on the progress or success of an international acquisition. The paper argues that the positivist/social constructionist opposition needs to be transcended, if we are to make progress in understanding.

We conclude that a concern for meaning has to be brought into our analyses of culture in international M&As together with (and not as opposed to) a positivist view of culture. *(For more information, please contact: Hanna Gajewska-De Mattos, University of Leeds, United Kingdom: hgdm@lubs.leeds.ac.uk)*

*The Promise of Multi-User Virtual Environments for Global Collaborations*

Luciara Nardon, University of Oregon  
Jonathon Richter, University of Oregon  
Kathryn Aten, University of Oregon  
Alan Meyer, University of Oregon

Increasingly, organizations that are dependent on innovation are finding that they can meet their goals only by pulling together resources from dispersed geographic locations, in the form of virtual teams. A wealth of literature has investigated success factors associated with virtual teams. Despite the important advantages of accomplishing distributed work through technology, significant challenges remain, including poor team dynamics and difficulties to establish trust and a shared sense of belonging, resulting in limited information exchange and creativity. Virtual worlds, or multi-user virtual environments (MUVEs) are a powerful emerging technology with potential to mitigate such challenges and to provide unique advantages not available through more traditional

communication technologies. This paper is part of a large NSF funded research project investigating MUVes. In this paper we discuss the challenges associated with collaboration in global virtual teams and explore the opportunities presented by MUVes for facilitating global collaboration. Based on preliminary research, we argue that MUVes unique affordances may facilitate new ways of collaborating and innovating in teams. *(For more information, please contact: Luciana Nardon, University of Oregon, USA: luciana@uoregon.edu)*

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**Session: 2.4.14 - Interactive**

**Track: Track: 11 - Emerging Market Economies**

### ***Technology and Innovation in Emerging Markets***

**Presented On:** June 29, 2009 - 14:00-15:15

Chair: John Cantwell, Rutgers University

#### ***Entrepreneurship and Inter-organizational Learning in Emerging Markets: The Case of the Brazilian Automotive Industry***

Denise Dunlap-Hinkler, Northeastern University

Ronaldo Couto Parente, Rutgers University

Eugene D. Hahn, Salisbury University

This paper examines the effective functioning of supply chains and organizational learning of firms that are better positioned to succeed in dynamic and global environments in the context of an emerging market—the Brazilian automotive industry. Our framework suggests that a firm's response to ever-increasing levels of industry change and global competition may determine its competitive advantage and long-term survival. Analyzing a sample of 101 manufacturers, we find that that supply chain integration and organizational learning positively impact the rate of new product introductions (in the form of breakthrough and incremental innovations), which are important contributors to corporate entrepreneurship. The study suggest that while some suppliers focusing on their supply chain were able to achieve higher levels of corporate entrepreneurship, others did so by emphasizing on organizational learning. *(For more information, please contact: Ronaldo Couto Parente, Rutgers University, USA: ronaldo@parente.com)*

#### ***The Moderating Effect of Cluster on Firm Innovation: An Empirical Study in Taiwan***

Kuo-Feng Huang, National Chengchi University

Chwo-Ming Joseph Yu, National Chengchi University

Dah-Hsian Seetoo, National Cheng Chi University

Peng-Yu Li, Fu-Jen Catholic University

Mixed evidence has been found regarding how locating in a cluster affects firms' performance in innovation. Taking the impact of research and development (R&D) human capital and firm size on firm innovation as given, this paper investigates how in and off a cluster for a firm affects these relationships. Empirically testing the research hypotheses by the data of 164 Taiwan's manufacturing firms in the information and communication technology sector, we find that: a cluster has a negative moderating effect on the relationship between R&D human capital and firm innovation and a positive moderating effect on the relationship between firm size and firm innovation. The findings suggest that, in a cluster, diffusion of a firm's know-how to other firms by its R & D personnel may negatively affect its innovation performance; however, a firm still can accrue more benefits in innovation in a cluster when it is larger. *(For more information, please contact: Kuo-Feng Huang, National Chengchi University, Taiwan: kfhuang@nccu.edu.tw)*

*The Effects of Information and Communication Technologies on National Technological Capabilities: An Empirical Study*

Soo Hee Lee, Birkbeck, University of London  
Hee Sun Kim, Birkbeck, University of London

This paper empirically examines the linkage between information and communication technology (ICT) growth and the national technology capabilities by drawing a comparison between high income and middle income countries. Our empirical results suggest that the growth of ICT-enabled service and ICT-producing sectors are the important engines for the development of national innovation capabilities in both developed and developing economies. While Internet is the main tool for acquiring, sharing, transferring and diffusing the latest information and generating knowledge in high income countries, the fixed telephone is the main gateway in middle-income countries. *(For more information, please contact: Soo Hee Lee, Birkbeck, University of London, United Kingdom: s.lee@bbk.ac.uk)*

*The Making of...An Industry: Leveraging Legitimacy in Bollywood and DLF Indian Premier League cricket*

Florian A. Täube, European Business School

In 2008 the Board of Control for Cricket in India (BCCI) created the Indian Premier League (IPL) – from scratch – with 8 city-based franchises obtaining more than US\$ 1 billion for broadcasting rights.

Without inter-club culture in this 400-year old game, and the oldest, most professional English league being county-based, this was surprising. Moreover, rules differ from conventional cricket, shortening the game from up to 5 days, including lunch and tea breaks, to 3-hour format – which was not yet fully accepted by spectators. How was this possible? How could a new form of cricket rise to prominence so quickly?

Using qualitative data from public media sources I argue that legitimacy of two Bollywood stars, co-owners of two franchises, played a critical role in creating this industry. Their popularity and film fans' inclination to follow their teams benefits the entire league.

Through novel data of a unique case this paper contributes to the study of industry emergence, responding to calls to investigate mechanisms by which legitimacy is attained (Lounsbury and Glynn, 2001: 557). Given the context of professional sport business, where the league is the product (Mason 1999), I illustrate how entrepreneurs contribute to industry-level legitimacy rather than to their own venture. *(For more information, please contact: Florian A. Täube, European Business School, Germany: florian.taeube@ebs-siie.de)*

*Acting What's Next toward Speeding Trap: Co-evolutionary Dynamics of an Emerging Technology-Leader*

Sonya H. Wen, Tamkang University

How does technological innovation emerge and evolve? Our research approached such an inquiry by synthesizing the perspectives of dynamic capabilities and co-evolutionary dynamics, while highlighting the impacts of organizational routines as well as multi-phase strategic renewals. We conducted a longitudinal case-study on the first dedicated semiconductor foundry, TSMC, located in an emerging economy, Taiwan. The case of TSMC illustrates two unique co-evolutionary paths -- transforming from industry-latecomer to technology-leader and modifying process-innovation to product innovation. We found multi-motor co-evolutionary dynamics between TSMC and the semiconductor industry, whose mechanism of managed selection in its creating phase of mature process-innovation since 1987, migrating to hierarchical renewal in its extending phase of advanced process-innovation since 1999, and then to holistic renewal in its modifying phase of product-innovation since 2002. During such paths, our research specifies a unique type of organization routines, acting what's next, since TSMC has proactively searched for problems much ahead of its competitors. Nonetheless, such routines, while driving technological innovation, also lead to a unique type of success-trap, speeding trap. When a newly-emerging leader fundamentally changed the industrial structures to over-specs, the growth driven by technology-speeding may trap such an emerging leader in a loop of over-exploration. *(For more information, please contact: Sonya H. Wen, Tamkang University, Taiwan: sonya.wen@gmail.com)*

*Firm Strategic Choice and Sustainable Development: Lessons from Large Public Latin American Firms*

Luis Antonio Perez-Batres, Central Michigan University

Van Miller, Central Michigan University

Michael Pisani, Central Michigan University

Utilizing a conservationist metaphor adapted from Moyle (1997), we observe the strategic “choice” of 207 large Latin American public firms to engage in sustainable development schemas. Specifically, we examine the regional interaction between firm-level mimetic and normative institutional theoretical pillars against global sustainable development (SD) initiatives—the United Nations Global Compact and the Global Report Initiative. Our results indicate global pressures drive normative responses towards the legitimization of firm-level SD initiatives, whereas local pressures influence mimetic responses towards the legitimization of firm-level SD initiatives both within the Latin American region. *(For more information, please contact: Luis Antonio Perez-Batres, Central Michigan University, USA: perez1a@cmich.edu)*

*FDI and the Environment: Evidence from China*

Danny Tan Wang, University of Hong Kong

Flora Fang Gu, Hong Kong Polytechnic University

The issue of how foreign direct investments (FDI) affect a host country’s environment has generated much debate yet less convergence in the literature. Using panel data for 287 Chinese cities over the period of 2002-2005, the paper aims to examine (1) if FDI produces a net impact on SO2 emission, and (2) how institutional development of the host setting varies the strength of the relationship. The results show that FDI do harm the environment by generating more pollution. However, institutional development cushions this negative impact. Building on the institution-based theory, this study sheds new light on the long debated relationship between FDI, institutions, and the environment of host countries. Policy implications are discussed. *(For more information, please contact: Danny Tan Wang, University of Hong Kong, Hong Kong, SAR-PRC: dtwang@hkucc.hku.hk)*

*Brazilian Outward Investments: Assessing the Role of Technology in the Recent Wave of Emerging FDI*

Flavia Pereira Carvalho, UNU MERIT/Fundacao Dom Cabral

This paper seeks to make an in-depth analysis of the determinants of Brazilian FDI, in order to place it among the so debated recent wave of emerging FDI. Specifically, we analyse the role of the role of technology on the expansion of Brazilian firms: are they seeking specific technological assets – a common feature of the recent wave of emerging FDI - or are they expanding abroad in order to exploit their accumulated specific technological advantages? The data used is from a recent survey on Brazilian firms, the Global Players Survey, carried out by Fundação Dom Cabral in 2007. We use logit model to seek for a possible relationship between FDI location and technological determinants, as well as with the mode of entry and the existing capabilities of firms from the sample. Results show that, even though having significant investments in developed markets, Brazilian firms are not motivated by the search of technology, but still rely on their accumulated capabilities to compete, even in more developed locations. *(For more information, please contact: Flavia Pereira Carvalho, UNU MERIT/Fundacao Dom Cabral, Brazil: carvalho@merit.unu.edu)*



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**Session: 2.5.1 – Special Session*****UNCTAD World Investment Report Panel: The Financial and Economic Crisis and Global FDI Flows***

**Presented On:** June 29, 2009 - 15:45-17:00

Chair: Anne Miroux, UNCTAD

***UNCTAD World Investment Report Panel: The Financial and Economic Crisis and Global FDI Flows***

Masataka Fujita, UNCTAD

L, Jeremy Clegg, University of Leeds

Raj Aggarwal, University of Akron

Dirk Michael Boehe, Insper Institute of Education and research, São Paulo

Colm Kearney, Trinity College Dublin

*(For more information, please contact: Anne Miroux, UNCTAD, Switzerland: [anne.miroux@unctad.org](mailto:anne.miroux@unctad.org))*

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**Session: 2.5.2 - Competitive**

**Track: Track: 1 - The Political, Institutional, and Historical Context of Global Business**

***FDI, Entry, and Restructuring: Institutions and Environment***

**Presented On:** June 29, 2009 - 15:45-17:00

Chair: Tom Roehl, Western Washington University

***Entry Strategies of Firms from NIEs in Emerging Markets: The Role of Institutions and Firm Resources***

Yi-Long Jaw, National Taiwan University

Wiboon Kittilaksanawong, National Taiwan University

This study focuses on the emerging institutional approach to examine the antecedents of the entry strategies of firms from NIEs with respect to given institutional environments in emerging markets and their available resources and capability. Taiwanese FDIs in China and other emerging markets were employed as the research context. Generally, regulative, normative, and cognitive institutions (Scott, 1995) were found to exert direct effect on entry strategies. Moreover, regulative and normative institutions also moderate the influence of resources on entry strategies as well. This study from an emerging institutional-based view of IB strategy, which bridges macro and micro levels of analysis and encompasses formal and informal institutions, offers a promising way to advance our understanding in IB strategies. Moreover, Taiwanese FDI in emerging markets would potentially be a role model for further analyzing the IB strategy of firms in other NIEs. Finally, the implications from this study would be useful for the related government authorities to institutionalize their economy in such a way to facilitate and promote the foreign trade and investment. *(For more information, please contact: Wiboon Kittilaksanawong, National Taiwan University, Taiwan: [chunguoyou@gmail.com](mailto:chunguoyou@gmail.com))*

***An Evolutionary Approach to Understanding International Business Activity: The Co-evolution of MNEs and the Institutional Environment***

John Cantwell, Rutgers University

John H. Dunning, University of Reading

Sarianna M. Lundan, Maastricht University

This paper presents a theoretical framework that integrates the institutional work of Douglass North with the evolutionary view of Richard Nelson in the context of the OLI paradigm of the multinational enterprise. We link the historical transformation within MNEs to changes in the institutional environment, and, in so doing, highlight the complementarity between periods of passive adaptation and active co-evolution. We argue that in the early 21st century, the main drivers for institutional entrepreneurship are found in the increasing autonomy of MNE subsidiaries and the institutional contradictions presented by an interdependent global economy. Successful co-evolution requires the development of new routines and organizational structures by MNEs and their affiliates, while at the same time, established organizational principles such as network organization are being applied in a new context. We conclude by discussing the implications of our work for contemporary IB theory and its future research agenda. *(For more information, please contact: Sarianna M. Lundan, Maastricht University, Netherlands: s.lundan@os.unimaas.nl)*

*Open Access Order and Firms' Internationalization During Institutional Transitions*

Sunny Li Sun, University of Texas at Dallas  
 Mike W. Peng, University of Texas at Dallas  
 Ruby P. Lee, Florida State University  
 Weiqiang Tan, City University of Hong Kong

What institutional factors influence firms to engage in outbound internationalization during institutional transitions? Inspired by North's insights on institutional change and open access orders, we develop an institution-based framework suggesting that greater institutional advancement at home—in the areas of legal environment openness and financial market openness—promote firms' outbound internationalization during institutional transitions. Further, we posit that inbound foreign direct investment (FDI) has a reverse U-shaped relationship with local firms' outbound internationalization. Using data on 6,085 company/years in 2001-2005, we find that open access orders are behind recent Chinese firms' large-scale internationalization during institutional transitions. *(For more information, please contact: Sunny Li Sun, University of Texas at Dallas, USA: sunli@utdallas.edu)*

*The Importance of Organizational Learning and Institutional Heterogeneity in Intermediation Research*

Geoffrey Michael Kistruck, Ohio State University  
 Charles E. Stevens, Ohio State University  
 Shad Morris, Ohio State University

Intermediation theory holds a great deal of promise for management scholars given its synthesis of transaction cost and resource based thinking. However, many of its fundamental tenets remain untested empirically and are theoretically disparate from well-developed literature within the fields of strategy and international business. Based on a sample of 1,252 projects undertaken by a large multilateral institution in a range of developing countries, our empirical results support our hypotheses that while a greater number of clients may positively predict a greater likelihood of intermediation - which is congruent with existing intermediation theory - the moderating effects of project replication and differences in corruption are incongruent. Thus, by integrating theory related to organizational learning and institutional heterogeneity into basic intermediation arguments, we attempt to provide better predictive and explanatory power for managerial phenomena. *(For more information, please contact: Geoffrey Michael Kistruck, Ohio State University, USA: kistruck\_1@fisher.osu.edu)*

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**Session: 2.5.3 - Competitive**  
**Track: Track: 3 - Alliances and Inter-Firm Relationships**

***Governance in Joint Ventures***

**Presented On:** June 29, 2009 - 15:45-17:00

Chair: Anupama Phene, George Washington University

*Alliance and Partner Country Effects on Governance: An Examination of High Technology Alliances in China, India and the U.S*

Anupama Phene, George Washington University  
Stephen Tallman, University of Richmond

How do country institutional environments influence governance mechanisms? We hypothesize that alliance country and participant country factors predict the likelihood of an alliance using an institutional mechanism. We draw on institutional theory to present our arguments about country effects on learning potential and appropriation concerns perceived by alliance participants. We propose that greater the technological sophistication and the strength of the regulatory framework of the alliance country, the lower the likelihood of an alliance using an institutional mechanism. We also posit that greater differences between alliance participants' home countries on these two dimensions, technological sophistication and regulatory framework, decrease the likelihood of an institutional mechanism. We test our hypothesis in the context of alliances in four high technology industries, biotechnology, computers, electronics and communications in three countries. Our results provide strong support for our hypotheses and indicate that strategic alliances are subject to institutional pressures from multiple country contexts. *(For more information, please contact: Anupama Phene, George Washington University, USA: anuphene@gwu.edu)*

*Who Buys Whom? Call Option Rights in International Joint Ventures*

Tony W. Tong, University of Colorado  
Sali Li, University of Wisconsin-Milwaukee

Existing real options research on international joint ventures (IJVs) has studied the conditions under which firms obtain and exercise the implicit options embedded in JVs; by contrast, little research has focused on explicit options and empirically examined the factors shaping the distribution of option rights between partners in an IJV. In this paper, we propose that the assignment of call option rights is affected by certain ex ante asymmetries between the partners and that firms' decisions on call option rights and their decisions on ownership positions are interdependent. The empirical results reveal that between the two partners in an IJV, the firm with greater complementarity with the venture and greater international collaborative experience are more likely to hold the call option right, and that firms' contractual choices on call option rights and ownership choices on initial equity positions can substitute for one another. Our research enhances existing knowledge of collaborative relationships from a real options perspective and suggests that option rights be considered an important issue in alliance design. *(For more information, please contact: Sali Li, University of Wisconsin-Milwaukee, USA: li9@uwm.edu)*

*Will Firms Join Alliances or Stand Alone? Evidence from China's Venture Capital Industry*

Qian Gu, National University of Singapore  
Xiaohui Lu, National University of Singapore

When will firms choose the alliance approach and when will they choose the stand-alone approach? Existing research has shown that intangible assets play a significant role in firms' decisions and behaviors of alliance formation. In this study, we focus on two forms of these intangible assets—intraindustry network

embeddedness and reputation. Specifically, how do intraindustry embeddedness and reputation affect a firm's choice of the alliance or the stand-alone approach? We explore this question in the context of the Venture Capital (VC) industry in China. We argue that while both intraindustry network embeddedness and reputation may lead to larger supply (the number of potential partners), they may exert different effects on a VC firm's likelihood to syndicate due to the differential effects on the demand (the focal VC's willingness or incentives to syndicate). Furthermore, we incorporate institution as a contingency variable and argue that the effects of intraindustry network embeddedness and reputation may vary across firms that are subject to different institutional forces. We show that a VC firm's likelihood to syndicate is positively related to intraindustry network embeddedness but negatively related to reputation. Moreover, the positive association between embeddedness and firms' syndication behavior is stronger for domestic VC firms; while the negative association between reputation and firms' syndication behavior is stronger for foreign VC firms. *(For more information, please contact: Qian Gu, National University of Singapore, Singapore: guqian@nus.edu.sg)*

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**Session: 2.5.4 - Competitive**

**Track: Track: 9 - Internationalization Processes and International Marketing Strategies**

***Organization, Configuration and Structure of the Internationalizing Firm***

**Presented On:** June 29, 2009 - 15:45-17:00

Chair: Bo B. Nielsen, Copenhagen Business School

*The Importance of Geographic Configuration in the Internationalization of Firms: Empirical Evidence from Taiwan's High-tech Industry*

Weihwa Pan, National Yunlin University of Science and Technology

Wei-Chun Tsai, WuFeng Institute of Technology

Tsung-Yen Kuo, National Yunlin University of Science and Technology

Recent research on the relationship between internationalization and performance has given little attention to the configuration effect of country and regional diversification. This paper examines the configuration effect of country and regional diversification, as well as the moderating effect of administrative intensity. We conducted an empirical investigation to illustrate that there is a curvilinear relationship between internationalization and performance, and show that regional diversification has moderating effect on this relationship. The results indicate that geographical configurations affect performance. For low-level regional diversification, a low-level country diversification results in satisfying performance. Additionally, the administrative intensity moderates the relationship between internationalization and performance. For administrative intensity at low-level regional diversification, higher administrative intensity will result in better performance. *(For more information, please contact: Wei-Chun Tsai, WuFeng Institute of Technology, Taiwan: terrytsai@mail.wfc.edu.tw)*

*Towards more Realistic Conceptualisations of Foreign Operation Modes: Challenges to Existing Treatments*

Gabriel Robertstad Garcia Benito, BI Norwegian School of Management

Bent Petersen, Copenhagen Business School

Lawrence Stephenson Welch, University of Melbourne

In this paper we address the long-standing discrepancy between theory and practice regarding companies' choice, use and development of foreign operation modes. Theory typically treats foreign operation modes as choices among well-specified, discrete alternatives. Observation of business practice reveals a "messier" reality: in particular, mode packages, within-mode adjustments and mode role changes, seem quite common. These aspects of international business development have been relatively ignored in the literature and in theoretical and empirical research. The discussion and analysis in this paper probe such richer and more realistic

conceptualisations of foreign operation modes, and their implications for theory and practice. *(For more information, please contact: Bent Petersen, Copenhagen Business School, Denmark: bp.smg@cbs.dk)*

*Charging Rhinos and Buzzing Bees: Firm Size, Industry Structure and International Entrepreneurship in India's Software Industry*

Sumit Majumdar, University of Texas at Dallas  
Davina Vora, State University of New York at New Paltz

Drawing upon research on international entrepreneurship regarding born global firms, we examine the structure of international entrepreneurship in India's software industry. We argue that nature of competitiveness among born global firms warrants further research. We explore whether the Indian software industry is dominated by a few "charging rhinos" of large firms, or whether competitiveness in the industry is characterized a number of "buzzing bees" of smaller firms. In addition, we posit that firm size influences which industry segments firms focus on. Analysis of our sample comprising 876 of the major Indian software firms in existence in 2002-2003 suggests that the industry is characterized by "buzzing bees" rather than "charging rhinos" and that smaller firms tend to engage in high technology business activities, while larger firms tend to engage in business process outsourcing. *(For more information, please contact: Davina Vora, State University of New York at New Paltz, USA: vorad@newpaltz.edu)*

*Why Distance Matters: The Dynamics of Offshore Location Choices*

Stephan Manning, Duke University  
Marja Roza, Erasmus University  
Arie Y. Lewin, Duke University  
Henk Volberda, Erasmus University

Offshoring of technical and administrative work has become an established business practice in recent years. One key aspect of offshoring decisions is the choice of location. Prior research suggests that availability of expertise and low cost labor are major location choice factors, whereas geographical distance does not matter much because of advancement of IT. By contrast, we show that access to talent pools, external expertise and geographical proximity are important trade-offs and part of a competitive dynamic that unfolds over time. Based on comprehensive data of early and more recent offshore investments of U.S. and Dutch companies, we conduct a multi-level analysis of the likelihood of nearshore vs. farshore implementations over time. Findings suggest a co-evolutionary dynamic of location choices, changing industry and labor market conditions. Results point to limitations of conventional theories of internationalization and may inspire follow-up studies accounting for these multi-level dynamics. *(For more information, please contact: Stephan Manning, Duke University, USA: sdm24@duke.edu)*

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**Session: 2.5.5 - Panel**

**Track: Track: 8 - International Human Resource Management, Cross-Cultural Management, and Qualitative Research Methods**

***Have We Moved Beyond Conventional Wisdom? A Hard Look at the Value-Add of Cross-Cultural Management Research***

**Presented On:** June 29, 2009 - 15:45-17:00

Chair: Cristina B. Gibson, University of California, Irvine  
Chair: Mary Yoko Brannen, INSEAD

*Cross-cultural Research and Management Theory: Management Theory needs Contributions from Cross-cultural Research*

Mikael Søndergaard, University of Aarhus

*Advancements and Future Directions for Cross-cultural Organizational Behavior Theory*

Dana M McDaniel, University of California, Irvine

*Unpacking Institutions: Why Some Employee Expectations Change and Some Do Not*

Jone L. Pearce, University of California, Irvine

*A Critical Examination of the Concept of Power Distance*

Alaka N. Rao, San Jose State University

While management researchers have shed the assumption that management practices can be unilaterally applied across cultures, much more work remains to be done to more fully explore the different ways that culture influences management theory. This panel aims to address questions regarding the utility of predominant cross-cultural research approaches, to generate discussion on the ways by which our knowledge of culture has contributed to management theory, and where we need to go from here to improve upon conventional wisdom. The first two papers provide overviews of advancements made by cross-cultural management and organizational research, focusing on whether and how management theory has been developed using a cross-cultural lens. Using a combination of qualitative and quantitative methods, the latter two papers serve as exemplars of promising approaches that incorporate a cultural lens to extend organizational theories. An integrative discussion will address the people challenges inherent in globalization, demonstrating ways that researchers can address, understand, and ultimately ameliorate issues which arise in global workforces through comprehensive understanding of the role that culture plays in management theory.

*(For more information, please contact: Dana M McDaniel, University of California, Irvine, USA: dana.mcdaniel@uci.edu)*

**Session: 2.5.6 - Competitive**

**Track: Track: 8 - International Human Resource Management, Cross-Cultural Management, and Qualitative Research Methods**

***Behavior and Decisions across National Cultures***

**Presented On:** June 29, 2009 - 15:45-17:00

**Chair:** Allan Bird, University of Missouri-St. Louis

*Preferred Managerial Leadership Behaviour in Sub-Saharan African Business Organisations*

Romie Frederick Littrell, Auckland University of Technology

Nai H. Wu, Texas A&M University

Stella M. Nkomo, University of South Africa Pretoria

This study presents the current progress of statistical analyses of preferred managerial leadership behaviour in four Sub-Saharan Africa (SSA) countries, Ghana (GH), Kenya (KE), and Zambia (ZM), and South Africa (ZA) Black and White samples. Results indicate that leader behaviour preferences for the three samples are similar with high positive Spearman correlations for preferred leader behaviour dimensions. Results indicate significantly higher preferences for group integration and initiation of structure and significantly lower preferences for tolerance of freedom and tolerance of uncertainty, amongst 12 leader behaviour preference dimensions. Support is provided for a paternalistic leader style preference. *(For more information, please contact: Romie Frederick Littrell, Auckland University of Technology, New Zealand: romie.littrell@aut.ac.nz)*

*Personality and Career Decisiveness: An International Comparison of Business Students*

Marjaana Gunkel, University of Magdeburg  
 Christopher Schlaegel, University of Magdeburg  
 Ian M. Langella, Shippensburg University  
 Joy V. Peluchette, University of Southern Indiana

So far the research on Career Decisiveness has focused only on national samples. Our explorative study examines the influence of personality traits on business students' Career Decisiveness in three countries: China, Germany, and the U.S.A. The results show that personality traits have direct and moderating effects on Career Decisiveness. In addition, the influence of personality differs in the three countries examined. These differences lead to the need for diverse career counseling for students with different personalities in different countries. The findings, implications, and future research directions are discussed. *(For more information, please contact: Marjaana Gunkel, University of Magdeburg, Germany: marjaana.gunkel@ovgu.de)*

*Work-Related Acculturation of Immigrant Employees*

Vas Taras, University of North Carolina at Greensboro  
 Julie Rowney, University of Calgary  
 Piers Steel, University of Calgary

Thousands of studies have effectively demonstrated the need for culture-sensitive approaches when managing people in different countries. It is now relatively well-known how cultures vary across countries and what management practices are more effective in different parts of the world. But how about managing immigrants who constitute a substantial part of the workforce in most industrialized countries? How long do immigrants retain their original cultural values? Can assumptions about tacit value acculturation be made based on change in visible elements of culture such as language proficiency or food and music tastes? What are the factors that can speed up or slow down acculturation pace? The study addresses the questions based on a quasi-longitudinal cohort analysis of responses of about thousand immigrants residing in Canada. The results are discussed with a focus on implications for practitioner managers as well as immigration policy makers. *(For more information, please contact: Vas Taras, University of North Carolina at Greensboro, USA: v\_taras@uncg.edu)*

*International Assignments to/from India: Do Race and Gender Matter?*

Rosalie L. Tung, Simon Fraser University  
 Rana Haq, Laurentian University

This paper explores two related research questions pertaining to international assignments. One, should western multinationals adopt the predominant criterion of technical competence and ignore other factors, such as race and gender, for expatriate assignments to India? Two, in light of the increasing incidence of foreign direct investment from India, do Indian selectors themselves place greater emphasis on technical competence vis-à-vis race and gender in international assignments to other countries, such as the U.S.? These research questions were examined among a group of Indian managers and professionals enrolled in postgraduate or executive management education programs in three prestigious institutions across that country. Findings and implications for research and practice are discussed. *(For more information, please contact: Rosalie L. Tung, Simon Fraser University, Canada: tung@sfu.ca)*

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**Session: 2.5.7 - Competitive**  
**Track: Track: 6 - Learning, Knowledge and Innovation**

***Learning Across Borders***

**Presented On:** June 29, 2009 - 15:45-17:00

Chair: Kate Hutchings, Monash University

*Location Pattern of International Experience and Survival of FDI Projects in Culturally Dissimilar Countries*

Yuping Zeng, Southern Illinois University at Edwardsville

Oded Shenkar, Ohio State University

Sangcheol Song, Bryant University

Seung-Hyun Lee, University of Texas at Dallas

This study examines the relationship between the survival of internationalizing firms' FDI projects and four types of firms FDI experience: (1) Experience located in the cultural cluster of the firm's home country; (2) Experience located in the in the cultural cluster of the host country of interest; (3) Experience located in countries that are neither in the cultural cluster of the firm's home country nor in the cultural cluster of the host country of interest (third cultural clusters); (4) Experience located in the host country of interest. Using a sample of internationalizing firms from South Korea, this study found that except for the experience from third cultural clusters, which has a linear positive relationship, all other three groups experience have a U shape relationship with the survival of subsequent FDI projects. However, when a firm has prior experience in the host country to reduce the chance of knowledge misusing, the effect of experience from the culture cluster of the home country becomes linearly positive. *(For more information, please contact: Yuping Zeng, Southern Illinois University at Edwardsville, USA: yzeng@siue.edu)*

*Outsourcing Alliance and Knowledge Transfer: A Learning Partners Perspective*

Ryh-song Yeh, Yuan Ze University

Wei-li Wu, National Ji Nan University

Huilin Lin, National Taiwan University

Knowledge transfer is viewed as a process in which two stages are proposed: knowledge acquisition and knowledge conversion of acquired knowledge into technological upgrade. This research examines the process from the perspective of learning partner. A sample of 206 cases of OEM and/or ODM alliance is collected. The antecedents such as relational capital and learning intent are found to relate positively to explicit knowledge acquired, which in turn affects the transfer of tacit knowledge and technological upgrade. The other antecedents, resource supports, foreign language skills development, and incentive-based learning capacity, have direct impact on technological upgrade. Culture distance is found to have a slight moderating effect on knowledge transfer, while the use of information technology does not have any impact. Research limitations and further research are finally discussed. *(For more information, please contact: Ryh-song Yeh, Yuan Ze University, Taiwan: rsyeh@saturn.yzu.edu.tw)*

*Deliberate Learning from Partners: Tactics and Innovation Performance*

Marshall S. Jiang, Brock University

Preet S. Aulakh, York University

Rekha Krishnan, Simon Fraser University

Deliberate learning has been considered as an effective inter-organizational learning behavior to established technological capability. This paper argues that deliberate learning is reflected in joint action and initiative taking in the context that a student firm intends to develop innovation capability through partnering with a firm



with superior knowledge. Based on the survey data collected in three Latin American countries, we found that both learning through joint action and learning through initiative taking are positively related to the learning firm's innovation performance. Power balance strengthens the relationship between learning through joint action and innovation performance while weakens the relationship between learning through initiative taking and innovation performance. *(For more information, please contact: Marshall S. Jiang, Brock University, Canada: mjiang@brocku.ca)*

*Applications of Structural Hole: How do Social Network and Knowledge Brokerage Work in Global Semiconductor Industry?*

Yvonne Ho, Tamkang University  
H.J. Chiu, Neuroeconomic Behavioral Strategy Research Center

Social network theory has revealed brokerage's unique position in knowledge-based networks. Following previous studies, this paper will attempt to validate, through empirical research, the current literature on this topic. This paper will demonstrate that brokerage has a positive influence on the performance of MNEs, especially in knowledge-intensive industries such as the semiconductor industry. This paper's findings show that both Burt's structural hole and brokerage occupy advantageous positions in knowledge-based networks. Additionally, this study will test five different roles of brokerage, finding that the brokerage roles of gatekeeper and representative both have a positive influence on the performance of MNEs. The results indicate that, if a knowledge-based MNE tries to play a key role in knowledge distribution, it may be in the MNE's best interest to connect with other MNEs with non-redundant relations. *(For more information, please contact: Yvonne Ho, Tamkang University, Taiwan: ifyvo@msn.com)*

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**Session: 2.5.8 - Competitive**

**Track: Track: 11 - Emerging Market Economies**

***Bottom-of-the-Pyramid Strategies***

**Presented On:** June 29, 2009 - 15:45-17:00

**Chair:** Sushil Vachani, Boston University

*Should International Business Scholars Bother with the Bottom of the Pyramid (BOP)?*

Richard Fletcher, University of Western Sydney  
Tendai Chikweche, University of Western Sydney

Current global economic circumstances will require firms to increasingly focus away from traditional developed markets to emerging markets. Whereas traditionally the focus on emerging markets has been on the upper and middle classes in those markets, this focus has ignored two thirds of the world's population. Firms can no longer ignore this segment and as scholars, there is a need to review our traditional models of consumer purchase decision making to see how adequately they cater for this group at the bottom of the pyramid. It is argued that circumstances at the BOP are so different that models derived and validated in the 'west' will not be relevant. In this paper, the mediating variables that according to the literature shape the decision process are reviewed as is the decision process itself in relation to the BOP. This is followed by a review of previous research into consumer decision making at the BOP. The above forms the basis for the structuring of research into consumer decision making in the BOP market in Zimbabwe. The results demonstrate the need to adopt an emic approach and create a model of consumer decision making from within the BOP market itself, rather than apply an etic approach and see the extent to which a 'western'; derived decision model applies to a BOP market. It is only in this way can scholars assist firms to take advantage of opportunities at the BOP. *(For more information, please contact: Richard Fletcher, University of Western Sydney, Australia: r.fletcher@uws.edu.au)*

*The Impact of Microloans in Vulnerable Remote Areas in Malaysia*

Sow Hup Chan, University of Macau  
 Mazanah Abdul Ghani, Amanah Ikhtiar Malaysia

Microfinance is not a panacea, and the extent to which the very poor are being served remains unclear. This study examines whether microfinance programs reach the intended target in vulnerable remote villages, and whether the borrowers improve their lives through microfinance. Remote villagers living below the poverty line were reached. Borrowers observed an increase in income, assets and spending on family members. Improvement on non-income aspects was also reported. The findings suggest that small loans can encourage the development of (1) rural enterprise, (2) skills and confidence in rural women, and (3) social standing of rural women. The paper concludes that microloans have positive impact on borrowers' lives. *(For more information, please contact: Sow Hup Chan, University of Macau, Macau: joannec@umac.mo)*

*Myth or Reality? Understanding the Impact of Bop Initiatives on Poverty*

Miguel Rivera-Santos, Babson College  
 Carlos Rufin, Suffolk University

We focus on one of the major claims of the BOP literature, namely that BOP initiatives can help alleviate poverty. To assess this claim, our goal is therefore to examine whether BOP initiatives have a greater or different effect on poverty than traditional contrasting with traditional Foreign Direct Investment (FDI) that does not target the poor, and under which conditions this positive impact is likely to be found. We develop an analytical framework based on the definition of poverty, the elaboration of a counterfactual, and the conditions required by BOP initiatives to have an impact on poverty. Our approach shows that BOP initiatives can be expected to have positive impacts on the five major dimensions of poverty beyond the effects that can be expected from FDI not specifically targeted to the BOP. In general, the mechanisms through which BOP ventures can be expected to reduce poverty are not very different from the mechanisms through which FDI in general impacts poverty; what makes BOP initiatives effective beyond general FDI effects is the deliberate targeting of BOP populations. We also specify the conditions needed for the positive impacts to materialize, and call attention to the challenge of scale in BOP initiatives. *(For more information, please contact: Carlos Rufin, Suffolk University, USA: crufin@suffolk.edu)*

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**Session: 2.5.9 – Special Session*****Meet the Editors of IB-journals***

**Presented On:** June 29, 2009 - 15:45-17:00

**Chair:** Paul W. Beamish, University of Western Ontario

*Meet the Editors of IB-journals*

Lorraine Eden, Texas A&M University  
 Pervez N. Ghauri, King's College London  
 Ram Mudambi, Temple University  
 Alan M. Rugman, University of Reading  
 Peter W. Liesch, University of Queensland  
 Klaus Macharzina, Universität Hohenheim

*(For more information, please contact: Ram Mudambi, Temple University, USA: ram.mudambi@temple.edu)*

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Session: 2.5.10 - Competitive

Track: Track: 9 - Internationalization Processes and International Marketing Strategies

***Institutional Aspects of Internationalization***

Presented On: June 29, 2009 - 15:45-17:00

Chair: Keith D. Brouthers, King's College London

*An Examination of Business Gift-Giving in China: An Experimental Study*

Yan Jiang, Shandong Economic University

Bob T. Wu, Bowling Green State University

Much of the extant literature on gift-giving has focused on individual consumers in Western cultures rather than on gift-giving in professional business contexts or in Eastern cultures. This paper aims to bridge this gap in the gift-giving research by examining business-related gift-giving in an Eastern culture. A 2 (occasion: holiday vs. regular day) x 3 (gift value: 200 Yuan vs. 600 Yuan vs. 1000 Yuan) between subjects full factorial design was used in the study to investigate business gift-giving in China. Results of the study revealed that individuals were more surprised to be receiving a gift on regular occasion than on a holiday occasion and that they felt less indebted to and less favorably towards the giver when the gift was received on a regular occasion relative to on a holiday occasion. Results further showed that attitudes towards the giver's company generally increased with the cost of the gift when the gift-giving occasion was a holiday. When the gift was unexpectedly given on a non-holiday, however, there was actually a negative effect of gift cost on attitude such that the higher the cost of the gift, the less favorable the attitude towards the giver's company. *(For more information, please contact: Bob T. Wu, Bowling Green State University, USA: bwu@bgsu.edu)*

*Institutional Influence on the Diversification and Internationalization of SMEs in China*

Dong Chen, Loyola Marymount University

Yongsun Paik, Loyola Marymount University

Donghong Li, Tsinghua University

From an institution-based view, this study explores how small and medium-sized enterprises (SMEs) pursue diversification and internationalization in different institutional settings in China. Using a sample of 3261 SMEs in China, we find that SMEs are more likely to diversify into new businesses when facing strong government intervention, to expand internationally when a sound legal system is present, and to pursue diversification and internationalization when there exist well-developed non-state-owned sectors. The findings provide important implications regarding the development of SMEs in China. *(For more information, please contact: Dong Chen, Loyola Marymount University, USA: dchen@lmu.edu)*

*What Lies Beneath the Internationalization Strategies of Firms in a Regional Innovation System?*

Silvia Rita Sedita, University of Padua

Gianluca Fiscato, University of Milan

Fiorenza Belussi, University of Padua

The aim of the paper is to illustrate the internationalization strategies of firms in a Regional Innovation System (RIS). By doing so, we investigate which are the triggering factors for firms embedded in a RIS to access global suppliers and markets. Accordingly, this paper tries to understand the role of firms' dynamic capabilities, industry ICT intensity and regional KIBS in shaping the internationalization strategies of local firms.

The analysis is based on an original survey addressed during 2004 to entrepreneurs or managers of a sample of 125 final firms operating in 7 sectors (biomedical, ceramic, shipbuilding, footwear, textile, plastic and packaging) in the Emilia Romagna RIS.

A structural equation model was performed to investigate the factors that foster firms to go global. Some interesting insights on what lies beneath internationalization strategies of firms in a RIS are provided.

*(For more information, please contact: Fiorenza Belussi, University of Padua, Italy: fiorenza.belussi@unipd.it)*

*The Perceived Institutional Distance in the Internationalization Process of Firms - A Proposed Model for Measuring Managerial Perceptions in Emerging Country Markets*

Hans Jansson, University of Kalmar  
Mikael Hilmersson, University of Kalmar  
Susanne Sandberg, University of Kalmar

Using various concepts to study the difference between markets and its influence on decisions in the realm of international business is as old as this research itself. Lately, institutional distance has emerged as a promising concept in advancing our understanding of market differences which serves as a point of departure for this paper. The purpose of this paper is twofold. First we develop institutional distance as a firmly anchored theoretical construct. Second, we develop the concept empirically by trying out a number of institutional distance dimensions. We deductively derive indicators on institutional distances. They are evaluated through analyzing a sample of 203 SMEs from Southern Sweden internationalizing to emerging country markets, viz. the new EU states (the Baltic States and Poland), Russia and China. Through exploratory factor analysis, five distinct latent constructs are extracted, discussed and anchored in theory. *(For more information, please contact: Susanne Sandberg, University of Kalmar, Sweden: susanne.sandberg@hik.se)*

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**Session: 2.5.11 - Competitive**

**Track: Track: 8 - International Human Resource Management, Cross-Cultural Management, and Qualitative Research Methods**

***Global Strategy and IHRM***

**Presented On:** June 29, 2009 - 15:45-17:00

Chair: Ingmar Bjorkman, Hanken School of Economics

*The Extent of Divergence in Human Resource Management Practices of MNE Subsidiaries and Domestic Firms: Evidence from an Emerging Country*

Mehmet Demirbag, University of Sheffield  
David Collings, National University of Ireland, Galway  
Ekrem Tatoglu, Bahcesehir University  
Kamel Mellahi, University of Sheffield

This study provides some important insights on the convergence/divergence debate in the context of one of south eastern Europe's key economies, Turkey. Based on a sample of local firms and MNE subsidiaries in Turkey, we witness a degree of divergence between MNE subsidiaries and local firms in the Turkish context. In this regard, local firms and MNE subsidiaries differed in a number of specific regards. These include greater usage of competence-based performance appraisal, performance-based compensation, employee empowerment and ultimately a greater emphasis on the strategic role of the HRM function in MNE subsidiaries vis-à-vis their local counterparts. There is also some evidence of convergence between MNE subsidiaries and local firms with regard to employee training, merit-based promotion and internal communication. *(For more information, please contact: Mehmet Demirbag, University of Sheffield, United Kingdom: m.demirbag@sheffield.ac.uk)*

*Career Development for Host Country Nationals: A Case of American and Japanese Multinational Companies in Vietnam*

Anne Vo, University of Wollongong

This paper focuses on how multinational companies (MNCs) localize their human resources within their subsidiaries in a context of developing countries. It uses a qualitative research method and examines a US and a Japanese automotive MNC operating in Vietnam (selected from a sample of eight case studies). This paper identifies both home and host countries as significant moderating factors on MNCs' global staffing policies. An ethnocentric global staffing approach is evident in the Japanese MNC, while a polycentric one prevails in the US MNC. These global staffing approaches dictate the possible career paths for local managers. Early selections of high potentials and fast track systems to move them quickly through organizational ladders are evident in the US MNC. Meanwhile, in the Japanese MNC, identification of talents is primarily based on 'wait and see' tactics. Local managers advance through a single ladder system and their promotion scope is strictly limited within the subsidiary. The paper suggests that while a developing host country possesses few formal constraint mechanisms on the implementation of staffing practices, informal constraint mechanisms present a complex and challenging situation for MNC operations and requires from them a very high level of flexibility when implementing transferred managerial practices. *(For more information, please contact: Anne Vo, University of Wollongong, Australia: avo@uow.edu.au)*

*How International is the Human Resources Management in MNCs? A Study of Brazilian Multinationals*

John Lawrence French, Virginia Tech University  
Lindolfo Galvão de Albuquerque, University of Sao Paulo  
Patricia Morilha Muritiba, University of Sao Paulo  
Sérgio Nunes Muritiba, University of Sao Paulo

International Human Resources Management (IHRM) theorists usually state that organizations should take advantage of globalization to develop and retain the best human resources. Some studies also found that multinationals often limit their HR policies to managing expatriates, while they impose parent policies on the subsidiaries and therefore do not take advantage of local competencies to develop their human potential. This is what we call, in this study, the level of internationalization of the MNCs. Through twelve case studies in Brazilian multinational enterprises, we examine the extent to which multinationals internationalize their human resources policies, proposing a theoretical model. Results showed that companies with international HR policies use training to disseminate knowledge generated in different units in the world, select and develop people from different parts of the world and have compensation policies that support the global staffing practices. This group of companies is also characterized by sharing and disseminating knowledge globally, as well as they reported better capacity of attracting and retaining talents, factors that can lead to superior performance. *(For more information, please contact: Patricia Morilha Muritiba, University of Sao Paulo, Brazil: pmorilha@gmail.com)*

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**Session: 2.5.12 - Interactive**

**Track: Track: 3 - Alliances and Inter-Firm Relationships**

***Institutions, Culture and Alliances***

**Presented On:** June 29, 2009 - 15:45-17:00

**Chair:** Ajai Gaur, Old Dominion University

*Dynamics of National Culture and Conflict Strategy Fit and Misfit in Transnational Business Contract Disputes*

George O. White III, University of Michigan-Flint

Richard A. Posthuma, University of Texas at El Paso

John Hadjimarcou, University of Texas at El Paso

Integrating transaction cost, national culture, and conflict management literatures, this study examines how firms using opportunistic behavior in transnational business relationships are induced by the dynamics of home country national culture fit and misfit to adopt strategies during contractual disputes that affect their costs (monetary payouts). Data from U.S. court cases involving 316 U.S. and foreign firms from 48 countries show that choosing a conflict strategy that fits home country national culture results in higher monetary payouts, this tendency is enhanced by power distance. Firms choosing a conflict strategy that does not fit their home country national culture have lower monetary payouts when their national culture is masculine or individualistic. Implications for managers and suggestions for future research inquiry are presented. *(For more information, please contact: George O. White III, University of Michigan-Flint, USA: gowhite@umflint.edu)*

*The Impact of National Culture in Acquisition Processes*

Betania Tanure, PUC/Minas - Fundação Dom Cabral

Vera L. Cançado, Faculdade Novos Horizontes

Roberto Gonzalez Duarte, PUC/Minas - Fundação Dom Cabral

Acquisitions are best understood as processes that occur in consecutive and interdependent stages, starting with the choosing of a company and proceeding with the negotiation of the deal, due diligence, and post-acquisition integration. Those stages are affected by national and organizational culture. This paper aims to examine acquisition operations as processes while analyzing how the impact of the style of management and culture of the acquiree company's country can affect the process and results of the acquisition. To do this, we present empirical evidence gathered from a research carried out from eight case studies realized in Brazil. We concluded that the various stages of acquisition operations in Brazil, particularly the negotiation and integration stages, are permeated with the Brazilian features of emotional expression and highly valued personal relationships, in contrast to rationality. Therefore, doing business in Brazil might imply the acceptance and the incorporation of the Brazilian style of management. *(For more information, please contact: Vera L. Cançado, Faculdade Novos Horizontes, Brazil: vcancado@uai.com.br)*

*A Comparison of Managers' Perceptions of Culture Differences and Measures of Cross-Country Differences: Evidence from Chinese International Strategic Alliances*

Li Dong, Royal Holloway, University of London

Keith W. Glaister, University of Sheffield

We explore the relationship between Chinese managers' perceptions of national and corporate culture differences and their effects on ISA (international strategic alliance) outcomes and a set of ten measures of cross-country differences. Findings are based on 238 managerial perceptions of a relatively large sample of Chinese firms in ISAs with foreign partners from 24 countries. The data does not support the expected symmetry between the perceptual measures of cultural distance and measures of cross-country differences. Overall, this significant finding shows that individual (micro) level analyses using perceptual measures are at variance with more macro level variables measuring similar constructs. *(For more information, please contact: Li Dong, Royal Holloway, University of London, United Kingdom: li.dong@rhul.ac.uk)*

*International Strategic Alliance Relationships: The Role of Partner Selection and Host Country Institutions*

Jean-Paul Roy, Queen's University

This study investigates the influence of partner selection criteria on relationship capital between international strategic alliance (ISA) partners, and assesses how this influence varies across host country institutional environments. It is hypothesized that partner-related, but not task-related, selection criteria positively influence relationship capital, and the host country legal and regulatory environments positively moderate this relationship. The empirical results based on novel survey and archival data collected on 169 ISAs fully support the main effect hypotheses, and partially support the moderating effect hypotheses. *(For more information, please contact: Jean-Paul Roy, Queen's University, Canada: jroy@business.queensu.ca)*

*Logistics-Clusters in Germany and China – An Entrepreneurial View on Competitive Advantages of Clusters across Time and Space*

Ralf Elbert, Berlin Institute of Technology  
Gang Yang, Tongji University Shanghai  
Sasa Saric, Tongji University

Most research on clusters echoes Porter's work who proposed his diamond model to explain the dynamics within clusters and their positive influence on firm's performance Porter. However, critiques of Porter's work argue that the framework is rather descriptive and static in nature and that detailed insights about how clusters generate competitive advantages remain in a black-box. Thus, we assume that the types of competitive advantages firms can realize through clusters vary across time and space. In this paper we review the literature on clusters and develop a model based on the MBV and RBV that theorizes how clusters generate competitive advantages. Using strategic entrepreneurship theory we show how agents in clusters realize different of competitive advantages across time and space. We then aim to empirically test our model using multiple and exploratory case study based data collected from 33 logistics clusters in Germany and 36 in China. Thus far, first results indicate that companies can realize a variety of competitive advantages through clusters. In our ongoing research work we will shed light on the "black-box diamond" and disentangle the causalities between its attributes. *(For more information, please contact: Sasa Saric, Tongji University, China: s.saric@global-scm.net)*

*How Do Foreign Firms Manage Business Relationships in China after Market Entry?*

Yang Yu, Victoria University of Wellington  
Valerie J. Lindsay, Victoria University of Wellington  
Elizabeth L. Rose, Victoria University of Wellington

The literature acknowledges the co-existence of economic and social aspects of business relationships. However, there have been few attempts to examine them separately while analysing relationships, mainly because economic ties and social bonds are considered to be intertwined with each other. The present study challenges this viewpoint. Undertaking a qualitative approach, it explores how foreign firms operating in China manage their relationships with local actors, via leveraging of economic and social elements in the context of network development. Empirical findings suggest four types of relationships, characterised by different combinations of economic and social tie strength. A 2x2 matrix is presented to illustrate the phenomenon, illuminate the nature of relationships, and help to understand firms' sophisticated approaches to managing relationships. In addition, this study offers other insights in firms' relationship development in China, particularly with respect to social aspects. *(For more information, please contact: Yang Yu, Victoria University of Wellington, New Zealand: cruise.yu@vuw.ac.nz)*

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**Session: 2.5.13 - Interactive**

**Track: Track: 8 - International Human Resource Management, Cross-Cultural Management, and Qualitative Research Methods**

***Employees in the Context of International Business***

**Presented On:** June 29, 2009 - 15:45-17:00

Chair: Mary Zellmer-Bruhn, University of Minnesota

*Understanding Corporate Reentry*

Betina Szkudlarek, Erasmus University

Despite numerous publications on expatriation, the theme of cross-cultural reentry (its course, impact and features) still remains largely neglected and underestimated in the sojourner's transition trajectory. At the same time, available empirical investigations point to a number of substantial concerns, which affect the psychological wellbeing, social readjustment and cultural identity of returning individuals. The significance of these concerns strongly suggests that reentry should become an issue of highest priority to both sojourning individuals as well as people managing the reentry trajectories of travellers. This article attempts at systematizing the available reentry literature, its strengths and limitations and strives for providing a tentative agenda for future research. *(For more information, please contact: Betina Szkudlarek, Erasmus University, Netherlands: bszkudlarek@rsm.nl)*

*Employee Mobility and Inter-Firm Ties*

Marleen Rust, University of Illinois at Urbana-Champaign

Ruth V. Aguilera, University of Illinois at Urbana-Champaign

Joseph Broschak, University of Arizona

This is a multi-level study that examines the exchange relationships among individuals and firms in the context of advertising firms in thirty-three countries over two decades. Drawing on theories of resource-based and institutional theory, this study examines the importance of relationships and management mobility on market ties. We expect that agency managers, human capital, exiting an advertising agency will disrupt the relationship between the agency and its client which will lead to market tie dissolution. A unique aspect of this study is that it seeks to examine how and when institutional context, country level, becomes relevant. We will examine if and when cultural differences have an impact on the client-agency relationship and market tie dissolution. *(For more information, please contact: Marleen Rust, University of Illinois at Urbana-Champaign, USA: marleenrust@gmail.com)*

*Integration of Skilled Immigrants into the Australian Labour Market - The Impending Issues*

Sharmin Mahmud, Monash University

Quamrul Alam, Monash University

Charmine Hartel, Monash University

This paper identifies that many skilled immigrants are facing labour market disadvantages after arrival in Australia. Immigrants are devalued, underutilized and they work in occupations that are less skilled than their pre-migration employment. These indicate that skilled immigrants are not successfully integrated in the Australian labour market. This paper examines the factors affecting integration into the labour market and reveals that mostly individual attributes have been examined in integration research. Unlike other studies in the field, this paper focuses on the importance of employer and government settlement policies for the integration of immigrants. This paper suggests a conceptual model incorporating all key stakeholders in the integration



process of immigrants. (For more information, please contact: Sharmin Mahmud, Monash University, Australia: smah19@student.monash.edu.au)

*Bicultural Competences and The Roles of Bicultural Employees in Multicultural Teams*

Hae-Jung Hong, ESSEC Business school

International management research has paid little attention to bicultural individuals' competences and their roles for multicultural team effectiveness. Social psychologists have focused on the psychological antecedents and consequences of biculturalism by applying lab based experimental methods. Although the number of bicultural employees in multinational corporations is increasing, researchers and practitioners have yet to recognize their impact on their teams and organizations. I fill this gap by introducing the concept of bicultural competence and the potential roles of bicultural employees in multicultural teams. I identify the three dimensions of bicultural competence - cognitive complexity, behavioral adaptability, and cross-cultural communication skills and specify two critical roles bicultural individuals play for multicultural team effectiveness – boundary spanners and conflict mediators. The proposed mix ethnographic and quantitative methods for researching this topic is discussed. (For more information, please contact: Hae-Jung Hong, ESSEC Business school, France: hae-jung.hong@essec.fr)

*Perceptions of International Mobility*

Jean-Luc Cerdin, ESSEC Business School

Mila Lazarova, Simon Fraser University

New mobility and career patterns and their implications for organizational competitiveness have already generated interest in academic circles and the business press, but research on these issues is still in its infancy. International mobility cutting across different types of boundaries, resulting in volatile individual career trajectories, and their related implications for human resource development in organizations are not well understood. This paper will represent research in progress aimed at moving beyond "classic" expatriation problems to uncover what "international mobility" means for young professionals. Based on the theoretical foundations of image theory (Beach, 1990), we plan to examine how respondents view international mobility in their professional and personal life and whether their views of mobility influence the likelihood of their actually undertaking any steps towards becoming "internationally mobile". (For more information, please contact: Jean-Luc Cerdin, ESSEC Business School, France: cerdin@essec.fr)

*Gender Riptides: A Case to Relook Governemntal, Management and Educational Policy*

Melodena Stephens Balakrishnan, University of Wollongong in Dubai

Mabelann D'Lima, University of Wollongong in Dubai

A reduction in the gender gap leads to greater prosperity of nations, empowerment of women and protection of the girl child. It is one of the eight millennium goals 189 countries are pursuing. The objective is to find out whether the reduction in gender gap has any side-effects we need to be aware of even though the greater good is established. The exploratory study builds on a previous literature review by using qualitative material. This discussion aims to instigate thought on current governmental, management and educational policies and challenge the conventional notion of "equality". Equality and empowerment are two related but different concepts. By linearly applying policies across genders we do them a disservice as each gender's contributions to families, societies and nations at large may differ. (For more information, please contact: Melodena Stephens Balakrishnan, University of Wollongong in Dubai, United Arab Emirates: melodenabalakrishnan@uowdubai.ac.ae)

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**Session: 2.5.14 - Interactive**  
**Track: Track: 11 - Emerging Market Economies**

***Governance and Leadership in Emerging Markets***

**Presented On:** June 29, 2009 - 15:45-17:00

Chair: Ben L. Kedia, University of Memphis

*Outside Directors on Korean Boards : Governance and Institutions*

Jootae Kim, Dankook University  
Amon Chizema, Loughborough University

Drawing on neo-institutional theory, this study examines the factors that pressured Korean firms to appoint outside directors to their boards. While this practice could be taken as a management innovation in Korea, in the Anglo-American corporate governance system it has long been used as one of several mechanisms to mitigate agency costs between management and shareholders. As such, this response by Korean firms, following the 1997-1998 currency crisis in Asia, could be seen as some form of corporate governance convergence on the Anglo-American model, where higher levels of outside director representation on the board is considered necessary. We examine the antecedents of having a higher proportion of outside directors on Korean boards. Our findings indicate that larger firms that are under stricter control by the government have higher representation of outside directors on the board. We also find a positive and significant relationship between the proportion of outside directors and business group affiliates, poor prior firm performance, higher levels of debt and foreign ownership. *(For more information, please contact: Jootae Kim, Dankook University, Korea, South: [jkim@dankook.ac.kr](mailto:jkim@dankook.ac.kr))*

*Board Composition, Concentrated Ownership and the Impact of the State: Russian Evidence*

Dmitri Melkumov, Hanken School of Economics

The board is often said to act as a mechanism of control of the management and at the same time a resource provider to the company. In turn, the extent to which the board of directors is used for controlling the management or the corporation varies amongst the various kinds of owners and the concentration of their ownership in the target company. Although previous research has examined the board's control roles, it usually concentrated on economies with relatively high ownership dispersion and adequate investor protection. Particularly less knowledge is available about the varying preferences of different owners in the context of high ownership concentration of emerging markets. This paper examines how different owners' controlling preferences vary according to the level of ownership concentration and finds that possibly due to an underdeveloped regulatory base the owners prefer holding considerable stakes in their hands and actively utilise the board for corporate and managerial control. In particular the research shows that compared to other owners, the state is more interested in keeping a tight control over the companies it owns stakes in. Also the study points out that the willingness to control the corporation grows with growing ownership stakes. *(For more information, please contact: Dmitri Melkumov, Hanken School of Economics, Finland: [dmitri.melkumov@hanken.fi](mailto:dmitri.melkumov@hanken.fi))*

*Motivating Factors in the Adoption of Better Corporate Governance Practices by the Brazilian Companies*

Lindenberg Araújo Aragão, Universidade de Fortaleza  
Oderlene Vieira de Oliveira, Universidade de Fortaleza  
Vera Maria Rodrigues Ponte, Universidade Federal do Ceará  
Marcelle Colares Oliveira, Universidade de Fortaleza  
Augusto Marcos Carvalho de Sena, Universidade de Fortaleza

The good practices of Corporate Governance are increasingly related to ideas about the creation of value for shareholders and the promotion of economic development. We believe that these ideas are among the reasons for growth observed in the number of companies that adopt better governance practices all over the world. The present research was realized to identify the main factors which motivate the adoption of better Corporate Governance practices by Brazilian companies. A questionnaire was applied to the members of Brazilian Association of Investment Professionals and Analysts of the Capital Market-APIMEC. As analysis techniques, descriptive methods and normal distribution have been used. Among the motivating factors appointed in the literature, the consulted analysts consider to be most relevant: professionalizing the company; more transparency and relationship with the capital market; perpetuate the company; add value to shareholders; value the company shares; improve institutional image; increase liquidity of company shares; recover investors' trust; enable capital opening; reduce cost of capital; and improve decision-making process. *(For more information, please contact: Marcelle Colares Oliveira, Universidade de Fortaleza, Brazil: marcellecolares@unifor.br)*

*Fighting Corruption in Eastern Europe: An Institutional Theory Approach to Assessing the Relative Effectiveness of International Anti-Corruption Agreements*  
Meltem Tugut, Saint Louis University

Eastern Europe is widely known for its high levels of rampant corruption. In this paper, I investigate whether various international anti-corruption agreements entered by the countries in this region are actually effective in reducing the FDI outflows from these countries to host countries with high corruption. In particular, I assess the relative degree of effectiveness of the OECD Anti-Bribery Convention and the EU Anti-Corruption Agreement in reducing the FDI outflows from twelve Eastern European nations into other corrupt countries. The propositions developed will have significant implications for both the MNEs and public policy makers from this region of Europe. *(For more information, please contact: Meltem Tugut, Saint Louis University, USA: mtugut@slu.edu)*

*Top Managers' Roles in the Strategic Planning: Evidence from China*  
Yi Sun, Peking University  
Yajun Wu, Peking University

Strategic planning has been seen as an important issue in strategy management. The paper examines the impact of formal planning on performance. We introduce a moderating effect of top managers, which weakens the positive planning- performance relationship. We describe planning in terms of both the existence and the extent, and the positive effect on performance is empirically supported only in the latter situation while interaction terms are significantly negative in each case. By using the large sample data based on a survey conducted in the year 2004 in China, this research also supplements the empirical evidence in the transition economy. *(For more information, please contact: Yi Sun, Peking University, China: sunyi@gsm.pku.edu.cn)*

*The Market Reactions to FDI Announcements by Thai Firms: A Real Options Approach*  
Nattharika Rittippant, Sirindhorn International Institute of Technology, Thammasat University  
Abdul A Rasheed, University of Texas at Arlington

The purpose of this study is to explore the process of real-options exercise by firms regarding further decisions on their initial foreign direct investments (FDI). The primary research question focuses on whether the exercises of real options are valuable strategies to the MNEs. The type of options exercise (i.e., growth, delay, and exit) was hypothesized to have a significant effect on the firms' the market values. Sample of 102 announcements by Thai MNEs listed in the Securities Exchange of Thailand was used in the event studies. The independent variables are the types of options exercise (i.e., growth, delay, and exit options). The dependent variable in this study is the market reactions to the announcements to grow, delay, or exit from the previously announced FDI. Results from this study indicate that exit options are still considered undesirable by the market. International expansion through subsequent growth options exercise, however, has no significant effect on firm's value. *(For more information, please contact: Nattharika Rittippant, Sirindhorn International Institute of Technology, Thammasat University, Thailand: nattharika@gmail.com)*

## ABSTRACTS FOR TUESDAY, JUNE 30, 2009

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### Session: 3.1 - Plenary

#### *Seasons of a Scholar: A Tribute in Memory of John H. Dunning*

Presented On: June 30, 2009 - 08:15-09:45

Chair: John Cantwell, Rutgers University

*The 1958 Book and the Early Career Years*  
Daniel G. Van Den Bulcke, University of Antwerp

*The 1970s: Reading as an International Base for IB Research*  
Peter J. Buckley, University of Leeds

*The 1980s: The AIB President and an International Leader of IB Studies*  
John Cantwell, Rutgers University

*The 1990s: The Rutgers Years*  
Rajneesh Narula, University of Reading

*The 2000s: New Directions after Formal 'Retirement'*  
Sarianna M. Lundan, Maastricht University

*The Last Period: Hopes for the Future of the IB Field*  
Alan M. Rugman, University of Reading

(For more information, please contact: Alan M. Rugman, University of Reading, United Kingdom:  
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### Session: 3.2.1 - Panel

#### Track: Track: 12 - Special Track on IB Pedagogy

#### *Disseminating Thought Leadership on Managing the Flat versus Spiky World: The Case for "New Generation" IB Textbooks*

Presented On: June 30, 2009 - 10:00-11:15

Chair: Alain Verbeke, University of Calgary

*The Evolution of IB Textbooks and the Case for New Generation Textbooks*  
Alan M. Rugman, University of Reading

*The Future of One-Stop-Shopping IB Textbooks: The Case of Transnational Management*  
Paul W. Beamish, University of Western Ontario

*The Eclectic Paradigm as an Envelope for Describing IB Thought Leadership in a Semi-Global Environment*  
Sarianna M. Lundan, Maastricht University

*A Focus on Business History as a Precondition for Effectively Disseminating IB Thought Leadership*  
Geoffrey J. Jones, Harvard University

*Melding Case Studies, Practitioner Oriented Articles and Thought Leadership from Rigorous Research into an IB Textbook*

Pankaj Ghemawat, IESE Barcelona

*Revisiting the Classic Readings in International Business through an Integrative Framework*

Alain Verbeke, University of Calgary

This roundtable panel will assess the extent to which (unconventional) IB textbooks can contribute to disseminating thought leadership in the IB field to students at the undergraduate, graduate and executive management levels, with a focus on the strategic management of semi-globalization, i.e., a world that is neither completely flat nor completely spiky. A small number of IB textbooks now do exist that go beyond the superficial description of the IB environment and beyond basic concepts from strategy and various functional management areas that are given an international flavor. This new generation of IB textbooks does provide key insights from past and present IB research, and does attempt to disseminate the ideas most critical to strategically managing large multinational enterprises (MNEs) in a semi-globalization context.

The proposed roundtable panel will discuss five high-profile IB textbooks presently available in the market place. The panel will attempt to answer, inter alia, the following five questions, with an emphasis on strategically managing the tensions between the flat and spiky components of the international business environment: 1) What core IB concepts/frameworks do these books focus on and why? 2) What empirical evidence is provided to the students to support these core IB concepts/frameworks? 3) Have the authors of these IB textbooks, during the writing process been able to contribute novel thought leadership in IB beyond the materials upon which the books are based? 4) How might the dissemination of the core IB concepts/frameworks presented to students improve managerial practice in IB, and should such a focus on managerial practice be a pedagogical objective in the first place? 5) Does a choice necessarily need to be made in terms of selecting a specific student audience when writing a textbook built on particular core IB concepts/frameworks, or can a single textbook be written for undergraduates, graduate MBA students, graduate research students and executives?

The roundtable panel's ultimate purpose is to outline the continued and perhaps rising importance of top quality, new generation IB textbooks for business school students at all levels, in an era when academics are rewarded primarily for publishing articles in A level journals, and the development of original teaching materials and textbooks is viewed with suspicion and sometimes even disdain in some business schools. *(For more information, please contact: Alain Verbeke, University of Calgary, Canada: averbeke@ucalgary.ca)*

**Session: 3.2.2 - Competitive****Track: Track: 1 - The Political, Institutional, and Historical Context of Global Business*****Political Risk, Conflict, and Terrorism*****Presented On:** June 30, 2009 - 10:00-11:15

Chair: Witold Jerzy Henisz, University of Pennsylvania &amp; Stanford University

*Conceptualizing Global Risk in a Changing World: Looking Beyond the Political Dimension*

Rakesh B. Sambharya, Rutgers University - Camden

Abdul A Rasheed, University of Texas at Arlington

We call for a reconceptualization of the concept of risk because in a globally interconnected world, firms face global risk that is more than the aggregation of individual components of risk such as political risk, exchange risk, or commercial risk. Global risk encompasses dimensions such as economic/financial, ecological, and technological in addition to political. There is a high degree of interdependence and interconnectedness among these various dimensions of risk due to the phenomena of globalization. The impact of global risk is more pervasive than political risk and can be felt at many geographical levels such as: local, national, regional, and supranational. We propose a new conceptualization of global risk that incorporates both different types and levels of risk in one overarching framework. *(For more information, please contact: Rakesh B. Sambharya, Rutgers University - Camden, USA: sambhary@camden.rutgers.edu)*

*Self-replication Perspective for Sequential Risk-Taking Entry to the Vulnerable Country for Terrorism: Evidence from Korean Manufacturing Firms*

Yong Suhk Pak, Yonsei University  
Ki Hyun Ryu, Yonsei University

This paper analyzes the cause of firm's sequential risk-taking entry against terrorist attacks. Although, investment to foreign market is an intrinsic attribute for multinational corporations, the risk of terrorist attack negatively influences the decision of investing allocation because of the fear of potential terrorism. In line with learning theory, however, our finding show that the experience of terrorist attack in invested country is positively related to the reinvestment to the vulnerable country, and the accumulated experience of investment is negatively related to the reinvestment to the vulnerable country. Firms which have both experiences can consider the reinvestment to vulnerable country due to experiences of terrorist attack. *(For more information, please contact: Ki Hyun Ryu, Yonsei University, Korea, South: aim7@yonsei.ac.kr)*

*Caught in the Middle: U.S. FDI in Warring Host Countries*

Li Dai, Texas A&M University

U.S. firms often have existing operations in host countries that come to engage in wars with other countries; however, in the international business (IB) literature, the risks associated with such destructive contextual changes are typically assumed to be exogenous to firm strategies. Using institutional theory to frame the firm's decision to change investment levels in the host country, we tested the effect of wars on U.S. FDI position in 55 host countries over the period 1982 to 2006. We find that a war increases overall U.S. FDI into the host country, but inward FDI decreases in the host country if the war involves the U.S. and if the host country engages in war with different countries in a particular year. Furthermore, our results show that U.S. involvement in many of the host country's wars is correlated with increased U.S. FDI into the host country. Research implications are discussed. *(For more information, please contact: Li Dai, Texas A&M University, USA: ldai@mays.tamu.edu)*

*The Impact of Animosity and Conflict on Firms' Entry Mode*

Ilgaz T. Arikan, Georgia State University  
Oded Shenkar, Ohio State University

This paper introduces a new variable, national animosity/conflict, into the transaction costs treatment of firm governance choice. Results show that prior conflict between country dyads increases the propensity of alliance formation versus internalized governance among dyad firms. Cultural and geographic distances show a positive effect on alliance formation but the impact is eroded by prior dyad conflict. Prior conflicts between geographically distant dyads also have a positive effect on alliance formation. National alliances increase the likelihood of inter-firm alliances, however prior conflict in national dyads that have military alliances lowers alliance propensity among their firms. *(For more information, please contact: Ilgaz T. Arikan, Georgia State University, USA: iarikan@gsu.edu)*

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**Session: 3.2.3 - Competitive**

**Track: Track: 5 - Organizational Structure, Capabilities, and Strategic Planning in the MNC**

***Capability Development and Strategic Processes in the MNC***

**Presented On:** June 30, 2009 - 10:00-11:15

**Chair:** Gloria Ge, University of Auckland

*Social Games in an Economic Frame: Strategy Processes, Activities and Organizational Capabilities*

Patrick Regnér, Stockholm School of Economics

Udo Zander, Stockholm School of Economics

The purpose of this paper is to uncover micro-level managerial processes, meanings and activities that underlie capability change and in the end competitive advantage. We do this by linking strategy process and practice research with the organizational capabilities view and by describing strategy making as a socially situated activity of social games within an economic frame. This analysis contributes to a better understanding of how capabilities emerge and change. Inertial frames (capability -meaning configurations), around which capabilities are organized and understood, are displayed as important ingredients in capability development as well as multiple related managerial activities in various sections of organizations. *(For more information, please contact: Udo Zander, Stockholm School of Economics, Sweden: udo.zander@hhs.se)*

*Capability Development in MNCs- The Role of the Internal versus the External Selection Environment*

Paula Kilpinen, Helsinki School of Economics

Markus Pietari Paukku, Helsinki School of Economics

Anna Salonen, Helsinki School of Economics

Mika Gabrielsson, Helsinki School of Economics

Recent research has indicated that capabilities not only affect firm performance but also have an effect on the internationalization and globalization processes (Tallman and Fladmoe-Lindquist, 2002; Luo, 2002; Dunning and Lundan, forthcoming). This study deconstructs the so-called internationalization process by distinguishing between the capabilities through which a firm is able to internationalize and those by which it globalizes. Taking a dynamic organizational capabilities perspective we argue that the differences between the international business concepts are significant enough to warrant distinction and offer a perspective deconstructing 'globalization' and put forward a deeper understanding of the distinct logics in capability development and the concept of globalization. Requiring a rich understanding of the firm and its environment, we draw on four case studies and seek to extend the literature with three propositions that link the internal and external selection environment and firm capabilities at each stage of internationalization and globalization and beyond. *(For more information, please contact: Markus Pietari Paukku, Helsinki School of Economics, Finland: markus.paukku@hse.fi)*

*Empirically Eliciting Capabilities in the Presence of Measurable and Transferable Resources*

Joseph A. Clougherty, Wissenschaftszentrum Berlin (WZB) &amp; CEPR-London

Thomas P. Moliterno, University of South Carolina

Recent reviews of resource-based scholarship suggest that researchers are finding considerable support for the association between the creation and application of organizational capabilities and competitive advantage. However, measuring organizational capabilities presents empirical researchers with substantial difficulties. We propose a quasi-experimental research design for future empirical work on capabilities: a design that takes advantage of more easily measured—and transferable—resources to elicit what otherwise would be unknowable capabilities. This design allows us to both uncover firm-specific heterogeneity in capabilities and to elicit the effects of those capabilities at the resource-level. We illustrate this empirical approach with an investigation of the U.S. international airline industry from 1983-1992, during which time the industry experienced a significant transfer in the rights to operate U.S. international routes. The results of our analysis demonstrate our research design as an econometric means to capture heterogeneity in firm capabilities. *(For more information, please contact: Joseph A. Clougherty, Wissenschaftszentrum Berlin (WZB) & CEPR-London, Germany: clougherty@wzb.eu)*

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**Session: 3.2.4 - Competitive**

**Track: Track: 9 - Internationalization Processes and International Marketing Strategies**

### ***Ownership Strategies***

**Presented On:** June 30, 2009 - 10:00-11:15

**Chair:** Lance Eliot Brouthers, Kennesaw State University

#### ***Flexibility Versus Commitment: MNEs' Ownership Strategy In China***

Jing Li, Simon Fraser University

Yong Li, State University of New York at Buffalo

We investigate the following important but underexplored question in international business: How do MNEs choose between flexible and committed ownership strategies in foreign market entries? Following the key tenets of real options theory, we propose that, under high level of market uncertainty, MNEs should choose ownership strategies that afford strong flexibility in adjusting investment decisions in future. We further suggest that the value of flexible strategies under uncertainty will be reduced under several industry conditions in the host country including growth potential, investment irreversibility, and competition. Empirically, we analyze the ownership strategies (ownership structure and equity share) of over 7,000 new foreign investments in manufacturing industries in China during 2000-2006. We find strong support for our theory and discuss the implications of the results for foreign investment strategies. *(For more information, please contact: Jing Li, Simon Fraser University, Canada: jingli@sfu.ca)*

#### ***Extending the Depth of the Multinational Network: Evidence from Cross-border Acquisitions***

Thomas Hutzschenreuter, WHU - Otto Beisheim School of Management

Ingo Kleindienst, WHU - Otto Beisheim School of Management

Boris Bieberstein, WHU - Otto Beisheim School of Management

Based on a sample of 702 cross-border acquisitions of 70 German MNE's we explore the value effects associated with an increase in internationality. We argue that the value effect is related to the extent of additional valuable options the company is able to obtain by increasing the degree of internationality – either through increasing the breadth or the depth of the company's multinational network. Most importantly, we show that there is a negative relationship between the depth of a company's multinational network in a country and the value effect of an additional investment in the respective country. *(For more information, please contact: Thomas Hutzschenreuter, WHU - Otto Beisheim School of Management, Germany: th@whu.edu)*

#### ***Marketing-based Resource Advantages and the Choice between Acquisitions and Greenfield Ventures***

Desislava Dikova, University of Groningen

Arjen Slangen, University of Amsterdam

Keith D. Brouthers, King's College London

We apply the resource-based view of the firm to examine the impact of the planned level of subsidiary autonomy in marketing on the choice by multinationals between greenfield and acquisition entry. We propose that multinationals that want to obtain new marketing resources in the form of local marketing knowledge and local brand names grant their subsidiaries much autonomy in marketing and are likely to opt for an acquisition mode of establishment. Reversely, we expect that firms that intend to exploit extant home-based marketing advantages prefer to grant their subsidiaries little autonomy in marketing and are likely to choose a greenfield establishment mode. We also expect that parent firms' worldwide marketing experience, the extent to which the products sold by the focal subsidiary differ from those sold by its parent, and the cultural distance between the home and host country moderate the relationship between subsidiary autonomy in marketing and establishment



mode choice. An empirical analysis of 149 foreign entries by Dutch multinationals into 32 countries over the period 1995-2003 lends support to these expectations. *(For more information, please contact: Desislava Dikova, University of Groningen, Netherlands: d.dikova@rug.nl)*

*The Determinants on the Choice between Acquisitions and Equity Alliances in the Cross-border Market Entry*  
Jungmin Kim, Seoul National University  
Dong Kee Rhee, Seoul National University

By focusing on multinational firms entering a single market (Korea), this paper investigates the impact of focal firms' strategies about the choice between acquisitions and equity alliances when they decide to expand their boundaries overseas. The dataset covers 111 multinational firms entering into the Korean market from 1991 to 2007. The findings support explanations based on the combined theories including organizational learning and transaction cost theories. The empirical results suggest that multinational firms' specific experience and nationality have shown some important implications on the choice between acquisitions and equity alliances. In particular, the focal firms' attributes illustrate why firms decide to pursue acquisitions and equity alliances as part of their foreign market entry strategies. *(For more information, please contact: Jungmin Kim, Seoul National University, Korea, South: jungmin2@snu.ac.kr)*

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**Session: 3.2.5 - Panel**

**Track: Track: 4 - Subsidiary Evolution and Strategy**

***Subsidiary Isolation: The Phenomenon and its Organizational Implications***

**Presented On:** June 30, 2009 - 10:00-11:15

Chair: Felipe Monteiro, University of Pennsylvania

Chair: Tina C. Ambos, WU Vienna

*Subsidiary Isolation: How should managers deal with it?*

Tina C. Ambos, WU Vienna

*Subsidiary Isolation: Explaining its Origins, Dynamics and Performance Implications*

Felipe Monteiro, University of Pennsylvania

*Determinants and Consequence of Subsidiary Isolation and Autonomy: Evidence from Overseas R&D Laboratories of Japanese MNCs*

Kazuhiro Asakawa, Keio University

*Sub-unit Isolation: a Natural Phenomenon?*

Ulf Andersson, Copenhagen Business School

While research in international business has acknowledged that subsidiaries of multinational corporations may be isolated from the organizational network, the dynamics that lead to this phenomenon as well as its consequences are far from clear. This panel will try to provide some answers to these salient questions and develop a research agenda on this multifaceted topic. Key issues include the identification of different dimensions of subsidiary isolation, the role of in-group and out-group dynamics in subsidiary isolation, performance effects of isolation for the subsidiary, the contributory role of isolated subsidiaries, and the question how headquarters managers should manage such isolated units. *(For more information, please contact: Felipe Monteiro, University of Pennsylvania, USA: luizm@wharton.upenn.edu)*

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**Session: 3.2.6 - Competitive**  
**Track: Track: 11 - Emerging Market Economies**

***How Context Affects Internationalization in Emerging Markets***

**Presented On:** June 30, 2009 - 10:00-11:15

Chair: Bent Petersen, Copenhagen Business School

*How Context Matters: Advantages of Multinational Enterprises*  
Alvaro Cuervo-Cazurra, University of South Carolina  
Mehmet Erdem Genc, Baruch College, CUNY

We study how local contexts affect outcomes of competition between developing- and developed-country multinational enterprises (MNEs). We build on the resource-based theory and institutional economics to argue that developing country MNEs can achieve competitive advantage over developed-country MNEs, when both compete in other developing countries. In these countries, non-market based capabilities developed in the context of MNEs home countries become at least as important as market-based capabilities. We explain how developing country MNEs benefit from five types of non-market capabilities: the capability to manage with authoritarian regimes, the capability to manage with ineffective states, the capability to manage with poorly-protected property rights, the capability to manage with poorly-developed infrastructure, and the capability to serve poor customers. The paper contributes to three streams of literature: importance of institutional context in development and transferability of capabilities, competition among MNEs from different home countries, and the advantages of developing-country MNEs. *(For more information, please contact: Mehmet Erdem Genc, Baruch College, CUNY, USA: mehmet.genc@baruch.cuny.edu)*

*The Core Competences of Brazilian Emerging Multinationals*  
Afonso Fleury, University of São Paulo  
Maria Tereza Leme Fleury, EAESP/FGV and University of São Paulo  
Felipe Mendes Borini, ESPM/SP and University of São Paulo

The internationalization of enterprises from the Emerging Economies, especially from the BRIC countries, is a new phenomenon, with potentially major consequences for International Business and Operations Management theory and practice. In this article we assume that the difference between a local firm and a multinational is manufacturing abroad. We also admit that the internationalization of firms from the Emerging Economies is related to the repositioning of the early-movers and the reconfiguration of global production networks. We chose the construct "organizational competence" as the key concept for the study of the restructuring that involves late-movers' internationalization and early-movers' repositioning. The conceptual framework was based on International Business, Organization and Manufacturing Strategy literature. Two research questions were addressed: "how do the Multinationals from Emerging Countries manage their organizational competences? Is the internationalization of firms from the emerging countries driven by Manufacturing related competences, i.e. those related to traditional and non-knowledge intensive functions?" Those questions were answered by analyzing the result of a survey of a large majority of Brazilian multinationals. The results showed that Manufacturing is a core competence that is put to use in different ways by the domestic and the international competitive strategies. *(For more information, please contact: Afonso Fleury, University of São Paulo, Brazil: acfleury@usp.br)*

*Survival of Japanese Subsidiaries in the Middle East and North Africa*  
Marina Apaydin, University of Western Ontario  
Mehmet Demirbag, University of Sheffield  
Ekrem Tatoglu, Bahcesehir University

This paper considers factors affecting survival of foreign subsidiaries in the context of Japanese foreign equity ventures in the Middle East and North Africa (MENA). Three new institutional variables, economic distance, economic freedom distance and subsidiary density, are examined as determinants of survival while controlling for other determinants previously established in the extant literature. The findings support our hypotheses. We found that economic distance and economic freedom distance exhibit significant positive and negative relationships respectively with the survival of Japanese FDI in the MENA region, and moderate positive relationship between subsidiary density and subsidiary survival. *(For more information, please contact: Marina Apaydin, University of Western Ontario, Canada: mapaydin@ivey.ca)*

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**Session: 3.2.7 – Special Session**

***Japan: Current Issues and Challenges (AJBS Special Session)***

**Presented On:** June 30, 2009 - 10:00-11:15

Chair: Shige Makino, Chinese University of Hong Kong

*AJBS Panel*

Marc Bremer, Nanzan University

Tom Roehl, Western Washington University

Ulrike Schaede, University of California at San Diego

*(For more information, please contact: Elizabeth L. Rose, Victoria University of Wellington, New Zealand: elizabeth.rose@vuw.ac.nz)*

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**Session: 3.2.8 - Competitive**

**Track: Track: 3 - Alliances and Inter-Firm Relationships**

***Managing Alliances***

**Presented On:** June 30, 2009 - 10:00-11:15

Chair: Jeffrey J. Reuer, Purdue University

*Reducing Distributor Opportunism: Effects of Monitoring Mechanisms, Export Market Orientation and Norm-based Information Exchange*

Janet Y. Murray, University of Missouri-St. Louis

Min Ju, Saint Louis University

Gerald Yong Gao, University of Missouri-St. Louis

While governance mechanisms are central to the exporter-distributor relationship, our understanding on the effectiveness of different monitoring mechanisms is still limited. Our study moves beyond the separate effects of monitoring on opportunism and tests the moderating effects of export market orientation (EMO) and norm-based information exchange on the monitoring-opportunism relationship. Based on survey data of 160 export ventures in China, we find that process control increases distributor opportunism while EMO and norm-based information exchange may decrease opportunistic behavior. Moreover, EMO and norm-based information exchange exert an impact on process control in that the positive effect of process control on opportunism becomes negative. *(For more information, please contact: Gerald Yong Gao, University of Missouri-St. Louis, USA: gaogy@umsl.edu)*

*When Does Interorganization Routine Matter to Alliance Involvement and Performance? Behavior or Environment Uncertainty*

Chi-Yu Amy Huang, I-Shou University  
 Julia L. Lin, I-Shou University  
 Shih-Chieh Fang, National Cheng-Kung University

We explore how uncertainty moderates the routine-performance relationship in international alliances, building on the distinction between behavioral uncertainty, which relates to anticipating and understanding partners' actions, and externally caused environmental uncertainty. We argue that routine matters more to performance under behavioral uncertainty and less under environmental uncertainty. In data from 126 alliances, the positive relationship between routine and alliance involvement is stronger under high instability environment and weaker under unpredicted environmental. We also found interorganization routines really matter positive related to alliance involvement degree. Another interesting found, the positive relationship between competitive of partners and alliance performance, rather environment uncertainty. We conclude that partners should concentrate on developing interorganizational routines where potential improvement in alliance involvement degree justifies this effort, which in turn depends on the type of uncertainty faced. *(For more information, please contact: Chi-Yu Amy Huang, I-Shou University, Taiwan: amy67039@ms27.hinet.net)*

*Strange Bedfellows: A Latecomer's Perspective on Asymmetric Alliance Network*

Sunny Li Sun, University of Texas at Dallas

There has been a big debate on whether later-coming players from emerging economies have catch-up strategies that differ from traditional strategies of MNEs from developed economies. Based on a latecomer's perspective on implementing the strategies of linkage, leverage and learning to overcome the fierce resistance of incumbents, this study introduces a new concept, the asymmetric alliance network. Three attributes of the asymmetric alliance network: resource, information, and network position, show different patterns of the resource share and spillover effect on innovation outcomes among the stranger bedfellows. We investigate different knowledge transfer and spillover effects between "bedfellows", examine the network structure effects on innovation, and explore the interactive effects of network structure and two types of partners. It demonstrates an in-depth understanding of the complex spillover mechanism between the foreign partner and domestic partner. A contingency strategy of network structure to deal with different partners is recommended to maximize the latecomer's innovation performance. *(For more information, please contact: Sunny Li Sun, University of Texas at Dallas, USA: sunli@utdallas.edu)*

*Liabilities of Foreignness, Liabilities of Newness, and Social Capital: A Study of Exporting in Young, Technology-based Firms*

Helena Yli-Renko, University of Southern California  
 Harry J. Sapienza, University of Minnesota  
 Ramkumar Janakiraman, Texas A&M University  
 Dalhia Mani, University of Minnesota

Drawing on the international management and entrepreneurship literatures, this paper challenges the view that exporting is a low-risk internationalization strategy. Using liabilities of foreignness arguments, we hypothesize that higher export intensity leads to a higher risk of failure for young, technology-based firms, and that liabilities of newness further exacerbate this negative effect. However, this increased failure risk can be mitigated to some degree by social capital arising from the young firm's exchange relationships. In this paper, we focus specifically on the nature of the young firm's relationship with its single largest customer, and examine three aspects of social capital in this relationship: the opportunity, motivation, and ability of the key customer to support the young firm's exporting efforts. Utilizing longitudinal data on young, technology-based firms in the UK and an accelerated failure time econometric model, we show that higher export intensity lowers survival duration and that this relationship is exacerbated for younger firms. Social interaction and relationship quality in

a firm's key customer relationship can, however, help buffer the young firm against this increased risk of failure. (For more information, please contact: Helena Yli-Renko, University of Southern California, USA: [hylirengo@marshall.usc.edu](mailto:hylirengo@marshall.usc.edu))

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**Session: 3.2.9 - Competitive**

**Track: Track: 3 - Alliances and Inter-Firm Relationships**

***Alliances and Relational Norms***

**Presented On:** June 30, 2009 - 10:00-11:15

Chair: Hemant Merchant, Florida Atlantic University

*Is the World Flat or Spiky for Immigrant Entrepreneurs Building Social Capital?*

Ruth Clarke, Nova Southeastern University

Ramdas Chandra, Nova Southeastern University

This study uses social capital theory and strategic entrepreneurship theory to examine the extent to which Hispanic immigrant entrepreneurs create and employ social capital in their firms. Using a modified instrument created by the World Bank to measure social capital, we evaluate the amount and different dimensions of social capital possessed by a sample of 62 mid to small-sized entrepreneurs in a limited geography within the U.S. We find low levels of social capital among our respondents. To the extent that social capital exists, the majority of it seems to be derived from Hispanic sources rather than non-Hispanic sources. Further, we find some limited evidence that non-Hispanic driven social capital positively affects growth and internationalization. (For more information, please contact: Ramdas Chandra, Nova Southeastern University, USA: [cramdas@nova.edu](mailto:cramdas@nova.edu))

*Intangible Relation-specific Investments and the Performance of R&D Outsourcing Agreements*

Andrea Martinez-Noya, University of Oviedo

Esteban Garcia-Canal, University of Oviedo

Mauro Guillen, University of Pennsylvania

We examine the effect of intangible relation-specific investments —such as trust, know-how, expertise, and coordination procedures— on the performance of R&D services outsourcing agreements. While we acknowledge that these investments may help to structure the relationship as a self-enforcing agreement, we also argue that they increase appropriability hazards because these investments upgrade provider's absorptive capacity. Using original survey data on R&D outsourcing agreements by 170 European and U.S. firms operating in technology-intensive industries, we find that intangible relation-specific investments lead to superior performance when outsourcing standardized services. However, these investments are found to be detrimental to performance when the service outsourced is customized to the firm. This suggests that the appropriability hazards originated in these cases may lead partners to perform at a suboptimal level. (For more information, please contact: Andrea Martinez-Noya, University of Oviedo, Spain: [noya@uniovi.es](mailto:noya@uniovi.es))

*Relational Incentive Policies in Cross-border Interfirm Relationships*

Claude Obadia, Advancia-Negocia, Paris

David I. Gilliland, Colorado State University and Aston University

How an exporter can effectively craft a distributor agreement that encourages its network of foreign distributors to respond in pro-relational ways? This is an important issue as previous research has shown that relationship quality was linked to export performance. However, research failed to propose managerial tools that allowed exporters to foster relational phenomena in cross-border relationships. In this study, we suggest that exporters

can influence importers' attitudes and behaviors with relational incentives policies. We also show that the impact of these policies is impervious to the noise, i.e., psychic distance and information asymmetry, that characterizes international business relationships. Our hypotheses are tested via structural equations modeling with data from a sample of French exporters. *(For more information, please contact: Claude Obadia, Advancia-Negocia, Paris, France: cobadia@advancia-negocia.fr)*

**Session: 3.2.10 – Special Session**

***Born Globals - New Directions (ANZIBA Special Session)***

**Presented On:** June 30, 2009 - 10:00-11:15

Chair: Peter W. Liesch, University of Queensland

*ANZIBA Panel*

Sylvie K. Chetty, Massey University  
 Stephan Gerschewski, Victoria University of Wellington  
 Gary Knight, Florida State University  
 Niina Nummela, Turku School of Economics

*(For more information, please contact: Elizabeth L. Rose, Victoria University of Wellington, New Zealand: elizabeth.rose@vuw.ac.nz)*

**Session: 3.2.12 - Interactive**

**Track: Track: 5 - Organizational Structure, Capabilities, and Strategic Planning in the MNC**

***Strategic Investment and Planning in International Business***

**Presented On:** June 30, 2009 - 10:00-11:15

Chair: Heather Berry, University of Pennsylvania

*Knowledge Capital and Global Careers: Institutions, Conventions and Sub-networks in Project Organizations*  
 Russell C.J. Choi, City University  
 Jai Beom Kim, Sungkyunkwan University

The global nature of careers in the 21st century requires a full understanding of the socially complex nature and value of "knowledge". This paper attempts to analyze the socially complex nature of knowledge capital and its relevance to global careers. In terms of global careers, we suggest two levels at which knowledge can be transferred. First, knowledge can be stored and transmitted via institutions. Secondly, we introduce the idea of knowledge sub-networks or the smaller groupings within larger networks that can become fundamental to maintain and spread knowledge in global careers in the 21st century. Cultural intelligence can play an integral role to form and maintain knowledge sub-networks between and among members from diverse geographical and cultural backgrounds in the intra- and/or inter- corporate settings. *(For more information, please contact: Jai Beom Kim, Sungkyunkwan University, Korea, South: jaibeom@stanford.edu)*

*To Divest or Not: The Influence of Performance, Growth and Uncertainty on Firm Divestment Decisions*  
 Heather Berry, University of Pennsylvania

In this paper, I consider how both internal and external firm factors influence firm divestment decisions and examine how firms respond to competing pressures from performance, growth and uncertainty. Empirical

analysis of a representative panel of the divestment decisions of US firms across their worldwide operations shows that growth opportunities offset the impact of poor performance while uncertainty magnifies the influence of poor performance on firm divestment decisions. Overall, this study incorporates multi-level influences on firm divestment decisions to examine when firms are and are not likely to divest operations. *(For more information, please contact: Heather Berry, University of Pennsylvania, USA: berryh@wharton.upenn.edu)*

*Impact of Strategic Composites over Export Performance: Empirical Evidence from an Emerging Country*

Jorge Manoel Teixeira Carneiro, Pontifical Catholic University of Rio de Janeiro

Jorge Ferreira Da Silva, Pontifical Catholic University of Rio de Janeiro

Angela da Rocha, Federal University of Rio de Janeiro

Research on the determinants of export performance has identified three major categories of influencing factors: environment-, firm- and strategy-related variables (Aaby and Slater, 1989; Katsikeas et al., 2000; Zou and Stan, 1998). This study focuses on strategy variables associated with export performance. By means of hierarchical cluster analysis and multivariate analysis of variance on a sample of 414 Brazilian exporters of manufactured products, we were able to identify four strategic profiles of exporters – in terms of level of differentiation of their offer and degree of systematization of their export planning process – and relate them to (past and future) export performance. *(For more information, please contact: Jorge Manoel Teixeira Carneiro, Pontifical Catholic University of Rio de Janeiro, Brazil: jorgemtc@iag.puc-rio.br)*

*Foreign Multinationals and Domestic Companies in Portugal: Are there Significant Performance Gaps?*

Vitor Cardoso, Universidade do Porto

Ana Teresa Tavares-Lehmann, Universidade do Porto

Frederick Nickolay Lehmann, Catholic University FCEE Lisbon

Firm Performance is an important research matter in International Business. Multinational corporations coordinate their activities by objectives and compete to seek competitive advantage via performance. This paper investigates if foreign owned (FO) and domestic owned (DO) firms differ in comparative performance, and if those performance gaps vary with different performance measures. The paper draws on industrial organisation and on international business theories, and conducts econometric tests on a large scale recent sample including the Portuguese top largest firms. The empirical models involve estimations by ordinary least squares (OLS) with robust standard errors and by quantile regressions. The results are unequivocal: FO firms have a positive and significant impact in firm performance in both types of performance measures used (profitability and productivity). Our findings suggest a significant performance difference between FO and DO firms in the manufacturing industry in Portugal. This study also contributes to the debate about relevant policy measures, notably related to inward investment promotion, performance externalities and effects of inward investments in local economies. *(For more information, please contact: Ana Teresa Tavares-Lehmann, Universidade do Porto, Portugal: ana.lehmann@ccdr-n.pt)*

*Which Come First: Domestic or Foreign Subsidiaries? Analysis of Global Integration and Local Responsiveness among Japanese Service Companies*

Kiyohiko Ito, University of Hawaii at Manoa

Elizabeth L. Rose, Victoria University of Wellington

Tohyun Kim, University of Hawaii at Manoa

We investigate lead-lag relationships in changes in the numbers of domestic and foreign subsidiaries for Japanese service-sector multinational corporations during the post-bubble economy period, analyzing these observable outcomes of strategic mindsets by testing for Granger causality to assess precedence relationships. Our results indicate the presence of bidirectional and contemporaneous Granger causality for the 1991 – 2005 period, suggesting that the service-sector multinational corporations in Japan have been managing their mix of

domestic and foreign subsidiaries in an integrated manner, using geocentric strategies. *(For more information, please contact: Kiyohiko Ito, University of Hawaii at Manoa, USA: k.ito@hawaii.edu)*

*Why it is Likely that the Network Organization Will Fail in MNCs*

Joachim Wolf, Institute of World Economy  
William G. Egelhoff, Fordham University

This paper discusses the advantages and problems of the network organization of MNCs. Since many IB/IM publications have concentrated on the advantages of this organizational form, the focus of the paper is on the problems that might occur if MNCs use a network organization. Three types of problems are identified: (1) subunit-specific problems, (2) corporate-culture-specific problems, and (3) general organizational problems. It will be shown that these specific problems can be condensed to reliability problems, learning problems, and coordination problems. Due to the relevance of these problems, it is expected that, at least in the long run, the network organization will not be able to replace formal hierarchical organizational structures for MNCs. Instead, the network organization will more likely serve as an additive organizational design which supports the information-processing capacity of the hierarchical organizational structure. *(For more information, please contact: Joachim Wolf, Institute of World Economy, Germany: wolf@bwl.uni-kiel.de)*

*The Effect of Subsidiary Autonomy on Subsidiary Performance of Multinational Corporations*

Sungyong Kim, Korea Tourism College  
Hyung-Deok Shin, Hongik University  
Kwang-Chul Lee, Hongik University

Interdependence, cultural distance, and autonomy of subsidiaries in relation to headquarters have been of interest in the field of international business, but not many empirical studies were conducted. Especially, the direct and moderating roles of autonomy on the subsidiary performance has not surveyed yet. This study examines the impact of autonomy on subsidiary performance using 142 multinational corporations' subsidiary data in Korea and found that subsidiary autonomy has a positive moderating effect in the relationship between headquarter-subsidiary cultural distance and subsidiary performance, and negative moderating effect in the relationship between subsidiary interdependence and subsidiary performance. *(For more information, please contact: Hyung-Deok Shin, Hongik University, Korea, South: shinhd@hongik.ac.kr)*

*The Interaction between Company Factors, Export Performance and Company Economic Performance*

Tonia Ruppenthal, Jacobs University Bremen  
Andreas Bausch, Friedrich-Schiller-University of Jena

The appraisal of interaction effects between company performance, export performance and company performance may be key to enhancing superior profitability. To examine this conjecture our study empirically tested hypotheses on various relationships between the above mentioned variables. We especially investigated moderating and mediating effects of export performance on the relationship between company factors and company performance. The results from a sample of 384 Japanese companies presented evidence on influences of company factors and export performance on company performance. Further, export performance was found to mediate and moderate the relationship between financial leverage, capital intensity, geographic diversification and company economic performance. Our findings provide a better understanding of how internationalization combined with important company factors led to superior company performance. The study contributes to new strategic thinking in business, economic and international research while investigating the link between internationalization strategy export performance and company economic performance. *(For more information, please contact: Tonia Ruppenthal, Jacobs University Bremen, Germany: t.ruppenthal@jacobs-university.de)*



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**Session: 3.2.13 - Interactive**

**Track: Track: 8 - International Human Resource Management, Cross-Cultural Management, and Qualitative Research Methods**

***The Impact of National Culture on Organizational Outcomes***

**Presented On:** June 30, 2009 - 10:00-11:15

Chair: David A. Ralston, University of Oklahoma

*The Impact of National Culture on Value Based Decisions*

Catherine Ellen Levitt, California State University, Los Angeles

Kern Kwong, California State University, Los Angeles

Mohammed Moammer, California State University, Los Angeles

Wing Fok, Loyola University, New Orleans

This paper reports the empirical examination of the impact of national culture on value based decisions. Similar populations of healthcare professionals were surveyed in each Saudi Arabia, Egypt and the United States using a questionnaire based on Fritzsche and Becker's vignettes. Results were surprising but understandable. *(For more information, please contact: Catherine Ellen Levitt, California State University, Los Angeles, USA: clevitt@ggu.edu)*

*Do National Culture and Performance Goal Orientation Influence Motivation? Exploring the Relationship of National Culture and Performance Goal Orientation on Motivation in the Caribbean Islands of Grenada, St. Lucia and St. Vincent*

Reccia Natasha Charles, St. George's University

This study explores the relationship of national culture and performance goal orientation on motivation. Motivation, national cultures and goal orientation have been examined extensively in the developed world. However, studies that address the relationship of culture and performance goal orientation on motivation prove to be rare. There has been very little research that links national culture and performance goal orientation to motivation, while examining cross-cultural (national) differences in within a corporation. The purpose of this study is to conduct an analysis of the impact of culture and performance goal orientation on motivation using one company from three of the Caribbean islands, namely Grenada, St. Lucia and St. Vincent.

A study of this nature can provide timely and valuable data on the effects of performance goal orientation and national culture on motivation. It can provide answers to the questions of: Is there a difference in motivation as it relates to national culture? Is there a difference in motivation as it relates to performance goal orientation? Do both factors influence motivation at the same time? And which one is a more significant influence? The answers to these questions will assist regional and international businesses in the successful management of their human resources. *(For more information, please contact: Reccia Natasha Charles, St. George's University, Grenada: rcharles1@sgu.edu)*

*Knowledge Management and the Role of Intercultural Activities in Formulating National Culture as a "Native Category" in MNCs*

Fiona Moore, University of London

In this paper I argue, based on an interdisciplinary study of a German bank branch in London, that intercultural education and other exercises aimed at encouraging cross-cultural understanding do not simply fulfil their stated educational premise, but they are also part of a complex process of knowledge transfer which leads to

the formation of particular "native categories" focused around national and organisational culture. Intercultural activities thus form a kind of "sense-making activity" (in the words of Holden [2002]), allowing the employees of MNCs to define their social world in a way which allows them to understand otherwise incomprehensible events and actions, through the construction and redefinition of what constitutes a particular "national culture". *(For more information, please contact: Fiona Moore, University of London, United Kingdom: fiona.moore@rhul.ac.uk)*

*Cultural Differences Theory vs. Life Stage Theory: A Six-Country Analysis*

Malika Richards, Penn State University  
 Carolyn P. Egri, Simon Fraser University  
 David A. Ralston, University of Oklahoma  
 Irina Naoumova, University of Hartford  
 Tania Casado, University of São Paulo  
 Florian Wangenheim, Technische Universität München  
 Hung Vu Thanh, National Economics University  
 Andre A Pekerti, University of Queensland  
 Sylvia Schroll-Machl, Private Consultant

This study tested the predictive power of cultural differences theory and life stage theory to explain work values across age groups and cultures. We compared the values orientations of future managers (N = 768) with those of current mid-career managers and professionals (N = 726) across six diverse societies: Brazil, Germany, Indonesia, Russia, the U.S., and Vietnam. Our findings indicate that both theories contribute to our understanding of work values and behaviors. One implication is that while the long-established cultural differences theory contributes to our understanding, it is clearly not sufficient to explain work values differences in the global context. *(For more information, please contact: Malika Richards, Penn State University, USA: mur12@psu.edu)*

*Do They Make Different Ethical Judgment? An Investigation of Purchasing Professionals in China and Taiwan*

Chieh-Yu Lin, Chang Jung Christian University  
 Yi-Hui Ho, Chang Jung Christian University

Both China and Taiwan are apparently influenced by the Chinese culture; however, they have been separated for nearly 60 years, and each of them has developed its own sociocultural system. Still, business activities across the Taiwan Strait were grown significantly for the past decades. As purchasing ethics are recognized to be a critical requirement in maintaining buyer-seller relationships, this study investigates whether there are differences in ethical judgment between purchasing professionals of China and Taiwan. The Defining Issues Test is used to measure their reasoning level of ethical judgment. The findings indicate that both purchasing professionals in China and Taiwan demonstrate more on the conventional level than on either the pre-conventional level or post-conventional level of ethical judgment. Moreover, while making moral judgment, purchasing professionals in China tend to judge more based on their personal relationships; in the contrary, those in Taiwan are more likely to judge based on their personally held principles. *(For more information, please contact: Chieh-Yu Lin, Chang Jung Christian University, Taiwan: jylin@mail.cjcu.edu.tw)*

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**Session: 3.2.14 - Interactive**

**Track: Track: 11 - Emerging Market Economies**

***Managing People and Stakeholders in Emerging Markets***

**Presented On:** June 30, 2009 - 10:00-11:15

**Chair:** Eleanor Westney, York University

*The Effects of Market Orientation on Performance in the Subsidiaries of MNCs in Emerging Markets*  
Ahmet H. Kirca, Michigan State University

Much scholarly work has been devoted to studying the performance implications of a firm's market orientation. This study examines the direct and indirect effects of market orientation on financial performance in the subsidiaries of MNCs located in Turkey. The findings indicate that a subsidiary's market orientation may be a source of competitive advantage for the subsidiaries of MNCs operating in diverse and complex economic, cultural, and political environments of emerging markets. Moreover, authors demonstrate that the customer-related mechanisms (customer satisfaction and retention) mediate the market orientation-performance relationship. The paper also discusses the theoretical and practical implications of study findings. *(For more information, please contact: Ahmet H. Kirca, Michigan State University, USA: kirca@msu.edu)*

*Foreignness, Corporate Citizenship Perceptions and Supportive Behavior in Latin America and Spain*  
William Newburry, Florida International University  
M Abraham Soleimani, Florida International University

We examine individual-level assessments of the corporate citizenship of firms, and how these assessments are influenced by firm foreignness characteristics. We also study whether these assessments are correlated with supportive behavior intentions. In doing so, we refine existing theory regarding the effects of foreignness to account for differing foreignness perspectives in the developing world. Analyses are based upon over 115,000 individual evaluations of 109 companies operating in five Latin American countries and Spain, collected by the Reputation Institute in conjunction with The Foro de Reputacion Corporativa. Our results suggest that foreign-headquartered companies are assessed lower in terms of corporate citizenship, a result that is driven largely by the foreign-headquartered firms in our sample from Spain, while firms with a higher perceived international scope are assessed higher. Moreover, we find that corporate citizenship assessments are positively associated with a greater stated propensity to pursue firm supportive behaviors, such as purchasing products, investing and desiring to work at a firm. *(For more information, please contact: William Newburry, Florida International University, USA: newburry@fiu.edu)*

*What are the Ethical Negotiation Values of Chinese individuals?*  
Tsz Shing Ng, Venetian Cotai Limited  
Sow Hup Chan, University of Macau

This study examines two "unethical" tactics which violate standards of truth telling or violate the perceived rules of negotiation (Lewicki & Robinson, 1998) in the Eastern Context. The two unethical tactics are the cognitive and emotional deception. The objective is to identify the ethical negotiation values of people in China. Both quantitative and qualitative approach was used. This paper however reports on the quantitative data.

It is noted that (1) Chinese individuals judge the use of tactics of emotion management as more ethically appropriate than tactics of cognitive deception; (2) Chinese individuals are more confident in their ability to successfully deploy tactics of emotion management than tactics of cognitive deception; and (3) Women have a higher threshold in the judgment of acceptability and engagement of using deceptive tactics than men in China. When data was compared to respondents in a study conducted in the United States, certain differences on the appropriateness of using deceptive tactics between respondents in the United States and China becomes apparent.

The implications for regional or multinational companies considering doing business in China were included. The limitations of the study and areas for further research are presented. *(For more information, please contact: Sow Hup Chan, University of Macau, Macau: joannec@umac.mo)*

*Inclusive Capitalism: Local Resource Mobilization at the BoP*

Pia Polsa, Hanken School of Economics  
Samuel K. Bonsu, York University

The corporate strategy that seeks market-based solutions to the dual problem of global poverty and environmental degradation while preserving corporate interests in profitability has gained significant attention in the recent past. Critiques of the base-of-the-pyramid (BoP) strategy have questioned the motives of multinational corporations how have adopted this strategy in the context of new market development and exploitation of the poor. Some have also criticized the BoP strategy for lacking clear tactical approaches to facilitate implementation. Drawing on two cases, this paper offers a perspective of the BoP business strategy that emphasizes mobilization of local BoP resources for new market development in economically developed markets. This newer perspective directly addresses the income generation problem that has inhibited poverty alleviation in earlier development efforts. The perspective also provides new impetus for research in the topic area and extends existing understanding of BoP strategies toward mitigating the income gap that perpetuates global poverty. *(For more information, please contact: Pia Polsa, Hanken School of Economics, Finland: pia.polsa@hanken.fi)*

*Preventing Opportunism through Socialization in Chinese Channel Relationships: Does It Work?*

Brenda Sternquist, Michigan State University  
Ying Huang, University of Arizona  
JungKyun Kim, Northwestern University

Adopting the relational exchange theory as a framework, the authors examine whether socialization or relationship approach is an effective way to safeguard against opportunism retailer-supplier relationships in a Chinese context. Using data collected from retail buyers from 25 cities in China, the authors compare two models and test whether personal relationships directly or indirectly affect trust, long-term orientation, and opportunism. The results suggest that personal relationships do not directly affect opportunism. In addition, the findings seem to suggest that socialization or relational approach might not be an effective way to safeguard against opportunism in the context of Chinese channels of distribution. While trust was shown to have direct, negative effect on opportunism, other relational constructs, such as long-term orientation, were not directly related to opportunism either. Based on the findings, the authors provide implications for both retailers and suppliers. *(For more information, please contact: Ying Huang, University of Arizona, USA: huang2@email.arizona.edu)*

*Developing the Marketing Capabilities from Multinational-Buyers for Superior Business Performance: Evidence from the Transition Economies Suppliers*

Ada Hiu Kan Wong, Hong Kong Polytechnic University  
Paul D. Ellis, Hong Kong Polytechnic University  
Wing Lam, Hong Kong Polytechnic University

Marketing capabilities have been reported to have positive effects on business performance in the marketing literature. In transition economies (TEs) undergoing market reform, indigenous manufacturers have an urgent need of developing marketing capabilities. The central premise of this study is that interfirm relationships linking local suppliers with multinational-buyers in TEs can serve as conduits for the transfer of marketing capabilities. Based on interview data collected in China, we examine how the quality of these relationships affects TE-suppliers' learning of marketing capabilities and how such learning ultimately affects business performance. *(For more information, please contact: Ada Hiu Kan Wong, Hong Kong Polytechnic University, Hong Kong, SAR-PRC: adakankan@gmail.com)*

*Corporate Political Activity of Multinationals from Newly Developed Countries in Emerging Economies: Spanish Multinational Corporations in Chile, 1990-2005*

Marcelo Bucheli, University of Illinois at Urbana-Champaign  
 Erica Salvaj, ESE Business School  
 Alfredo Enrione, ESE Business School

Multinational corporations from recently developed countries must develop particular political strategies when investing in socially and politically sensitive sectors of emerging economies. If a center-left government rules the host country, the challenges are even greater. We analyze the corporate political strategy by multinationals facing these challenges by studying the investments made by Spanish firms in the Chilean retirement funds management and in the infrastructure sectors in the last two decades. We show that the Spanish firms overcame their liability of foreignness by including in their boards members of the political center-left in a country where most corporate boards were in hands of the political right. Eventually, many Chilean firms followed this trend and included left-wing individuals in their boards. *(For more information, please contact: Erica Salvaj, ESE Business School, Chile: esalvaj.ese@uandes.cl)*

*Linking International Adaptation Strategy, Immigrant Effect, and Performance: The Case of a Cross-market Scenar*

Henry F L Chung, Massey University  
 Ellen Rose, Massey University  
 Pei-how Huang, National Sun Yat-sen University

Previous studies suggest that a proper fit between business strategy and human resource management can enhance a firm's financial performance. Building on prior findings, this study proposes that an ideal match could occur on the choice of international adaptation strategy and immigrant effect (IE). This match would have a significant effect on firms' financial performance. The proposed framework is examined using the experience of 121 firms operating across the Greater China region (i.e., the cross-market scenario). It is found that the extent of adaptation strategy is positively associated with the choice of IE, and that IE has significant direct and indirect effects on market share and profitability. This study proposes a new strategy-human resource management-performance framework. The findings established have provided some implications for researchers and managers. *(For more information, please contact: Henry F L Chung, Massey University, New Zealand: h.chung@massey.ac.nz)*

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**Session: 3.2.15 - Interactive**

**Track: Track: 11 - Emerging Market Economies**

***Institutions, Strategy, and Performance in Emerging Markets***

**Presented On:** June 30, 2009 - 10:00-11:15

**Chair:** Robert E. Hoskisson, Arizona State University

***MNCs' Response to the Radical Systemic Change in a Transition Environment***

Jerzy Cieslik, Kozminski University  
 Eugene Kaciak, Brock University

We examine the response of MNCs to the rapidly changing institutional environment in Poland. The empirical, longitudinal analysis is based on a large dataset covering almost 4,000 foreign subsidiaries in the Polish manufacturing sector between 1989 and 2005. Following the collapse of the communist system, MNCs embarked on direct investments in Poland with astonishing speed, in spite of the initially weak institutional environment. These developments challenge the explanatory power of the new institutional theories as well as

other management and international business theories in explaining the patterns of MNCs expansion into Central and Eastern European region after 1989. *(For more information, please contact: Jerzy Cieslik, Kozminski University, Poland: jerzy@cieslik.edu.pl)*

*A Comparison of Financial Institutions Between China and India and Nonperforming Loans*

Daya Shanker, Deakin University  
Harminder Singh, Deakin University  
IKM Mokhtarul Wadud, Deakin University

This paper compares the operative performances of the banking institutions in China and India, taking into account the contentious issue of institutional differences in banking sectors in these two economies, reflected in the generation of non performing loans. The study also examines the issue of the use of banks to provide countervailable subsidies to exporting organizations. Our results show that the efficiency differences between banks in these two countries can be directly related to their institutional differences. *(For more information, please contact: Daya Shanker, Deakin University, Australia: dshanker@deakin.edu.au)*

*A Micro-Macro Link during Institutional Transitions*

Martina Quan, University of Texas at Dallas  
Mike W. Peng, University of Texas at Dallas

Will interpersonal connections play the same role in transition economies as they play in developed countries? This paper takes a first step in examining this question by focusing on world's largest transition economy—China. Based on a systematic search of the literature, we review 19 papers in eight leading journals that have empirically investigated the micro-macro link—specifically, the connection between micro, individual-level relationships and macro, organizational level actions and outcomes. We propose that the relative importance of the two types of managerial ties will change in different phases of China's institutional transitions. We conclude with a summary of directions for future research. *(For more information, please contact: Martina Quan, University of Texas at Dallas, USA: martinaquan@gmail.com)*

*Arbitration and Transaction Costs*

Brian C. Pinkham, University of Texas at Dallas  
Mike W. Peng, University of Texas at Dallas

This article addresses a gap in the management literature by introducing arbitration to the scholarly discussion of institutionalism through a transaction costs framework. We (1) review the institutionalism and transaction costs literatures, (2) generalize the fundamental qualities of the mechanisms that support economic exchange and reduce transaction costs into a simple framework, and (3) apply this framework to international commercial arbitration. Overall, we propose that the importance of arbitration lies in its ability to reduce transaction costs and facilitate market exchange, making it of particular interest in transition economies and other contexts where formal institutional mechanism may fail to support market transactions. *(For more information, please contact: Brian C. Pinkham, University of Texas at Dallas, USA: brian.pinkham@utdallas.edu)*

*Institutional Disadvantages in Emerging Economies: How Does International Expansion Affect the Evolution of Organizational Capabilities?*

Hamid Akbari, York University

Economic, political, and social institutions are central in evolution of organizational capabilities, yet despite their significance, research has not given sufficient attention to their role in enabling or obstructing emergence and evolution of capabilities. My purpose is to provide a framework of capability evolution for firms that are

constrained by less developed institutions at home. I argue that well developed institutions are required for efficient evolution of capabilities because institutions affect bundles of routines and resource configurations underlying capabilities. Given that possibilities of reforming unfavorable institutions are limited, I focus on firms that move into more developed institutional environments through international expansion. I argue that such international expansion allows a firm to benefit from more favorable institutional environment and, therefore, evolve its capabilities more efficiently. Manifestations of evolution efficiency are introduced and a model of capability development is proposed that combines the insights from international expansion, institution, and capability literature. *(For more information, please contact: Hamid Akbari, York University, Canada: hakbari@schulich.yorku.ca)*

*A Mediation Conceptual Framework and Propositions of the Relationship between Internationalization and Performance*

Chin-Chun (Vincent) Hsu, University of Nevada Las Vegas

This study extends research on the internationalization and financial performance by exploring the antecedents (the heterogeneity of firms) and consequences (financial performance) of internationalization. In so doing, it addresses a theoretical criticism of the internationalization-performance relationship; namely, that the conflicting finding on the relationship between internationalization and performance is spurious because it is the heterogeneity of multinational enterprises (MNEs) that creates the superior financial performance, not internationalization into foreign markets per se. The heterogeneity of MNEs not only has direct impacts on financial performance of MNEs but also has indirect impacts on financial performance through internationalization. Indeed, internationalization serves as a mediator in the relationship between the heterogeneity of MNEs and financial performance. *(For more information, please contact: Chin-Chun (Vincent) Hsu, University of Nevada Las Vegas, USA: vincent.hsu@unlv.edu)*

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**Session: 3.3.1 – Special Session**

***2009 JIBS Decade Award***

**Presented On:** June 30, 2009 - 11:45-13:00

**Chair:** Lorraine Eden, Texas A&M University

*Retrospectives:*

Julian Birkinshaw, London Business School

Robert Nobel, IFL Executive Education, Stockholm School of Economics

*Commentators:*

Udo Zander, Stockholm School of Economics

Alain Verbeke, University of Calgary

*(For more information, please contact: Lorraine Eden, Texas A&M University, USA: leden@mays.tamu.edu)*

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**Session: 3.3.2 - Panel****Track: Track: 8 - International Human Resource Management, Cross-Cultural Management, and Qualitative Research Methods*****Measuring the Impact of Culture on Inter-Cultural Negotiations*****Presented On:** June 30, 2009 - 11:45-13:00

Chair: Lynn Metcalf, California Polytechnic State University

*The Impact of Culture on Negotiation Strategy: A Communication Process Perspective*  
Wendi L. Adair, University of Waterloo*Cultural Influence, Measurement & Negotiation*  
Allan Bird, University of Missouri-St. Louis*Observational Methods and Measuring Culture's Impact on Negotiations*  
John L. Graham, University of California, Irvine*National Culture and Clique Formation in International Multilateral Negotiations*  
R. Bruce Money, Brigham Young University*Research on Culture in International Negotiation: Points of Departure*  
Stephen E. Weiss, York University

A large and growing body of scholarly work points toward a conclusion that culture does have an impact on intercultural negotiations. Comprehensive reviews of the field of international business negotiations highlight 1) the potential of cross-cultural research to provide practical insights for negotiators, 2) the need for improved methods and measures, 3) as well as the need for further research on culture and negotiations. The panel members assembled for this session not only have laid the foundation upon which international business negotiations researchers are currently building but also are leading the way forward. We expect that a lively discussion between panelists representing different conceptual and methodological perspectives will shed light on ways to improve the ways we conceptualize and measure the impact of culture on intercultural negotiation. We hope that the outcome of the discussion improves the odds for realizing the field's potential to inform and to provide practical insights. *(For more information, please contact: Lynn Metcalf, California Polytechnic State University, USA: lmetcalf@calpoly.edu)*

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**Session: 3.3.3 - Competitive****Track: Track: 9 - Internationalization Processes and International Marketing Strategies*****Advertising, Communication and Branding*****Presented On:** June 30, 2009 - 11:45-13:00

Chair: Rudolf R. Sinkovics, University of Manchester

*Antecedents and Consequences of Electronic Integration in International Supplier Buyer Relationships: Effect of Communication Culture*Gary Knight, Florida State University  
Daekwan Kim, Florida State University  
David Kuhlmeier, Valdosta State University



As they expand internationally, most firms develop and leverage relationships with foreign buyers. We investigate electronic integration in international supplier-buyer relationships and the role of communication culture in such relationships. We distinguish trust, commitment, and communication as critical antecedents to successful international buyer-supplier relationships. We argue that electronically integrated communications helps mediate the quality of such relationships. We devise and assess a model that links these constructs to relational performance. We then assess the context of communication culture as a critical moderator in this model. Findings highlight the roles played by these factors as antecedents and consequences of electronically integrated communications in international buyer-supplier relationships. We discuss findings and offer managerial implications. *(For more information, please contact: Gary Knight, Florida State University, USA: gary.knight.fsu@gmail.com)*

*In The Eye of the Beholder: Adapting Brands and Packaging for Emerging Market Firms' Export Success*

Lance Eliot Brouthers, Kennesaw State University  
Edward O'Donnell, Columbus State University  
Keith D. Brouthers, King's College London  
Yan Gao, John Carroll University

Given the financial, managerial expertise, and international experience constraints faced by many emerging market firms (EMFs) as they expand into international markets, are there specific product strategies EMFs can use to improve export performance? Drawing upon assimilation-contrast theory and the concept of the extended product, we examine two such strategies, adapting the product's brand name or packaging. We hypothesize and find that EMFs that adapt their product's brand name or packaging, on average, are more satisfied with their export performance than EMFs that pursue other strategies. Implications and future research are discussed. *(For more information, please contact: Lance Eliot Brouthers, Kennesaw State University, USA: lbrouthe@kennesaw.edu)*

*Humor in Advertising: Comparing Australia, the United States and the People's Republic of China*

Heather Crawford, University of New South Wales  
Gary Gregory, University of New South Wales  
James Munch, Wright State University  
Charles Gulas, Wright State University

Humor is frequently used in advertising worldwide, but determining how to increase the effectiveness of these appeals has not been comprehensively explored. The purpose of this study was to explore current practice in the use of humorous appeals in television advertising in Australia, the U.S. and the People's Republic of China. This research builds on our understanding of humorous advertising in cross-national settings in two important ways. First, we investigate advertiser choice of ad appeals in a country where advertising is a fairly recent phenomenon compared with countries where it is a long-standing practice. Second, in addition to comparing humorous and non-humorous appeals, we also compare the use of humor mechanisms and themes.

Although the frequency of use of humor as an advertising appeal was not consistent across cultures, the use of incongruity-resolution type humor is universal. The choice of themes in humorous appeals did vary in that individualist cultures are more likely to use aggressive humor than collectivist cultures. These findings have implications for marketing strategy worldwide, providing a benchmark on which to base further research into the effectiveness of the humorous appeals in these diverse cultural contexts.

*(For more information, please contact: Gary Gregory, University of New South Wales, Australia: g.gregory@unsw.edu.au)*

*The Interactive Effects of Brand Origin and Country-of-Manufacture on Brand Evaluations: A Schema Congruity Perspective*

Sridhar Samu, Indian School of Business  
 Subramanian Sivaramakrishnan, University of Manitoba  
 Sergio W. Carvalho, University of Manitoba

This study examines the impact of incongruity caused by country-related brand associations and product attributes on consumers' attitude towards the product. Using Mandler's (1982) theory of incongruity, the results of Study 1 show that moderately incongruent combinations of brand origin and country of manufacture associations result in the most positive attitude toward the product. Study 2 shows that tangible product attributes moderate this effect. Results indicate that moderate-incongruity combinations of brand origin, country of manufacture, and product attributes result in attitude toward the product that are more positive than congruity or extreme-incongruity combinations. *(For more information, please contact: Sergio W. Carvalho, University of Manitoba, Canada: carvalho@cc.umanitoba.ca)*

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**Session: 3.3.4 - Competitive**

**Track: Track: 8 - International Human Resource Management, Cross-Cultural Management, and Qualitative Research Methods**

*The Two Sides of the Coin in Managing Expatriates*

**Presented On:** June 30, 2009 - 11:45-13:00

Chair: Vas Taras, University of North Carolina at Greensboro

*American Expatriation: Factors Influencing Willingness to go Abroad*

Kyle David Coble, Saint Louis University  
 Seung H. Kim, Saint Louis University

While expatriation success and failure rates are most commonly studied, this study seeks to determine which preconditions cause subjects to be most willing to expatriate. Survey respondents were asked a variety of demographic data focusing on their international educational experiences and language proficiency. Subjects were also asked to rate their willingness to expatriate for a job across a variety of circumstances, and what importance incentives held for them. Subjects were also asked to rate their willingness to expatriate to different locations, which were chosen to represent political risk. The results indicate that subjects who focused on international business coursework; feel proficient in a foreign language; have lived abroad; or have participated in a study abroad are more willing to expatriate. *(For more information, please contact: Kyle David Coble, Saint Louis University, USA: kcoble@slu.edu)*

*Expatriate Accompanying Partners: The Males Speak*

Nina D. Cole, Ryerson University

This field study of 45 male expatriate accompanying partners found that male partners are comfortable with their status in non-traditional families, although others may not be. They face the same dual-career challenges as female spouses. Very few received employer-provided employment assistance. Male partners are particularly isolated because of their small numbers. Their greatest needs are for male expatriate partner groups and for employment networking contacts. Relative to 193 of their female counterparts, male partners had lower cultural adjustment, were more likely to be career-oriented, and valued employer-provided employment assistance more highly. *(For more information, please contact: Nina D. Cole, Ryerson University, Canada: n2cole@ryerson.ca)*

*Motivation and Adjustment of Self-Initiated Expatriates: The Case of Expatriate Academics in South Korea*

Fabian Jintae Froese, Korea University  
Seunghwan Jeong, Korea University

Globalization and international labor mobility have offered highly qualified people the chance to work in almost any country they desire. Such people can be conceptualized as self-initiated expatriates. This study explores the motivation and adjustment of 30 self-initiated expatriate academics who decided to work in South Korea. Respondents were motivated to expatriate by a desire for international experience, attractive job conditions, family ties and poor labor markets in overseas and were generally well adjusted. Findings provide important insights for organizations hiring self-initiated expatriates and those individuals who desire such a career, particular in an Asian context. *(For more information, please contact: Fabian Jintae Froese, Korea University, Korea, South: fabian.froese@gmail.com)*

**Session: 3.3.5 - Panel****Track: Track: 5 - Organizational Structure, Capabilities, and Strategic Planning in the MNC*****Images of the Multinational Firm*****Presented On:** June 30, 2009 - 11:45-13:00

Chair: John Cantwell, Rutgers University

*The Multinational Firm as the Major Global Promoter of Economic Development*

Simon Collinson, Warwick University

*The Multinational Firm as a Creator, Fashioner and Respondent to Institutional Change*

Sarianna M. Lundan, Maastricht University

*The Multinational Firm as an Evolutionary System*

Eleanor Westney, York University

The proposed Panel will present and discuss different 'images' of multinational firms. The aim is to reflect on different perspectives on the evolution, current form and organisation and impacts of multinationals.

Four presentations will outline very different images of the multinational firm as:

- (1) the major promoter of economic development globally (Simon Collinson)
- (2) a creator, fashioner and respondent to institutional change (Sarianna Lundan)
- (3) an evolutionary system (Eleanor Westney)

Following these initial presentations the proposed Panel will involve a structured discussion with input from other commentators and the audience. *(For more information, please contact: Simon Collinson, Warwick University, United Kingdom: simon.collinson@wbs.ac.uk)*

**Session: 3.3.6 - Competitive****Track: Track: 4 - Subsidiary Evolution and Strategy*****Controlling Overseas Subsidiaries*****Presented On:** June 30, 2009 - 11:45-13:00

Chair: Robert Salomon, New York University

*Exchange Rate Volatility, Intra-firm Trade, and Operational Flexibility in Foreign Direct Investment: The Case of Korean Firms*

Seung-Hyun Lee, University of Texas at Dallas  
Sangcheol Song, Bryant University

In order to examine how MNCs effectively manage subsidiaries in the countries under the influence of high exchange rate volatility, we examine whether MNCs actually engage in intra-firm trade. We also examine if MNCs with controlling ownership are in a better position in engaging in intra-firm trade when needed. Using Korean MNCs, we find that MNCs with a broader scope of operations are more likely to engage in intra-firm trade under high exchange rate volatility in their host countries. We further find that effective control over foreign subsidiaries is the key for the Korean MNCs in operational flexibility. Implications on multinational flexibility are also discussed. *(For more information, please contact: Seung-Hyun Lee, University of Texas at Dallas, USA: lee.1085@utdallas.edu)*

*Effects of Distance on the Control Level over Foreign Affiliates*

Naoki Ando, Hosei University  
Nobuya Fukugawa, Tohoku University

This study aims to investigate determinants of the level of control over foreign affiliates, focusing distance as a factor that causes internal and external uncertainty. Specifically, it emphasizes cultural, time, technological, and institutional distance. This study also considers the interaction effect of international and host country experiences with such distance. In addition, it proposes that the degree of the interaction effects is not equivalent among foreign affiliates. It is expected that it depends on a foreign affiliate's ability to learn from a parent firm's international and host country experiences. Using foreign affiliates of Japanese firms as a sample, an empirical study is conducted. The results reveal that Japanese firms respond differently to a source of uncertainty. Cultural and time distances are positively associated with the level of control over foreign affiliates, while technological and institutional distances are negatively associated. The results also indicate that the effect of distance is mitigated by international and host country experiences. In addition, this study finds that interaction effects of international and host country experiences are stronger for mature foreign affiliates than newly established ones. *(For more information, please contact: Naoki Ando, Hosei University, Japan: nando@hosei.ac.jp)*

*Why Peripheral Subsidiaries Participate in Gray Markets: A Conceptual Framework*

Kate Gillespie, University of Texas at Austin

Gray markets, or parallel imports, cost multinational firms billions of dollars annually. Yet managers in national subsidiaries have been known to willingly participate in gray markets. This paper answers calls for better understanding of rule breaking behavior in subsidiaries and for more synthesis of the ethics and strategy literatures. It begins with an explanation of gray markets, the role they play in global strategy, and the role subsidiary management can play in supporting these unauthorized distribution channels. It then examines why subsidiary managers, particularly those in peripheral markets, participate in such rule breaking behavior—for both self-serving and pro-social reasons. It explores cultural differences in attitudes towards rules, rule breaking for the good of the local unit, as well as rule breaking for the possible good of the whole multinational firm. The paper presents a model of this multifaceted phenomenon and concludes with a discussion of the implications of this model. *(For more information, please contact: Kate Gillespie, University of Texas at Austin, USA: kate.gillespie@mcombs.utexas.edu)*

*Diminishing MNE Control of Foreign Subsidiaries: The Distinction Between Service and Manufacturing Firms*

Michael Roberts, University of Western Ontario  
 Nathaniel C. Lupton, University of Western Ontario  
 Paul W. Beamish, University of Western Ontario

Service firms are becoming increasingly important revenue generators in emerging as well as more developed economies. In the past, researchers have often focused solely on manufacturing subsidiaries or treated industry type as a control variable. The production of services differs from manufactured products in that the former are characterized by heterogeneity, inseparability of production from consumption and perishability. Based on these characteristics, we argue that parents of service subsidiaries exert greater control through foreign ownership levels and use of expatriates in management positions. However, we expect that parents of older subsidiaries will use less control as local management talent develops and knowledge is transferred. We expect that this decline in ownership levels and expatriate staffing will be more pronounced for service than for manufacturing subsidiaries. Using a sample of 5,560 Japanese subsidiaries we find that expatriate staffing levels and foreign ownership is greater for service firms than manufacturing firms. Our findings suggest that industry type is an important variable for consideration in future international business research. *(For more information, please contact: Nathaniel C. Lupton, University of Western Ontario, Canada: nlupton@ivey.uwo.ca)*

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**Session: 3.3.7 - Competitive**

**Track: Track: 7 - The Location of FDI, Clusters, and Inter-Firm Spillovers**

*Technology, Intangibles and Intellectual Property Rights*

**Presented On:** June 30, 2009 - 11:45-13:00

Chair: Roger Smeets, Netherlands Bureau for Economic Policy Analysis

*Social Structure, Inertia, and Technology Spillovers from Foreign to Domestic Firms*

Alex Eapen, University of Sydney

In this paper I draw from network theory and the notion of structural inertia to develop a theoretical account of the social mechanisms underlying technology spillovers from foreign MNEs to domestic firms in a host country. I argue that domestic firms with social ties with foreign firms have better access to information about foreign technologies and are consequently more likely to experience productivity gains. On the other hand, domestic firms with high change constraints, i.e., inertia are less likely recipients of spillovers. In fact, the positive effect of social ties on spillovers to domestic firms is negatively moderated by their constraints to change. *(For more information, please contact: Alex Eapen, University of Sydney, Australia: a.eapen@econ.usyd.edu.au)*

*Beyond R&D? Intangibles and FDI spillovers*

Peter Zamborsky, University of Auckland

This paper analyzes the relationship between inward foreign direct investment (FDI), intangible resources and host country's productivity using industry-level data from ten developed economies in 1987-2003. I question the focus on technology of existing studies on spillovers from foreign to domestic firms. My theoretical discussion suggests that the productivity effects of FDI are influenced not only by R&D, but also other intangibles such as marketing competencies. I find that FDI drives OECD productivity growth, but mostly in industries that rely strongly on intangible resources for their competitive advantage. However, contrary to a number of past studies, R&D in itself or interacted with FDI do not explain OECD industry productivity growth. My findings imply that firms in some industries can benefit from FDI by investing in intangibles other than R&D. *(For more information, please contact: Peter Zamborsky, University of Auckland, New Zealand: p.zamborsky@auckland.ac.nz)*

*Globalization and Firm Exit: Differences Between Small and Large Firms*

Italo Colantone, Erasmus University

Kristien Coucke, HUB Brussels

Leo Sleuwaegen, Vlerick Leuven Gent Management School and KULeuven

The effects of increasing import competition on the exit of heterogeneous domestic firms are investigated, both at the theoretical and empirical level. Within the context of an oligopolistic rivalry model, marginal cost flexibility and product differentiation with respect to the imported goods are shown to lower the displacement effect from international competition, thus helping firms to survive. Both results point to small firms as being in a relatively favourable position with respect to their larger competitors, as industries adjust to increasing import penetration. These findings are consistent with empirical evidence on firm exit for 12 manufacturing sectors in 8 European countries, from 1997 to 2003. In particular, the exit of large firms is found to be sensitive to the shock of soaring import penetration from low-wage countries. Small firms in the same industries are instead only affected by marginal trade integration with respect to neighbouring EU countries and other relatively wealthy trading partners. Hence this paper shows, for the first time, that firms of different size might be affected differently by diverse sources of import competition. Implications on firm strategic planning and public policy are discussed. *(For more information, please contact: Italo Colantone, Erasmus University, Netherlands: colantone@few.eur.nl)*

**Session: 3.3.8 - Competitive**

**Track: Track: 8 - International Human Resource Management, Cross-Cultural Management, and Qualitative Research Methods**

*Cross-cultural Effects on Organizational Outcomes*

Presented On: June 30, 2009 - 11:45-13:00

Chair: Jone L. Pearce, University of California, Irvine

*The Effect of Self-Construals on Perceptions of Organizational Events*

Andre A Pekerti, University of Queensland

Catherine Kwantes, University of Windsor

This empirical research examines the effect of culture on the way people perceive and assign causes to events in organizations. It explores the idea that attributional biases and errors are moderated by a person's culture. Results supported proposed hypotheses; it showed that Indonesians, New Zealanders and Canadians perceived their interdependent self-construal as salient, moderately salient and least salient, respectively. Furthermore, self-construals moderated people's perceptions of organizational events. Those with a salient interdependent self-concept (Interdependents) attributed negative organizational events to factors that are external, less controllable, and had a more fatalistic outlook than those with a moderate interdependent self-concept (Moderate-interdependents) and less salient interdependent self-concept (Low-interdependents). In contrast, Low-interdependents attributed positive organizational events to their own actions and stable factors compared to Moderate-interdependents; they also perceived positive events as being controllable compared to Interdependents. Implications for management practices in multinational organizations are discussed. *(For more information, please contact: Andre A Pekerti, University of Queensland, Australia: a.pekerti@business.uq.edu.au)*

*The Job Satisfaction - Turnover Intentions Relationship Revisited: Exploratory Evidence from China, Jordan, Turkey, and the United States*

Hao Chen, University of Texas at Dallas  
David L. Ford, Jr., University of Texas at Dallas  
Gurumurthy Kalyanaram, GK Associates

This paper examines the turnover intentions of professional employees from China, Jordan, Turkey, and the United States in a multilevel framework, which incorporates the individual, organizational, cultural, and economic environment conditions. We attempt to answer the question: what triggers turnover intention of these professional employees? By exploring the relations between different levels of conditions (individual level conditions such as organizational commitment, job satisfaction; the environmental level conditions such as the organizational, cultural, and economic environment) and turnover intentions, we find that the environmental factors moderate the relationships between job satisfaction, organizational commitment, and turnover intentions. In addition, we provide support for the mediating effect of organizational commitment on the relationship between job satisfaction and turnover intentions. The results call for our attention in taking into consideration of the environment, when studying antecedents of turnover intentions. *(For more information, please contact: Hao Chen, University of Texas at Dallas, USA: chloechenhao@utdallas.edu)*

*The Effects of Supervisor Relationship and Co-worker Satisfaction on Turnover Intention: A Comparison of South Korea and China*

Tai Gyu Kim, Korea University  
Jin Kyu Lee, Korea University  
Jun Ho Lee, Korea University

This study investigates the effects of supervisor and co-worker relationships on turnover intentions of Korean and Chinese workers. Recent findings of a U-shaped relationship between supervisor relationship (i.e., leader member exchange) and turnover intention from Western samples were not replicated in these Asian samples. Instead, each of supervisor and co-worker relationships had negative and linear association with turnover intentions in Chinese samples while only co-worker relationship had a negative linear relationship with turnover intentions of Korean workers. The study further found such associations were significantly stronger in Chinese workers than in Korean counterparts. Discussions and explanations based on differences in culture, relationship orientation and economic history are offered. *(For more information, please contact: Tai Gyu Kim, Korea University, Korea, South: kimt@korea.ac.kr)*

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**Session: 3.3.9 - Competitive**

**Track: Track: 9 - Internationalization Processes and International Marketing Strategies**

***Customers and Segmentation***

**Presented On:** June 30, 2009 - 11:45-13:00

**Chair:** Desislava Dikova, University of Groningen

*A Two-Stage Model of Segmentation of the Enlarged Single European Market*

Charlotte Gaston-Breton, University Carlos III de Madrid  
Oscar Martín Martín, Public University of Navarre

We propose a two-stage model of segmentation of the European Union (EU) to be used mainly by foreign firms willing to target this region. The first stage is conceived as a macro-segmentation screening process based on market attractiveness. The second is a micro-segmentation selection process in order to identify the most similar groups of people in terms of social and personal values across Europe. We root our model in previous

assumptions and findings from international market selection (IMS) and Inglehart's theory. The model is applied to the current 27 EU member states and the groups of countries empirically obtained serve to validate it. We finish with a discussion of the main findings, their managerial and public policy implications, an identification of the paper's limitations and future research issues. *(For more information, please contact: Charlotte Gaston-Breton, University Carlos III de Madrid, Spain: cgaston@emp.uc3m.es)*

*The Effectives of Alternative Global Account Retention Strategies under different Market, Organizational, and Relational Conditions*

Linda Hui Shi, University of Victoria  
Tao Gao, Northeastern University

The objective of the current study is to address the three key issues of global account management (GAM): account selection, account retention (i.e. GAM coordination), and performance measurement. Specifically, we intend to rectify some key confusions remained in the GAM literature by distinguishing between two forms of coordination (inter-organizational and inter-country coordination) in the GAM context and examine both their antecedents and performance implications. First, we integrate two perspectives of GAM account selection, i.e., , supplier's strengths to serve global account and customer's characteristics to be global account into developing an integrative model to better understand how suppliers provide the forms of GAM coordination services to their global accounts. Second, we model the effectiveness of the two types of coordination on two levels of GAM performance outcomes, i.e., the supplier organizational level and inter-firm relationship level, respectively. Third, we examine the performance impacts of two GAM coordination forms vary with the external environment, specifically market dynamism and technological turbulence. The conceptual model is then tested using data collected from a cross-industry, cross-country sample of global account managers. *(For more information, please contact: Linda Hui Shi, University of Victoria, Canada: lshi@uvic.ca)*

*Green Segmentation and Location Strategies*

Roberto Gamarra, Lewis University

The chief aim of this paper is to explore global benefit segmentation utilizing the technologically sophisticated markets construct. Evidence from exploratory case studies suggests that green technological learning through exporting takes place via various cross-functional strategies. Theoretically, this paper contributes to the literature on global green segmentation in two ways: definition of the technologically sophisticated market construct and identification of cross-functional strategies for green technological learning through exporting. *(For more information, please contact: Roberto Gamarra, Lewis University, USA: gamarro@lewisu.edu)*

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**Session: 3.3.10 - Competitive**

**Track: Track: 11 - Emerging Market Economies**

***Innovation in Emerging Markets***

**Presented On:** June 30, 2009 - 11:45-13:00

**Chair:** Laszlo Tihanyi, Texas A&M University

*Effects of Ownership Structure on Innovation Performance of Firms in An Emerging Market*

Victor Zitian Chen, Simon Fraser University  
Jing Li, Simon Fraser University  
Lisa Papania, Simon Fraser University  
Daniel M Shapiro, Simon Fraser University



We seek to introduce the idea that the ability of firms in an emerging market to convert resources into commercializable innovations depends on the degree to which there is a diversification between the broad groups of shareholders who own their shares, and the concentration of ownership within these groups. We test our hypotheses using unique panel data of listed corporations in China for 2004 to 2006. These groups, which we call 'ownership types', can be broadly referred to as state, local non-state, and foreign. We integrate internalization theory and resource dependence theory to argue that the valuable and irreplaceable resources brought by each ownership type reduce the environmental uncertainty facing firms, resulting in a higher rate of innovation, as well as the more efficient conversion of R&D investment into new products, together referred to as 'innovation performance'. We extend the principal-agency theory by following a principal-principal view to analyze the tradeoff between alignment benefit and entrenchment cost associated with ownership concentration, and to depict the relationship between ownership concentration and innovation performance as an inverted "U". (For more information, please contact: Victor Zitian Chen, Simon Fraser University, Canada: zca4@sfu.ca)

*Managerial Ties, Knowledge Acquisition, Absorptive Capacity and New Product Development Performance of Emerging Multinational Companies: A Case of China*

Masaaki "Mike" Kotabe, Temple University  
 Crystal Xiangwen Jiang, Bryant University  
 Janet Y. Murray, University of Missouri-St. Louis

Many firms rely on external sources to acquire knowledge that is critical for enhancing new product development (NPD) performance. Using a sample of 121 emerging multinational corporations (EMNCs) from China, we explore the effects of managerial ties with government officials and foreign partners on knowledge acquisition and investigate how acquired knowledge affects firms' NPD performance. Results indicate that managerial ties with external sources enhance knowledge acquisition. However, knowledge acquisition could only enhance NPD performance with the presence of realized absorptive capacity. (For more information, please contact: Crystal Xiangwen Jiang, Bryant University, USA: cjiang1@bryant.edu)

*Can Regional Differences Moderate the Impact of Technological Innovation on Building a Top Brand?*

CL Tien, Dayeh University  
 Celine Cho, Tamkang University  
 Carlos H. Chiu, Carlos-Marc Empire Capital Group

This paper extends research relating to innovation and branding to answer the question of how technological innovation by a firm impacts the value of its top brand. This study examined dynamic models of innovation and branding derived primarily from resource-based theory and dynamic capability theory to test the hypotheses using longitudinal data on Business Week's top 100 global brands. The results indicate that technological innovation has some lagged effect on brand value and that whether the brands belong to Western firms or to Asian firms can change the degree of the impact of the main effect in our study. (For more information, please contact: CL Tien, Dayeh University, Taiwan: west4bc@gmail.com)

*Institutional Change and Corporate R&D Investments in an Emerging Economy: The Role of Financing Constraints and Group Affiliations*

Young Rok Choi, Singapore Management University  
 Toru Yoshikawa, McMaster University  
 Shaker A. Zahra, University of Minnesota  
 Bong H. Han, Ajou University

The institutional voids perspective attributes the success of business groups to the negated institutional conditions in emerging economies. In an alternative view, several recent studies hint that business groups may

have a superior capacity to monitor resource allocation decisions at the affiliated firm level. We test these contrasting arguments by investigating how institutional changes aimed at securing a more market-oriented financial environment affect R&D investment decisions in group affiliates and independent firms. Using data drawn from Korean listed companies for the period 1994-2006, our longitudinal results indicate that business groups may be an efficient organizational form, in that affiliates' R&D decisions are consistent with theory-conferred relationships, even after the Asian financial crisis. That is, business group affiliates made R&D investments consistent with growth opportunities both before and after the financial crisis. In contrast, while independent firms were able to reduce financing constraints after the institutional environment changed, the positive relationship between their R&D investments and growth opportunities vanished. These findings imply that business groups, unlike independent firms, may possess an internal monitoring capacity that restrains managerial agency problems at the affiliated firm level. This study complements the extant research that focuses on the direct performance effect of business group affiliation by examining the difference in resource allocation between these distinct organizational forms in an evolving emerging economy. Our findings inform the literature that acknowledging the inherent advantages of business groups that continue to exist in the face of institutional changes is of significance in understanding the nature of business groups and the conditions in which they are more efficient than independent firms. *(For more information, please contact: Young Rok Choi, Singapore Management University, Singapore: yrchoi@smu.edu.sg)*

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**Session: 3.3.11 – Special Session**

***Innovation and Market Turbulence in Latin America (BALAS Special Session)***

**Presented On:** June 30, 2009 - 11:45-13:00

Chair: John Sargent, University of Texas Pan American

*R&D by Multinationals in Latin America*

Robert Grosse, ITESM Monterrey

*(For more information, please contact: Robert Grosse, ITESM Monterrey, Mexico: grosser@t-bird.edu)*

*Innovation by Locals in Latin America*

Joseph Ganitsky, University of Miami

*(For more information, please contact: Joseph Ganitsky, University of Miami, USA: jganitsky@gmail.com)*

*Experiments in Fostering the Creation of Knowledge Based Businesses in Latin America: The Monterrey International City of Knowledge Initiative*

John Sargent, University of Texas Pan American

Linda Matthews, University of Texas Pan American

*(For more information, please contact: John Sargent, University of Texas Pan American, USA: jsargent@panam.edu)*

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**Session: 3.3.12 - Interactive**

**Track: Track: 5 - Organizational Structure, Capabilities, and Strategic Planning in the MNC**

***Capabilities in MNCs***

**Presented On:** June 30, 2009 - 11:45-13:00

Chair: Helena Yli-Renko, University of Southern California

*Information Processing Theory and Inter-organizational Knowledge Transfer— A Conceptual Framework*  
Wen-Yen Hsu, National Cheng Kung University

This study develops a framework for understanding inter-organizational knowledge transfer in light of information processing theory. We argue that inter-organizational knowledge transfer is shaped by the twin problems of uncertainty and ambiguity. Organizations that develop structures to overcome these issues will enjoy superior inter-organizational knowledge transfer performance. A framework for understanding inter-organizational knowledge is proposed and conclusions drawn. *(For more information, please contact: Wen-Yen Hsu, National Cheng Kung University, Taiwan: sandraha@ms23.hinet.net)*

*Emerging Capability or Continuous Challenge? Managing Interfaces in Shifting Global Engineering Networks*  
Stephan Manning, Duke University  
Thomas Hutzschenreuter, WHU - Otto Beisheim School of Management  
Alexander Strathmann, WHU - Otto Beisheim School of Management

In recent years, more and more companies have relocated engineering and product development tasks to globally dispersed locations, in particular to emerging economies. Drivers include access to qualified, lower-cost scientists and engineers; increasing speed to market; and accelerating growth. Over time, global engineering networks (GENs) have emerged both within and beyond the organizational boundaries of MNCs. Despite recent trends towards increasing modularization and digitalization, the very separation and remote coordination of knowledge-intensive tasks remains a significant organizational challenge. One important aspect of this challenge are continuous changes and shifts in GENs, as MNCs set up new locations, expand or abandon old ones. Based on a comprehensive field study of the GEN of a German automotive engineering company, we investigate organizational practices of dealing with this challenge. In particular, we look at interface management as a potential dynamic capability that allows MNCs to coordinate tasks and processes in shifting GENs. Findings may stimulate studies on new organizational capabilities arising from recent globalization dynamics. *(For more information, please contact: Stephan Manning, Duke University, USA: sdm24@duke.edu)*

*Climate Change – A Lacking International Business Research Agenda*  
Hinrich Voss, University of Leeds

The theory of climate change and the international institutional reactions to it carry multiple implications for multinational enterprises and foreign direct investment. The institutional environment is transforming and creates constraints for businesses as well as opportunities for firms that react adequately and promptly. Constraints derive from changes in factor prices and requirements on business behaviour which can impact on the international business configurations of some firms. Opportunities derive from cost reductions, new market development, and innovation efforts to name but a few. Despite the wide ranging implications for MNEs is the international business community not shaping and directing this research field. This is left to other disciplines. It is therefore the attempt of this paper by reviewing extant literature in other disciplines to provide a starting point for an international business research agenda on the climate change theory and its consequences. *(For more information, please contact: Hinrich Voss, University of Leeds, United Kingdom: hv@lubs.leeds.ac.uk)*

*Achieving Corporate Entrepreneurship in Emerging Economies: How do Firm Resources and Capabilities Matter? A Case of China*  
Chun Guo, University of Massachusetts Amherst  
Qin Yang, Robert Morris University

Although emerging economies have experienced a rapid pace of economic development and entrepreneurship plays an important role in its economic development, little is known about the achievement of corporate

entrepreneurship in emerging economies. This study examines how firm-specific resources and the evolution of organizational capabilities matter to the achievement of corporate entrepreneurship in an emerging economy context. Based on our case analyses of a leading automobile company in China, we developed a theoretical framework to illustrate the strategic development of corporate entrepreneurship. Our theoretical framework suggests that firm resources (tangible and intangible) contribute to organizational capability development. Further, we delineate the hierarchical order of organizational capabilities and demonstrate how lower-order organizational capabilities associate with the development of higher-order organizational capability. Furthermore, organizational capabilities at different hierarchical levels within a firm can support the achievement of corporate entrepreneurship in terms of innovation, strategic renewal and corporate venturing. *(For more information, please contact: Chun Guo, University of Massachusetts Amherst, USA: chun@som.umass.edu)*

*Board Characteristics and Firm Performance: Evidence from New Zealand*

Sonjaya Gaur, Auckland University of Technology  
Hanoku Bathula, AIS St. Helens  
Ajai Gaur, Old Dominion University

We utilize an integration of agency theory, stewardship theory, resource dependence theory and stakeholder theory to develop our hypotheses linking board characteristics to firm performance. We test our theoretical arguments on a panel data comprising 207 firm year observations of listed firms in New Zealand Stock Exchange during the 2004-2007 time period. Our findings indicate that while board characteristics have important implication for firm performance, one can gain a deeper understanding of such relationships by identifying the contingency conditions, on which the relationship between various board characteristics and firm performance may be dependent. *(For more information, please contact: Sonjaya Gaur, Auckland University of Technology, New Zealand: sgaur@aut.ac.nz)*

*The Moderating Effects of Multinationality and Firm Size on CSR-FP Relationship*

Weidong Rong, Saint Louis University  
Hongxin Zhao, Saint Louis University  
Yagang Wang, Xi'an Jiaotong University

The purpose of this paper is to investigate the moderating role of MNCs' multinationality and firm size in predicting the effect of corporate social performance (CSP) on corporate financial performance (FP). Firm's continuing expansion and growing international diversification may confound the CSP-FP relationship and undermine firm's CSR investment. While CSP-FP has been extensively studied, there has been no study that has examined the moderating role of multinationality and firm size on CSP-FP. This research is going to close this gap. We provide a theoretical argument for the hypotheses and then recommend an empirical test on S&P 500 firms. *(For more information, please contact: Weidong Rong, Saint Louis University, USA: wrong1@slu.edu)*

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**Session: 3.3.13 - Interactive**

**Track: Track: 8 - International Human Resource Management, Cross-Cultural Management, and Qualitative Research Methods**

***How Cross-Cultural Factors Shape Individual Outcomes in Organizations?***

**Presented On:** June 30, 2009 - 11:45-13:00

**Chair:** Greg Hundley, Purdue University

*A Comparative Study of Organisational Commitment of Bank Employees in Ireland and China*

Helen Chen, Dublin Institute of Technology

Organisational commitment has been extensively researched in the Western and non-Western contexts. However, little has been done to approach it from a comparative perspective. This paper sets out to fill in the gap by examining bank employees' organisational commitment in Ireland and China. Data was collected in two American banks, one in Ireland and the other one in China in June 2008. Research results showed interesting and dynamic differences of the three dimensions of the Irish and Chinese bank employees' organisational commitment with regards to the effects of income, gender and tenure. Implications for managers in Ireland and China are discussed. *(For more information, please contact: Helen Chen, Dublin Institute of Technology, Ireland: hchen@dit.ie)*

*Attitudes of Chinese Service Workers: Employee Empowerment has Changed*

Kathryn H. King-Metters, Capella University

Richard D. Metters, Emory University

Based on interviews with management and workers in Western managed Chinese hotels, observations of work, and surveys of Chinese hotel workers, a new picture of Chinese service workers emerges. It appears that what Chinese workers want from a job and what skills they are willing to provide has changed over time. While Chinese workers are largely thought to be motivated solely by money, our results indicate that there are several other strong motivators. Further, the view of employee empowerment has changed. This has an influence on the potential success of quality programs, the structure of operational procedures across countries for multi-national firms, and aiding in a common understanding of operational goals between management and workers. *(For more information, please contact: Kathryn H. King-Metters, Capella University, USA: kkingmetters@gmail.com)*

*Psychological Work Preferences: Does Gender Matter?*

G. Ronald Gilbert, Florida International University

Meredith Burnett, Florida International University

Jerry Haar, Florida International University

Ian Phau, Curtin University of Technology

This study examines gender differences on 17 cross-nationally validated psychological work preferences both within and among three countries. Two-way MANOVA applications of gender and work preferences identified only one consistent difference in the psychological work preference ratings of men and women attending business schools in Australia, Jamaica, and the U.S.A. Results show that ratings on mechanical preference were higher for men than women. A two-way MANOVA of respondents' ratings on the 17 work preferences by gender and country revealed a marginally significant interaction indicating country was not a significant moderator of the gender differences found. Though our findings only partially support the gender difference and gender similarity hypotheses, our results provide important implications for managers of both men and women working on team-based assignments in international settings. *(For more information, please contact: G. Ronald Gilbert, Florida International University, USA: ron.gilbertems@gmail.com)*

*Exploring Expected Task and Relational Managerial Orientations in Chile and Mexico*

Leonardo Liberman, Universidad Adolfo Ibáñez

Dirk Michael Boehe, Insper Institute of Education and research, São Paulo

Evangalina Cruz Barba, Universidad de Guadalajara

This paper presents findings concerning differing expectations towards the managerial role in Chile and Mexico. Two samples from Chile and Mexico totalling 579 respondents were surveyed regarding their expectations

towards managers. Expected Task and Relational orientations were measured using 4 subscales drawn from the Ideal Leader Behavior Description Questionnaire. In a multivariate analysis we found significant differences in the patterns of expectations across countries that indicate that Chilean and Mexican respondents have different conceptions of how managers should behave regarding tasks and relationships with employees. Additional analyses also indicate that gender and position of respondents moderate these expectations. These findings defy the idea that managerial expectations across Latin American countries would be homogenous and suggest that gender and position shape managerial expectations. *(For more information, please contact: Leonardo Liberman, Universidad Adolfo Ibáñez, Chile: leonardo.liberman@uai.cl)*

*Biculturalism and Cultural Intelligence*

Shirley Liang, National Taiwan University  
Chen-Min Chuang, National Taiwan University

Cultural Intelligence has received more attention recently in IB. This paper argues that intercultural interaction competence is cultural intelligence. Specifically, self-construals (from theories of intercultural communication and cultural psychology) refine the definition on intercultural interaction competence and directly connect to biculturalism. Biculturalism which incorporates both independent and interdependent self-construals in its code-switching mechanism can and should be developed in individuals for more effective intercultural interactions which consequently lead to better performances in international business transactions. Finally, bicultural cultural intelligence and implications are discussed. *(For more information, please contact: Shirley Liang, National Taiwan University, Taiwan: shuyu1112@yahoo.com.tw)*

*Cultural Intelligence's Moderating Role on the Fit of Asian American Employees: A Social Exchange View*

Gloria J. Miller, University of Wisconsin-Milwaukee  
Dora M. Luk, City University of Hong Kong  
Yu-Shan Hsu, University of Wisconsin-Milwaukee  
Margaret A. Shaffer, University of Wisconsin-Milwaukee

Based on social exchange theory, we propose and test hypotheses regarding the relationships between employees' perceptions of organizational support and organizational commitment to diversity and three forms of employee fit, organizational fit and coworker fit. We also examine cultural intelligence as a moderator of these relationships. With data collected from Asians living and working in the United States, we found strong support for the direct effects of organizational support and commitment to diversity and for the moderating effect of cultural intelligence and organizational commitment to diversity on both organizational and coworker fit. Implications and future research possibilities are discussed. *(For more information, please contact: Gloria J. Miller, University of Wisconsin-Milwaukee, USA: gjm@uwm.edu)*

*Communal and Exchange Relationship Schemas and Their Dynamic Malleability in Multinational Business Diplomacy*

Leigh Anne Liu, Georgia State University  
Zhi-Xue Zhang, Peking University  
Chi-Yue Chiu, Nanyang Technological University  
David C. Bruce, Georgia State University

In international business literature, the relational concepts such as social capital and Guanxi have been used interchangeably yet the mechanisms of how they operate differ. We believe at the core of the problem and confusion is that two etic relationship schemas exist and that they are dynamically malleable. We describe the conceptualization of communal and exchange relationship schemas and delineate their differences in assumptions, management and renewal of social networks. Triggered by various social conditions, we propose that the two schemas are dynamically linked and will transform to each other. We apply these two relationship

schemas in the complex relational context of multinational business diplomacy. We then discuss theoretical and practical implications on relationship management in today's global marketplace. *(For more information, please contact: Leigh Anne Liu, Georgia State University, USA: laliu@gsu.edu)*

*The Determinants of Trust in Multicultural Global Virtual Teams*

Audra I. Mockaitis, Victoria University of Wellington  
Elizabeth L. Rose, Victoria University of Wellington  
Peter Zettinig, Turku School of Economics

This study considers the antecedents of trust in the context of multicultural global virtual teams. Research on this type of team environment is still in its infancy, and little is known about the effects of cultural diversity on group processes and outcomes. Using a sample of 59 global virtual teams, based on 286 respondents representing 39 nationalities, our study focuses on determinants of team members' perceptions regarding the level of trust within their groups. We find that culture plays a role in the development of trust, as do task interdependence, task and relationship conflict, and the nature of communication, while diversity in teams is of minor importance. *(For more information, please contact: Audra I. Mockaitis, Victoria University of Wellington, New Zealand: audra.mockaitis@vuw.ac.nz)*

**Session: 3.4.1 - Panel**

**Track: Track: 11 - Emerging Market Economies**

***Impact of the Global Financial Crisis and Recession on FDI Flows; Implications for Theory, Policy and Corporate Strategy***

**Presented On:** June 30, 2009 - 14:00-15:15

Chair: Karl Sauvart, Columbia University  
Chair: Yair Aharoni, Tel Aviv University

*Impact of the Global Financial Crisis and Recession on FDI Flows: Implications for Theory, Policy and Corporate Strategy*

Yair Aharoni, Tel Aviv University  
Steve Kobrin, University of Pennsylvania  
Oded Shenkar, Ohio State University

This panel will explore the implications of the financial crisis for emerging markets, including likely impact on FDI flows, on GDP growth, and exports. It will feature leading experts on international business, FDI, and China, among others. The panel will follow the Roundtable format. It should interest many members because the global financial crisis has seriously disrupted recent healthy trends in economic growth and global integration. *(For more information, please contact: Karl Sauvart, Columbia University, USA: ksauva@law.columbia.edu)*

**Session: 3.4.2 - Competitive**

**Track: Track: 11 - Emerging Market Economies**

***Multinationals from Emerging Markets***

**Presented On:** June 30, 2009 - 14:00-15:15

Chair: Paul W. Beamish, University of Western Ontario

*Structural Reforms and the Multinationalization Strategy of Developed, Developing, and Least-Developed Country Firms*

Alvaro Cuervo-Cazurra, University of South Carolina  
Luis Alfonso Dau, University of South Carolina

We analyze the impact of structural reforms on the multinationalization strategy of developed, developing, and least-developed country firms. Structural reforms are a form of institutional change whereby a country's institutional framework is realigned to improve governance and facilitate market functioning. We argue that structural reforms help firms become multinationals by reforming institutions that support the international competitiveness and multinationalization of firms. However, we propose that structural reforms have a differential impact on the multinationalization strategy of firms depending on the level of institutional voids in the country. Specifically, we argue that structural reforms have the highest positive impact on the multinationalization strategy of developing-country firms, followed by developed-country firms, and then by least-developed country firms. Structural reforms especially accelerate the multinationalization of developing-country firms by reducing institutional voids that constrain their competitiveness, institutional voids that are not prevalent in developed countries. However, this is not the case for firms from the least-developed countries because countries have to be above a threshold of institutional development for their firms to fully benefit from structural reforms. As such, structural reforms reduce the multinationalization gap between developed and developing-country firms, but increase the gap between least-developed country firms and those from more developed countries. *(For more information, please contact: Luis Alfonso Dau, University of South Carolina, USA: luis\_dau@moore.sc.edu)*

*Learning and Strategic International Expansion to Psychically Distant Markets: A Case Study of a Brazilian Firm*

Bruno Barreto de Góes, Federal University of Rio de Janeiro  
Angela da Rocha, Federal University of Rio de Janeiro  
Rebecca Arkader, Federal University of Rio de Janeiro

Brazilian companies are late movers in international markets. Despite the recent inflow of foreign firms into China, very few Brazilian companies have achieved a significant presence in that market. This may be explained by the late internationalization movement, but it may also be supposed that psychic and geographical distance have played a significant role. Uncertainty and risk permeate entry decisions in this market, interfering with the processes and adopted entry modes. This paper presents a case study on the first steps of the entry process of a strongly internationalized Brazilian company into the Chinese market. It seeks to understand the logic behind this strategic expansion to a psychically-distant market and the ways in which the company coped with knowledge acquisition in an unknown environment. This is done in the light of theoretical approaches to the internationalization process in terms of experiential knowledge, commitment, and opportunity development (Johnson and Vahlne, 2003; 2006). *(For more information, please contact: Angela da Rocha, Federal University of Rio de Janeiro, Brazil: angela@coppead.ufrj.br)*

*Internationalization Process of Emerging Market Firms: Analyzing the Shift from Exports to FDI*

Ajai Gaur, Old Dominion University  
Deeksha Singh, National University of Singapore  
Vikas Kumar, Bocconi University

In this paper we analyze an important step in the internationalization process of emerging market firms: the shift from exports to foreign direct investment (FDI). We integrate the resource based view with the institutional perspective to suggest that emerging market firms, which can make use of the unique institutional advantages are more likely to make a shift from exporting to FDI. We test our arguments on a longitudinal sample of more than 5000 firms from India from 1990 to 2005. Our findings suggest that firms which are affiliated to a business group, have a greater level of firm level and group level international experience, have



more resources, and operate in industries with greater level of foreign participation, are more likely to make the shift from exporting to FDI. *(For more information, please contact: Ajai Gaur, Old Dominion University, USA: agaur@odu.edu)*

*The Moderating Role of Relative Cost Advantage on the Global Orientation-Performance Relationship for EM MNEs in Knowledge- vs. Labor-Intensive Industries*

Elitsa R. Banalieva, Northeastern University

The central contribution of this study is that it analyzes how Degree of Global Orientation (DGO) and Relative Cost Advantage (RCA) jointly affect the financial performance of emerging market multinational enterprises (EM MNEs) from knowledge- vs. labor-intensive industries. Four strategies emerge with different implications for firm performance, depending on whether the firms are in knowledge- or labor-intensive sectors: Efficient Globetrotter, Inefficient Globetrotter, Efficient Region-centric, and Inefficient Region-centric. The panel data analysis on a sample of 286 high-tech and 407 low-tech firms from 28 EMs during 2000-2006 supports the conceptual framework and helps extend the general EM theories and practice. *(For more information, please contact: Elitsa R. Banalieva, Northeastern University, USA: e.banalieva@neu.edu)*

**Session: 3.4.3 - Competitive**

**Track: Track: 3 - Alliances and Inter-Firm Relationships**

***Trust in Alliances***

**Presented On:** June 30, 2009 - 14:00-15:15

Chair: Ramdas Chandra, Nova Southeastern University

*Building Interorganizational Trust: Case of Korean-Japanese Joint Ventures*

Naoki Ando, Hosei University

This study aims to explore how interorganizational trust is developed between the parent firms of an international joint venture. In exploring factors that foster interorganizational trust, this study emphasizes interpartner interactions by parent firms after entering into an international joint venture. Among the factors that are related to the interactions between parent firms, this study addresses joint decision-making, cultural adaptation, and conflict resolution strategies. Hypotheses are developed regarding not only the main effects of the abovementioned three factors on the level of interorganizational trust but also the causal relations and interaction effects among them. An empirical study is conducted using a sample comprising 76 Korean-Japanese international joint ventures. The findings show that the perceived fairness in joint decision-making and cultural adaptation positively affect the level of interorganizational trust. Cultural adaptation also has an indirect effect on the level of interorganizational trust in that it influences the perceived fairness in joint decision-making. In addition, legalistic conflict resolution strategies have an impact on the level of interorganizational trust in that they interact with the perceived fairness in joint decision-making and cultural adaptation. *(For more information, please contact: Naoki Ando, Hosei University, Japan: nando@hosei.ac.jp)*

*Examining Trust Formation in University-Industry Research Collaborations: A Comparison between East Asian and Western Countries*

Martin Hemmert, Korea University

Ludwig Bstieler, University of New Hampshire

Klaus Ruth, University of Bremen

Hiroyuki Okamuro, Hitotsubashi University

In this paper we present and test a framework of organizational and behavioral factors which support trust formation in university-industry (UI) research collaborations. An analysis of survey data on 731 UI research collaborations in the US, Germany, Japan, and South Korea reveals that initial trust formation between partners is supported by the strength of ties between the company and the university, the university's reputation, and contractual safeguards. However, the associations of these three mechanisms with trust are mediated by communication quality and champion behavior, indicating that these two factors are central for developing and maintaining trust when companies and universities engage in collaborative research. We also find a number of differences between the two Western and the two East Asian countries which can only partially be explained by cultural factors, suggesting that UI research collaborations across countries may be shaped to a larger extent by institutional than by cultural factors. *(For more information, please contact: Martin Hemmert, Korea University, Korea, South: mhemmert@korea.ac.kr)*

*Organizational Drivers of Relationship Trust: An Investigation of Australian Service Exporters*

Vinh Nhat Lu, University of Adelaide

Pascale G. Quester, University of Adelaide

Trust has been extensively researched in the business-to-business relationship literature, and is considered a critical factor in fostering optimal relationships between a firm and its business partners. Research into determinants of inter-organizational trust in an international service setting, however, has been very limited. This study investigates firm-specific drivers of relationship trust between service exporters and their overseas customers. We collected data from 254 service exporters in Australia. Research findings indicate that international experience, resource commitment, and management commitment can significantly influence the level of trust in the cross-border relationships between service exporters and their overseas customers. Our research enriches international business literature, particularly the export marketing and business-to-business relationship streams, and provides important implications for international business practitioners. *(For more information, please contact: Vinh Nhat Lu, University of Adelaide, Australia: vinh.lu@adelaide.edu.au)*

*The Role of Trust and Local Knowledge in Vertical Alliance*

FanChan Tai, National Taiwan University/Ching Yun University

This research is intended to scrutinize how trust and local knowledge affect firm capability and transaction cost in a vertical alliance. Specifically we argue that trust and transaction cost, when combined, have most significant association with exclusive commitment in vertical alliances; furthermore, we differentiate the concept of trust from that of local operating experience, arguing that for foreign and joint venture suppliers, local knowledge is a necessary add-on to their ownership advantages and may result in more exclusive commitment in their relationship with the customer. Our dataset is obtained from the tier-1 automotive suppliers in China and the test shows promising results. The combined effect of trust and transaction cost appears to have strongest association with exclusive commitments in the vertical alliance. For foreign and joint venture suppliers in China, the local experience turns out to have different meanings from what we expect. The research contributes to clarify the relationship between trust, transaction cost and alliance exclusivity; the role of local knowledge is also discussed, and important managerial implications are derived from the comparison of how foreign/JV suppliers behave differently from local suppliers in vertical alliances. *(For more information, please contact: FanChan Tai, National Taiwan University/Ching Yun University, Taiwan: d92724004@ntu.edu.tw)*

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**Session: 3.4.4 - Competitive**

**Track: Track: 8 - International Human Resource Management, Cross-Cultural Management, and Qualitative Research Methods**

***Macro-level Trends and IHRM***

**Presented On:** June 30, 2009 - 14:00-15:15

Chair: Shaun Duane Hansen, Purdue University

*National Cultural Distance and Cross Border Acquisition Performance: The Moderating Effect of Integration*  
Mohammad Faisal Ahammad, Nottingham Trent University

Using data from a sample of cross border acquisitions made by UK firms, this paper investigates the effect of national cultural distance on the performance of cross border acquisitions. While some studies have argued that this effect should be negative and others that it should be positive, this paper argues that this depends on the level of post acquisition integration. We hypothesize that large differences in national culture reduce acquisition performance if the acquired unit is closely integrated into the acquirer, but that they enhance acquisition performance if integration is limited. The study finds a reasonable support for this hypothesis. *(For more information, please contact: Mohammad Faisal Ahammad, Nottingham Trent University, United Kingdom: mohammad.ahammad@ntu.ac.uk)*

*Post-Acquisition Restructuring, HRM Policies and Performance: Insider Econometrics in a Multi-Unit Firm*  
Hein Bogaard, George Washington University  
Jan Svejnar, University of Michigan

Using unique internal data of loan and deposit sales at a foreign-owned bank in Eastern Europe, we analyze the impact of modernization of human resource management (HRM) policies on sales performance at the branch-level. Our methodological approach builds on the insider econometrics literature. We illustrate how the structure of our data enables us to deal with endogeneity of HRM policies that has been a concern in insider econometric applications. In addition, we propose a simple but effective approach to constructing instruments from within the data that should be applicable to other datasets.

We show that the new HRM policies, which included stratification of branch-level staff and high-powered incentives, have been successful overall but with some caveats. First, the combination of employees with high-powered incentives and employees with low-powered incentives results in the transfer of sales to the first group of employees, which increases total bonuses at a branch but not overall sales. Second, the new policies appear to have benefited successful branches more than less successful branches. Third, the impact of the HRM reforms on the "quality" of sales is less clear-cut than their impact on the quantity. *(For more information, please contact: Hein Bogaard, George Washington University, USA: hbogaard@umich.edu)*

*Corporate Responsibility in BRIC: A Multi-Level Analysis*  
David A. Ralston, University of Oklahoma  
Tania Casado, University of São Paulo  
Carolyn P. Egri, Simon Fraser University  
Ruth Alas, Estonia Business School  
Irina Naoumova, University of Hartford  
Narasimhan Srinivasan, University of Connecticut  
Yongjuan Li, Chinese Academy of Science

Our paper presents a multi-level view and analysis of Corporate Social and Environmental Responsibilities (CSER) in Brazil, Russia, India and China, the block of emerging economic powers known as the BRIC countries.

Our sample consisted of 1,536 managers and business students (future managers) from these four countries. The goal of this study was two-fold: to assess difference in CSER among these diverse societies, and to assess CSER difference between the present generation and the future generation of business leaders. For both the social and environmental dimensions of corporate responsibility, the results identified significant differences across countries and across age-groups. Additionally, the findings for social and environmental responsibilities were substantially different from one another at both the macro and micro levels of comparison. Thus, while it is our view that social and environmental responsibilities should be integrated into a comprehensive model of corporate responsibility, we also see that to do so will have its challenges, especially in the cross-cultural context. *(For more information, please contact: David A. Ralston, University of Oklahoma, USA: dralston@ou.edu)*

*Weberian Work Ethic and the Involuntariness of Unemployment*

André van Hoorn, Radboud University Nijmegen  
Robbert Maseland, Radboud University Nijmegen

Following Max Weber's seminal study, many recent studies have examined religious variation in work attitudes, also relating this variation to differences in economic performance. This work, largely based on values surveys, has not resulted in unambiguous confirmation of Weber's original thesis about a Protestant work ethic. In this paper, we suggest that part of the reason for this lack of clear support for the Weber thesis lies in problems with the interpretation of values surveys data. In response, we test the relation between Protestantism and work attitudes using a novel method that addresses fundamental limitations of previous analyses. Work ethic is operationalised as the involuntariness of joblessness as reflected in unemployment's adverse effect on individuals' happiness. Empirical findings—using data on 130,000 individuals from 78 countries—strongly support a Protestant work ethic: unemployment hurts Protestants more, and hurts more in Protestant societies. The results shed new light on the Protestant work ethic debate. Also, our method has wider applicability in cross-cultural comparative research in international business studies. *(For more information, please contact: André van Hoorn, Radboud University Nijmegen, Netherlands: a.vanhoorn@fm.ru.nl)*

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**Session: 3.4.5 - Panel**

**Track: Track: 9 - Internationalization Processes and International Marketing Strategies**

***MNEs from Emerging Markets: A Comparison of the BRIC Experience***

**Presented On:** June 30, 2009 - 14:00-15:15

Chair: Ravi Ramamurti, Northeastern University

*Emerging BRAZILIAN MNEs: Striving in the Global and Regional Contexts*

Afonso Fleury, University of São Paulo

*Emerging RUSSIAN MNEs: Natural Resource Champions*

Sheila Puffer, Northeastern University

*Emerging INDIAN MNEs: Private Entrepreneurship in Mid-Tech Industries*

Ravi Ramamurti, Northeastern University

*Emerging CHINESE MNEs: Competition and Alliance in the Global Market*

Peter James Williamson, University of Cambridge

This panel will compare the internationalization experience of emerging-market MNEs (EMNEs) from Brazil, Russia, India, and China. Presenters are contributors to a forthcoming book, *Emerging Multinationals in*

Emerging Markets (eds. R. Ramamurti & J.V. Singh, Cambridge University Press, 2009). The panel also includes an expert discussant.

It will follow the Roundtable format to encourage discussion among panelists and with the audience. Four questions will be taken in sequence: (1) What competitive advantages have EMNEs leveraged, in which industries, and why? (2) What distinctive internationalization paths, if any, have they followed, and why? (3) What is the future outlook for EMNEs, taking into consideration recent developments in the global economy? (4) What questions does the EMNE phenomenon raise for IB theory?

The panel should interest IB scholars working on the internationalization of emerging-market firms. Juxtaposing the experience of four important emerging markets should lead to interesting debate and conversation about what we know and do not know regarding EMNEs, about the theoretical puzzles surrounding them (if any), and about promising lines of future research. *(For more information, please contact: Ravi Ramamurti, Northeastern University, USA: r.ramamurti@neu.edu)*

**Session: 3.4.6 - Competitive**

**Track: Track: 9 - Internationalization Processes and International Marketing Strategies**

***Culture, Uncertainty and Psychic Distance and Internationalization***

**Presented On:** June 30, 2009 - 14:00-15:15

**Chair:** Rian Drogendijk, Uppsala University

*The Role of Top Management Team Cultural Composition for International Strategic Decision-Making*

Bo B. Nielsen, Copenhagen Business School  
Sabina Nielsen, Copenhagen Business School

By bridging upper echelons perspective with international business theories of foreign market entry and cultural distance, we explain the impact of cultural composition of the top management team (TMT) on the propensity and choice of location of foreign investments. We find that TMT nationality diversity increases the propensity to expand abroad via cross-border mergers and acquisitions (M&As) and international strategic alliances. In addition, our results suggest that the uncertainty avoidance tendency of the TMT, as well as the distance between the TMT and the host country, significantly decrease the probability of expanding outside the home region. *(For more information, please contact: Bo B. Nielsen, Copenhagen Business School, Denmark: bn.smg@cbs.dk)*

*Culture and Marketing Communications on the Web: A Cross-cultural Analysis*

Serkan Yalcin, Saint Louis University  
Nitish Singh, Saint Louis University  
Ali Riza Apil, International Black Sea University  
Karin Staub, Saint Louis University  
Salavat Sayfullin, International Black Sea University

This study analyzes the intersection of the two emerging phenomena in international business research (culture, standardization, localization and the proliferation of the Internet and e-commerce) and contributes to the newly growing stream of the scholarship on culture and marketing communications on the web in general and the subject of cultural depiction or standardization-localization of cultural values on the web in particular. As this stream of research has been developing recently, there is no consensus yet regarding whether companies depict local cultural features on their web sites. In an attempt to broaden the empirical evidence in a comparative empirical analysis and to add different cultural settings (Russia and Turkey) to the literature, we examined through both qualitative and quantitative analyses the web sites of the largest companies in the US, West Europe, Russia, and Turkey with respect to 37 cultural values under seven cultural dimensions to find out

whether these companies depict local cultural features on their web sites. The results provided support for depiction of local cultural features; however, the marketing concerns also affect web communication strategies. (For more information, please contact: Serkan Yalcin, Saint Louis University, USA: [syalcin@slu.edu](mailto:syalcin@slu.edu))

*Uncertainties and Multinationals' Entry Strategies: A Two-dimensional Framework*

Mujtaba Ahsan, Pittsburg State University  
Martina Musteen, San Diego State University

A significant amount of literature has highlighted the uncertainties associated with foreign market entry. Much of this literature has assumed that these uncertainties can either be managed by choosing an optimum entry mode or be dispelled with experience (learning). However, not all events are under the multinational enterprises' (MNEs) control. It is therefore paramount that MNEs are able to distinguish among the various uncertainties they encounter during foreign market entry. Drawing on the literature on organizational learning and real options, we examine how endogenous uncertainty and exogenous uncertainty affect MNEs mode of entry decisions. We introduce a two-dimensional framework to further our understanding of uncertainty and its impact on MNEs entry mode strategies. (For more information, please contact: Martina Musteen, San Diego State University, USA: [mmusteen@mail.sdsu.edu](mailto:mmusteen@mail.sdsu.edu))

*Factors Influencing Perceptions of Psychic Distance*

Douglas Dow, University of Melbourne

This paper bridges the gap between two previously distinct streams of psychic distance literature by exploring the relationship between a broad range of 'national level' psychic distance stimuli and managerial perceptions of psychic distance. The results confirm a direct linkage between five of the psychic distance stimuli dimensions put forward by Dow & Karunaratna (2006) and perceived psychic distance. A variety of individual respondent level characteristics are also included in the model and found to have significant direct and/or moderating effects on the perceptions of psychic distance. (For more information, please contact: Douglas Dow, University of Melbourne, Australia: [d.dow@mbs.edu](mailto:d.dow@mbs.edu))

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**Session: 3.4.7 - Competitive**

**Track: Track: 11 - Emerging Market Economies**

***Managing People***

**Presented On:** June 30, 2009 - 14:00-15:15

**Chair:** Davina Vora, State University of New York at New Paltz

*Executive Perks Compensation & Corporate Performance in China*

Ilan Alon, Rollins College  
Pattarin Adithipyangkul, City University of Hong Kong  
Tianyu Zhang, City University of Hong Kong

Many studies have examined CEO compensation in developed countries, where a long tradition of disclosure makes data readily available. In emerging markets, particularly in transitioning ones like China, where market-based compensation is a relatively new phenomenon, studies of CEO compensation are scarce. What's more, information on the use of non-cash compensation is almost absent. Building on the extant literature of CEO compensation, in general, and Chinese economic studies, this article singularly contributes to the extant literature by (1) examining the financial determinants of CEO perks compensation, on the one hand, and (2) exploring the relative contribution of perks to accounting profits (ROA). Our study shows that perks

compensation is widely used in China and is influenced by some of the same factors influencing compensation in general: ROA, sales, leverage, market-to-book ratio. Subsamples of firms with varying performance and cash compensation reveal some differences in the determinants. Future accounting performance of the firm may also be positively related to perks compensation. *(For more information, please contact: Ilan Alon, Rollins College, USA: ialon@rollins.edu)*

*How does the Work Role Affect Expatriates Work Adjustment? A Study of German Expatriates in Central and Eastern Europe*

Markus G Kittler, University of Stirling  
David Rygl, University of Erlangen-Nuremberg  
Katja Wiedemann, University of Erlangen-Nuremberg

Central and Eastern Europe (CEE) has attracted a high amount of FDI over the past two decades which is accompanied by an increasing number of foreign assignments into this region. Based on data of 115 German expatriates, this paper analyzes how dimensions of the work role influence work adjustment in CEE. The data provide statistical support for the detrimental effects of role conflicts on work adjustment. Furthermore, a significant positive impact on work adjustment is found for role clarity. Role flexibility and role novelty seem to have no impact on work adjustment. Results, limitations and implications are discussed. *(For more information, please contact: Markus G Kittler, University of Stirling, United Kingdom: markus.kittler@stir.ac.uk)*

*Globalization, Biculturalism and Cosmopolitanism: The Acculturation Status of Mexicans in Upper Management*

Kate Gillespie, University of Texas at Austin  
J. Brad McBride, Instituto Tecnológico Autónomo de México  
Liesl Riddle, George Washington University

Globalization forces many managers to increasingly interact with new cultures, even if these managers remain in their home countries. This may be particularly true of managers in emerging markets, many of whom witness change as the result of an encroaching U.S. culture due to media, migration, and trade, as well as the importation of U.S.-style business education.

This study explores the possibility of applying acculturation insights developed in the immigrant and sojourner contexts to the context of local managers in emerging markets. We offer preliminary evidence that this is possible, showing that such insights can be useful in predicting upper-management status among Mexican managers working in Mexico City. Our results suggest that local managers who are bicultural or culturally independent (cosmopolitans) are more likely to be in upper management positions. *(For more information, please contact: Kate Gillespie, University of Texas at Austin, USA: kate.gillespie@mcombs.utexas.edu)*

*Empowering "Sea Turtles" with Entrepreneurship: The Recipe to Sustainable Development in China*

David W. Pan, Northeastern State University  
George S. Vozikis, California State University, Fresno

As the Chinese economy has rapidly grown lately, more expatriates are attracted back to China. When one returns, he is called a "Haigui" (i.e., "Sea Turtle" or a returnee from overseas), denoting a person with valuable knowledge and skills from overseas. However, when a "Sea Turtle" cannot find a job over time, this person is analogously denoted as "Haidai" (i.e., "Sea Weed" or somebody with overseas experience waiting to find a job). The purpose of this paper is to empower "Sea Turtles" with entrepreneurship as a recipe to prevent them from becoming "Sea Weeds" by using the framework developed by Vozikis, et al. (2008). The main building blocks of their framework are FAKTS, i.e. Financials, Attitude, Knowledge, Timing, and Skills. We propose using the ingredients of FAKTS as a catalyst to transform "Sea Turtles" into entrepreneurs. Barriers to the adoption of such entrepreneurship in China are also reported and discussed. *(For more information, please contact: David W. Pan, Northeastern State University, USA: pan@nsuok.edu)*

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**Session: 3.4.8 - Competitive**

**Track: Track: 10 - Outsourcing, Offshoring, and Supply Chain Management**

***Is There Lasting Value In Outsourcing?***

**Presented On:** June 30, 2009 - 14:00-15:15

Chair: Peter D. Ørberg Jensen, Copenhagen Business School

*A Global Perspective on the Shareholder Wealth Effects of Outsourcing Decisions*

Pankaj K. Jain, University of Memphis

Amine Khayati, Southern Illinois University Carbondale

We examine the capital market reactions to the announcement of business process outsourcing decisions using a comprehensive global sample of firms. We report positive abnormal stock returns for both U.S. buyers and vendors in response to the announcement of an outsourcing decision. While large deals are positively rewarded by the market, the announcement of a deal renewal is associated with negative abnormal returns. For the sub-samples of non U.S. firms, the market reaction is positive and significant for some countries, but generally speaking foreign markets attach less importance to the announcement of outsourcing deals. Domestic to domestic outsourcing is rewarded more by the stock markets vis-à-vis off-shore outsourcing. Further, we document value reduction for outsourcing financial institutions. *(For more information, please contact: Amine Khayati, Southern Illinois University Carbondale, USA: amine@siu.edu)*

*Does International Outsourcing Add Value? Evidence on Flexibility as a Source of Value*

Jongmoo Jay Choi, Temple University

Masaaki "Mike" Kotabe, Temple University

Xiaotian Tina Zhang, Saint Mary's College of California

Existing work on outsourcing mostly use survey data and is motivated by transaction cost economics and resource dependence theory. Based on real option theory, this paper advances a notion that flexibility acquisition is another motivation for international outsourcing. We examine firm-specific and market data for outsourcing announcements by U.S. firms during 1992-2005. The results indicate that market valuation is positive for outsourcing, but is greater for international than domestic outsourcing. The gains are related to growth option prior to outsourcing and flexibility acquired from international outsourcing. In addition, good corporate governance helps realize potential gains from outsourcing, and gains are greater in host countries where institutional infrastructure is business-friendly. *(For more information, please contact: Xiaotian Tina Zhang, Saint Mary's College of California, USA: xz4@stmarys-ca.edu)*

*What Factors Determine Partnership Quality in Offshore Outsourcing? Viewing Through the Lens of BPO Providers*

Somnath Lahiri, Illinois State University

Ben L. Kedia, University of Memphis

Increasing number of businesses across the globe contemplate establishing interfirm partnerships to realize advantages associated with offshore outsourcing. But on what factors does quality of such partnerships depend? This paper explains the importance of partnership in the context of business process outsourcing (BPO) and examines firm-level determinants of partnership quality based on the analysis of qualitative and quantitative data obtained from top managers of Indian ITES-BPO industry. Results show that three intangible firm resources—human capital, organizational capital, and management capability — positively influence



partnership quality. Our results also show that recent firm performance impact how managers perceive partnership quality. By viewing through the lens of service providers, this paper enhances collective understanding of offshore outsourcing and the associated partnership dynamics, and provides implications for practice. *(For more information, please contact: Somnath Lahiri, Illinois State University, USA: slahiri@ilstu.edu)*

*Why Offshore Outsourcing Relationships Last: The Role of Relation Specificity and Interest Alignment*

Marc Schuerch, University of St. Gallen  
Stephan Manning, Duke University  
Arie Y. Lewin, Duke University

Offshore outsourcing of administrative and technical tasks and processes ranges from highly commoditized to high added value knowledge intensive projects. Surprisingly empirical findings show that clients rarely switch providers because of dissatisfaction with performance. The dissolution of outsourcing contracts is a rare event and vendor relationships tend to last. This paper advances a model to explain the sustainability of client-vendor relationships in offshoring. We argue that sustainable relationships are promoted by relation specificity in combination with interest alignment between client and provider. In particular, we find that detailed contracts, involvement in staff training, and client-specific investments in software and infrastructure promote contract renewal and long-term relationships. Empirical data is based on a comprehensive survey of offshore service providers and the annual corporate (buyer side) survey conducted by the Offshoring Research Network (ORN). Findings from this study may contribute to recent research on strategic outsourcing and the governance of offshore outsourcing relationships. *(For more information, please contact: Stephan Manning, Duke University, USA: sdm24@duke.edu)*

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**Session: 3.4.9 - Competitive**

**Track: Track: 1 - The Political, Institutional, and Historical Context of Global Business**

***Responsibility, Responsiveness, and Social Change***

**Presented On:** June 30, 2009 - 14:00-15:15

Chair: Jennifer Oetzel, American University

*From Responsiveness to Responsibility Local Responsiveness and the License to Operate in the Extractive Industry*

Romy Kraemer, Erasmus University  
Rob van Tulder, Erasmus University

The "License to Operate" (LtO) is becoming an increasingly popular concept for managers of Multinational Enterprises (MNEs) in general and for the extractive industries in particular. It is used as operationalization of corporate responsibilities, but often poorly elaborated. This is due to managerial opportunism, but also caused by conceptual ambiguity in the scientific literature. This paper seeks to conceptualise the LtO for Multinational Enterprises, which requires a rephrasing and re-appraisal of traditional IB thinking on the trade-offs between global integration and local responsiveness/embeddedness. The LtO concept highlights the importance of integrating other than strictly task-related factors into development projects. MNEs are moving from a 'responsiveness' to a 'responsibilities' approach. The contribution of the LtO perspective, will be demonstrated by a case review of the extractive industries arguing that the specific nature and local challenges of natural resource seeking multinationals in particular have been largely neglected in international management literature. *(For more information, please contact: Rob van Tulder, Erasmus University, Netherlands: rtulder@rsm.nl)*

*The Strategic, Selective and Responsible Internalization of Societal Failures*  
Jean Boddewyn, Baruch, CUNY

This paper presents the novel idea that the market-internalization framework can be applied to non-market institutions as well. That is, society's nonmarket subsystems – political, social and cultural – are subject to failures just like markets, and MNEs can contribute to their repair by selectively, strategically and responsibly internalizing them. Therefore, internalization theory can be applied to the joint failures of economic and non-economic institutions, and be used to explain the growing "political role" of MNEs in economies in transition as well as the phenomenon of increasing FDI into emerging markets despite their problematic "distances" from developed economies. (For more information, please contact: Jean Boddewyn, Baruch, CUNY, USA: [jean.boddewyn@baruch.cuny.edu](mailto:jean.boddewyn@baruch.cuny.edu))

*The MNC as Social Change Agent: A Country Institutional Profile Perspective*  
Matthew C. Mitchell, University of South Carolina

Using an institutional theory perspective I examine the influence of MNCs on host country institutional environments. First, I extend the existing model that describes the MNC as a social change agent within host country institutions. This is accomplished by utilizing the country institutional profile (CIP) as a more formal conception of the host country institutional environment. The model is then used to examine a specific case of the MNC impact on the host country level of environmentalism. (For more information, please contact: Matthew C. Mitchell, University of South Carolina, USA: [matthewc\\_mitchell@moore.sc.edu](mailto:matthewc_mitchell@moore.sc.edu))

*Foreign Direct Investment and Social Policy: The Links in Developing Countries*  
Candace A. Martinez, Saint Louis University  
Gayle Allard, IE University

Our paper applies new institutional economics theory and public choice theory to a unique data set of the world's low-income economies to examine whether there is an association between foreign direct investment flows and host governments' social policies. We tested our hypotheses on a sample of 59 developing countries and found that two host government's social inclusion policies have a positive and statistically significant effect on a country's ability to attract foreign direct investment: the equity of public resource use and social protection policies. We argue that these findings provide supporting evidence for the link between a strong institutional environment in developing countries and the ability to attract foreign direct investment. (For more information, please contact: Candace A. Martinez, Saint Louis University, USA: [cmarti58@slu.edu](mailto:cmarti58@slu.edu))

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**Session: 3.4.10 - Competitive**  
**Track: Track: 4 - Subsidiary Evolution and Strategy**

***Nailing Down Subsidiaries Performance***

**Presented On:** June 30, 2009 - 14:00-15:15

**Chair:** Simon Collinson, Warwick University

*International Diversification and Subsidiary Performance: Impacts of Business Relatedness and Market Experience*  
Anders Pehrsson, Växjö University

International diversification research has not focused on what enables exploitation of firm strengths and the impact on foreign subsidiary performance. This paper argues that business relatedness and market experience

enable the exploitation and examines the impact of relatedness between the subsidiary and the parent firm's core business unit, and the subsidiary's market experience. The study uses data from Germany, the United Kingdom, and the USA, and the subsidiaries belong to Swedish manufacturing firms. Skills relatedness, market experience, and the interaction positively affect foreign subsidiary performance. Relatedness regarding products and markets do not have any impact. Contributions to literature are discussed. *(For more information, please contact: Anders Pehrsson, Växjö University, Sweden: anders.pehrsson@vxu.se)*

*Does the Regional Nature of Multinationals Affect the Multinationality and Performance Relationship?*

Alan M. Rugman, University of Reading  
Chang Hoon Oh, Brock University

The traditional independent 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, i.e. (R/T). Data are presented on both (F/T) and (R/T) for both sales and assets for a five-year period, 2001-2005. New tests are reported on (R/T) as it affects a financial measure of performance, the Tobin's Q. Implications are drawn for future research on the S-curve relationship between multinationality and performance in the light of this regional phenomenon. *(For more information, please contact: Chang Hoon Oh, Brock University, Canada: coh@brocku.ca)*

*Why are some Subsidiaries Performing Better than Others?*

Hans Van Kranenburg, Radboud University Nijmegen  
Paul Ligthart, Radboud University Nijmegen  
Erik Poutsma, Radboud University Nijmegen

The role of subsidiaries continues to be an issue of great interest to international business researchers and a matter of great importance to MNC executives. Therefore, it is not surprising that many studies investigated subsidiary roles and their strategies. However, there are remarkably few studies that investigate the performance of subsidiaries. This study addresses the question: why do some subsidiaries perform better than others? Our study consists of almost 1300 international subsidiaries in 23 countries. We investigate the relative importance of environmental factors and subsidiary specific factors on financial and non financial performance of subsidiaries: profitability, service quality, and rate of innovation. Our results show that subsidiaries with an own mission statement perform better than subsidiaries without a mission statement. Furthermore, we also found some evidence that subsidiaries with a broader geographic market focus perform better than other subsidiaries in the same industry, in particular on rate of innovation. Finally, size of a subsidiary and region of location also show a positive relationship with at least performance indicator. *(For more information, please contact: Hans Van Kranenburg, Radboud University Nijmegen, Netherlands: h.vankranenburg@fm.ru.nl)*

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**Session: 3.4.11 - Competitive**

**Track: Track: 9 - Internationalization Processes and International Marketing Strategies**

***Export Readiness and Degree of Internationalization***

**Presented On:** June 30, 2009 - 14:00-15:15

**Chair:** Tamer Cavusgil, Georgia State University

*Are the World's Largest Firms Regional or Global?*

Raj Aggarwal, University of Akron  
Jenny Berrill, Dublin City University  
Elaine Hutson, University College Dublin  
Colm Kearney, Trinity College Dublin

As the regional-global debate gathers momentum, the absence of an agreed measure of firm-level multinationality continues to cause confusion over whether the world's largest firms are regional or global in their operations, and whether their managers pursue regional or global strategies. In this paper, we provide a new perspective and a novel data set to examine this issue. In addition to the Fortune 500 list, we construct a sample of 1,289 firms from the G7 countries. Obtaining sales and subsidiaries data from Worldscope and Who owns Whom, we classify these firms by their degree of multinationality. We show that the world's largest firms are mostly trans-regional, and many are global in both their sales and subsidiaries. Considerably more firms are classified as global using subsidiaries than sales data, which underlines the importance of measuring multinationality along dimensions of engagement that are deeper than sales. We also find that the vast majority of firms do not fully penetrate their home region. Very few firms are active in more than one-third of countries in their region, and our findings are consistent with a pattern of internationalisation whereby firms expand beyond their home region long before they have exhausted more geographically close markets. *(For more information, please contact: Colm Kearney, Trinity College Dublin, Ireland: colm.kearney@tcd.ie)*

*Export Readiness Index: Construction and Analysis*

Alvin C Tan, University of Queensland  
Paul A. Brewer, University of Queensland  
Peter W. Liesch, University of Queensland

The internationalisation process of firms has attracted much research interest since the 1970s. It is noted, however, that a significant research gap exists in studies with a primary focus on the pre-internationalisation behaviour of firms. This paper proposes the incorporation of a pre-internationalisation phase into the traditional Uppsala model of firm internationalisation to address the issue of export readiness. Through extensive literature review, the concepts fundamental to the ability of an Uppsala type firm to begin internationalisation through an export entry mode are identified: exposure to stimuli factors, attitudinal commitment of decision makers towards exporting, the firm's resource capabilities, as well as the moderating effect of lateral rigidity. The concept of export readiness is operationalised in this study through the construction of an export readiness index (ERI) using exploratory and confirmatory factor analysis. The index is then applied to some representative cases and tested using logistic regression to establish its validity as a diagnostic tool. The proposed ERI presents not only a more practical approach towards analysing firms' export readiness but has also major public policy implications as a possible tool for government export promotion agencies. *(For more information, please contact: Alvin C Tan, University of Queensland, Australia: a.tan@business.uq.edu.au)*

*Internationalization Processes of Chinese SMEs: Take Off Nodes and Initial Stages of Internationalization*

Susanne Sandberg, University of Kalmar

The purpose of this paper is to describe and analyze the situation prior to and during the initial stages of internationalization of Chinese SMEs. A theoretical framework consisting of a 'traditional' network model to internationalization of smaller firms complemented with theories on Chinese firm internationalization is presented as base for the empirical analysis. The empirical data of the paper builds on a multiple case study of five private-owned exporting Chinese SMEs, as well as secondary data concerning industrial clusters in China. Major conclusions drawn show that in the take off situation of Chinese SMEs, they might deviate from assumed internationalization paths due to e.g. special characteristics of the emerging Chinese market. The initial stages of internationalization are then dominated by indirect export which hinders the building of international relationships seen to be key in avoiding the pitfall of indirect export. Cluster localization is seen as a take off node, being a springboard for individual dedicated exporters into international markets.

*(For more information, please contact: Susanne Sandberg, University of Kalmar, Sweden: susanne.sandberg@hik.se)*

*Fit between Internationalization Stage and Firms' Structure, Systems and Culture - A Profile Deviation Perspective*

Bernhard Swoboda, University of Trier  
 Martin Jager, University of Trier  
 Dirk Morschett, University of Fribourg  
 Hanna Schramm-Klein, Universität Siegen

The aim of the present article is to identify different stages of internationalization in combination with an analysis of the impact of firms' structural, systemic, and cultural coordination dimensions on success in each of these stages. More than 600 leaders of family-owned SMEs evaluated their international situation as of today and ten years ago, however only the situation today is relevant in the present analysis. Five stages of internationalization could be identified. The impact of the fit between firms' international situation and structure, systems, and culture on success is analyzed based on a profile deviation perspective. The results show that structural, systemic and cultural dimensions have a changing relevance to success in each stage of internationalization and thus influence the internationalization process as a whole. For SMEs, the study highlights the importance of adjusting firms' structural, systemic and cultural dimensions to the respective stage of internationalization, and provides insights into the advancement of these dimensions when further internationalization steps are planned. At the same time, limitations are discussed and promising ideas emerge for further research. *(For more information, please contact: Martin Jager, University of Trier, Germany: m.jager@uni-trier.de)*

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**Session: 3.4.12 - Interactive**

**Track: Track: 4 - Subsidiary Evolution and Strategy**

***Subsidiary Strategy: Views from Asia and Latin America***

**Presented On:** June 30, 2009 - 14:00-15:15

**Chair:** Sea Jin Chang, National University of Singapore

*Global Strategy and Knowledge Transfer in Brazilian Subsidiaries*

Thelma Valéria Rocha, ESPM  
 José Cláudio Terra, TerraForum

This study analyses the process of knowledge transfer from headquarters to subsidiaries and global strategy in South America. It is based on a sample of 104 subsidiaries of multinational corporations (MNCs) operating in Brazil. It investigates the mechanisms of knowledge transfer in marketing and their relationship to the strategic positioning of the subsidiaries (i.e. global integration and local responsiveness). A positive correlation between the level of global integration and the intensity of knowledge transfer was statistically confirmed and the main mechanisms of knowledge transfer were also revealed. Some widely accepted theories about knowledge transfer in MNCs were empirically confirmed. Finally, this study provided the opportunity to develop several specific insights about knowledge transfer in marketing in the Brazilian context. *(For more information, please contact: Thelma Valéria Rocha, ESPM, Brazil: tvrocha@espm.br)*

*The Timing of Investment in China and Profit Performance: A Headquarters Perspective*

Huilin Lin, National Taiwan University  
 Ryh-song Yeh, Yuan Ze University  
 Zhengchang Chen, National Taiwan University

This research uses the headquarters' rate of return as a performance indicator and adopts a two-step approach to estimate the simultaneous equations model we have specified to avoid the endogeneity problem. Our

empirical results indicate that investment timing has a positive effect on corporate rate of return. The aggregate environmental openness and China's economic growth are important factors in explaining the effect of timing on corporate performance. The comparison between the traditional and electronics industries either in investment timing or its relationship with performance is different, thus revealing their respective characteristics. *(For more information, please contact: Ryh-song Yeh, Yuan Ze University, Taiwan: rsyeh@saturn.yzu.edu.tw)*

*Shaping a Business Typology on Swedish Business in China*  
Sten Soderman, University of Stockholm

The Chinese government has successfully attracted investments from the whole world in order to develop business. This article focuses on Swedish investments and the experiences gained by Swedish firms. Based on a theoretical framework; in-depth discussions with a large number of Swedish establishments and Swedish-Chinese joint ventures were recorded and analyzed resulting in a typology consisting of three major categories of company responses including seven firm archetypes. Category "Factor cost driven" refers to cost savings through outsourcing whereas the other six are oriented towards revenue generation. The "Market and customer driven" category caters to "local needs". The third category "Market and government driven" or "high growth" demonstrates various ways of creating harmonious relationships with the Chinese government. Most types provide technology to the market and all seven types are characterized as symbiotic business models. Finally, some implications for theory and practice are outlined and a further interpretation of the concept of Swedishness is endeavored. *(For more information, please contact: Sten Soderman, University of Stockholm, Sweden: sod@fek.su.se)*

*Remote Control: "Viking" Subsidiaries in Germany and East Asia 1995 - 2005*

Jørn Nielsen, Aarhus School of Business  
Mikael Søndergaard, University of Aarhus  
Lars Bonderup Bjørn, Nørhaven

This paper provides a comparative analysis of control and coordination mechanisms from a subsidiary perspective, based on a matched sample of Danish subsidiaries in Japan and Germany including qualitative perception of problems. In order to trace general effects, this study includes other Scandinavian subsidiaries in East Asia, in total 140 subsidiaries in 1995 and 41 subsidiaries in 2005. Especially in East Asia we found a configuration of control involving extensive use of informal transfers and a configuration involving formal control and supervision. These results are stable over time although there is a trend towards more use of formal control and computer supported control. The subsidiary CEO is a key to understanding how uncertainties are handled in the interface. Our results indicate a perceived need to adjust control to host country conditions partly in line with findings from other research projects. *(For more information, please contact: Mikael Søndergaard, University of Aarhus, Denmark: msoendergaard@econ.au.dk)*

*On the Decomposition of Project Finance Risk*  
Barclay E James, Louisiana State University

This study employs multi-level, or hierarchical linear modeling techniques to investigate the decomposition of risk components affecting the capital structure of an understudied yet relatively novel and increasingly prevalent organizational mode - the project finance-base firm. Project firms are created for the investment in and operation of a single-business asset such as a gold mine or power plant. Virtually ubiquitous globally, project firms are set up by multinational corporations (MNCs) who act as sponsors by providing initial equity capital either individually or collectively in a syndicate. Yet, the majority of project firm capital comes from debt provided by lenders who rely on the cash flows of the project firms themselves for repayment, and where debt is largely bankruptcy remote from the sponsors' remaining balance sheets. We examine the relative importance of lead parent sponsor, host country, and industry effects in explaining variation in project firm capital structure.

Results broadly indicate that project-related factors explain a majority of the variation in project firm capital structure, yet parent lead sponsor and host country effects provide a nontrivial contribution. *(For more information, please contact: Barclay E James, Louisiana State University, USA: bjames@lsu.edu)*

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**Session: 3.4.13 - Interactive**

**Track: Track: 8 - International Human Resource Management, Cross-Cultural Management, and Qualitative Research Methods**

***What Influences Expatriates?***

**Presented On:** June 30, 2009 - 14:00-15:15

Chair: Sabine Reddy, California State University Long Beach

*Maintaining Satisfactory Performance of Expatriates: The Effects of Culture and Conflict Management Style*  
Lung-Tan Lu, Fo Guang University  
Jou-Ying Tseng, National Ilan University

The study presents a conceptual framework that links culture (i.e. individualism, uncertainty avoidance, and masculinity), conflict management styles (i.e. problem-solving, compromising, forcing, and legalistic), and performance satisfaction of expatriates. The sample size was comprised of 193 Japanese Senior managers working in Taiwan. LISREL 8.52 was used to assess the relationships among these variables. The results demonstrated: (1) higher individualism is related to compromising and legalistic styles; (2) uncertainty avoidance is negatively related to problem-solving and positively related to forcing styles, (3) masculinity is positively associated with problem-solving and negatively associated with forcing styles, (4) performance satisfaction is negatively related to problem-solving, legalistic, and masculinity but positively related to individualism. *(For more information, please contact: Lung-Tan Lu, Fo Guang University, Taiwan: ltl@mail.fgu.edu.tw)*

*Expatriate Spouse Adjustment: Coping Strategies and the Moderating Role of Expatriate Adjustment*  
Yu-Ping Chen, University of Wisconsin-Milwaukee  
Margaret A. Shaffer, University of Wisconsin-Milwaukee

This study investigates how coping strategies (emotion-focused and problem-focused) influence expatriate spouse adjustment. We also consider the moderating effect of expatriate adjustment on the coping-adjustment relationship. To test these relationships, we collected data from 134 expatriate partners living in 29 countries. Our results revealed that emotion-focused coping strategies were positively related to spouse adjustment while problem-focused coping strategies negatively affected spouse adjustment. We also found that expatriate adjustment counteracted the negative effect of problem-focused coping on spouse adjustment. Limitations and implications are discussed. *(For more information, please contact: Yu-Ping Chen, University of Wisconsin-Milwaukee, USA: yuping@uwm.edu)*

*Beyond the CEO: Complementarities in Foreign Based Subsidiaries Executive Staffing Decisions*  
Ralf Bebenroth, Kobe University  
Werner Pascha, Duisburg University  
Sue Neila Bruning, Manitoba University

Expatriate-related research in the International Human Resource Management (IHRM) literature predominantly concentrates on the executive level distinguishing between expatriates and host country nationals. The senior management team beyond the CEO, third country nationals, locally hired "foreigners" as well as managers on

short-term assignments are rarely discussed and need clarification. We extend the discussion about expatriates by developing contrasting hypotheses on those issues based on the resource based view and the principal agency theory. We explore these issues by means of a data set on German subsidiaries in Japan and show that due to recent changes in the global environment, multinational enterprises can realise wider choices in their staffing decisions of foreign based subsidiaries that have not yet been given due weight by the IHRM literature. We find that both a principal-agency as well as a resource based view is important to understand staffing decisions. *(For more information, please contact: Ralf Bebenroth, Kobe University, Japan: rbeben@rieb.kobe-u.ac.jp)*

#### *Expatriation and Performance*

Ralf Bebenroth, Kobe University  
Donghao Li, Wakayama University

The purpose of this study is to analyze the performance of companies to their expatriation. We test this for 643 foreign MNC affiliates based in Japan. This research investigates performance and expatriation in three specific fields: the relative size of the affiliate, the level of ownership, and the age of the affiliates. 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 CEO top managers and there are also more expatriates on the board. The higher the ownership share of the affiliate, the higher the chance of having an expatriated CEO top manager and expatriated board members dispatched to the affiliate. Performance correlates according to our study positively with the percentage of ownership. Concerning relative size and expatriation, we find a partly confirmation. The relative size of the affiliates correlates positively to expatriate board members but negatively to performance. The affiliate 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)*

#### *How Does International Experience Matter? CEO, Social Networks, and Firm Performance*

Hao Chen, University of Texas at Dallas

In an increasingly globalized environment, organizations pay more and more attentions to the international aspects of their business. As firm's highest administrator, CEO is in charge of the total management of the firm. Thus, his experience especially his managerial expertise may bring critical impact on firms' performance. However, do CEOs need international experience in such an environment to help firms compete? If so, how can this experience CEOs possess helps firms in different network positions? Building on the existing literature of studies on CEO and firm performance, we ask how international experience matters with the consideration of the relational background firms are embedded in. By bridging the resource-based view with the social network perspective and consider the leadership CEOs bring, we argue that CEOs' international experience matter. In particular, we argue that the influence of such experience on firm performance benefits firms more when they occupy the centrality positions in their industry network. *(For more information, please contact: Hao Chen, University of Texas at Dallas, USA: chloechenhao@utdallas.edu)*

#### *Socialization Tactics and Expatriate Outcomes: The Mediating Roles of Social Integration and Adjustment*

Carmen K. Fu, Hong Kong Polytechnic University  
Margaret A. Shaffer, University of Wisconsin-Milwaukee  
Yu-Shan Hsu, University of Wisconsin-Milwaukee  
Hong Ren, University of Wisconsin-Milwaukee

Drawing on the organizational socialization literature, we examine the direct effects of institutionalized socialization tactics on expatriate social integration and adjustment and the indirect effects on organizational commitment and job performance by using a 3-wave longitudinal design. Results from a sample of Native-speaking English Teachers (NETs) in Hong Kong and their principals revealed that both social integration and



adjustment mediate the effects of institutionalized socialization tactics on affective commitment and relationship performance. Social integration also mediates the relationship between institutionalized socialization tactics and normative commitment. Limitations of our study, suggestions for future research, and managerial implications are discussed. *(For more information, please contact: Yu-Shan Hsu, University of Wisconsin-Milwaukee, USA: yhsu@uwm.edu)*

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**Session: 3.4.14 - Interactive**

**Track: Track: 4 - Subsidiary Evolution and Strategy**

***The Active Subsidiary; Knowledge, Complementaries & Entrepreneurship***

**Presented On:** June 30, 2009 - 14:00-15:15

Chair: Felipe Monteiro, University of Pennsylvania

*Expatriation, Knowledge Transfer and Foreign Subsidiary Performance*

Bas Karreman, Erasmus University

Enrico Pennings, Erasmus University

This study examines the effects of knowledge transfer through expatriation on foreign subsidiary performance. Based on a panel data analysis of 54 subsidiaries of multinational banks located in Central and Eastern Europe in the period 1998 – 2006, the study suggest that a relatively high degree of expatriate managers in the management board of foreign subsidiaries is associated with a higher performance of the foreign subsidiary in terms of labor productivity. Furthermore the closer the expatriate manager is to the source of knowledge creation, the higher the impact on foreign subsidiary performance. *(For more information, please contact: Bas Karreman, Erasmus University, Netherlands: karreman@few.eur.nl)*

*How does Knowledge Brokerage Work in Transfer Knowledge between the Parent and Subsidiaries? -- Social Network Theory*

Yvonne Ho, Tamkang University

H.J. Chiu, Neuroeconomic Behavioral Strategy Research Center

Applying the social network theory, the brokerage is efficient in accessing and transferring nonredundant knowledge from different networks. Since the knowledge becomes one of the most important factors of MNCs' success, this article is trying to build up a conceptual framework connect the idea of brokerage and knowledge transferring between the parent and its subsidiaries. The core concept we discuss here first focus on finding out the brokerage of parent and its subsidiaries. By finding out the brokerage, it might be efficient to transfer both explicit and tacit knowledge by the brokerage. And the brokerage might be identified through social network analysis. Secondly, if it might be beneficial for parent to find out the brokerage and transfer useful knowledge by the brokerage, can we try to cultivate the brokerage? But how or what's the result? We would try to discuss these two core questions above and try to build up some propositions. Also, in this article, we are going to implement the empirical research. As a result, we would try to set up a workable research design for our future study. *(For more information, please contact: Yvonne Ho, Tamkang University, Taiwan: ifyvo@msn.com)*

*How Subsidiaries Gain their Role from Knowledge Flows within Multinational Corporation*

Lu-Jui Chen, Ming-Chuan University

Ming-Hsin Li, Institute of Nuclear Energy Research, Atomic Energy Council

Chun-Chung Chen, National Taiwan University

Recent research on the competitive advantage of multinational corporations has emphasized the importance of the ability of subsidiaries to assimilate new knowledge from their intra-corporate network and external environment. This paper explores the direction of knowledge flow at the subsidiary level and its role development in the firm. It is argued that knowledge flows are a positive effect to superior subsidiary role. Data is used from 203 foreign subsidiaries. The result indicates that knowledge flow can be a strong predictor on subsidiary's superior role. The paper concludes with a discussion about the role that a subsidiary can play as a knowledge receiver and giver between internal and external units of an MNC (*For more information, please contact: Lu-Jui Chen, Ming-Chuan University, Taiwan: shunyde@mcu.edu.tw*)

*Diffusion Patterns of New Technological Capabilities – The Difference between Greenfield and Acquired Competence-Creating Subsidiaries*

Katarina Blomkvist, Uppsala University

This paper examines longitudinal patterns in diffusion of new technological capabilities in the MNC. More specifically diffusion of new technological capabilities from competence-creating subsidiaries to headquarters and other sister-subsidiaries are studied, while explicitly incorporating the effects of inter-subsidiary differentiation. A distinction is made between greenfield and acquired subsidiaries. The complete U.S. patenting activity of 23 Swedish multinationals over the 1890-1990 period reveals a substantial difference in diffusion patterns of greenfield and acquired competence-creating subsidiaries. This suggests that the previous literature has overlooked how the choice of entry mode significantly influences diffusion patterns of new technological capabilities within MNCs, and the different roles of greenfield and acquired competence-creating subsidiaries as providers of new technological capabilities to headquarters and other subsidiaries of the multinational group. (*For more information, please contact: Katarina Blomkvist, Uppsala University, Sweden: katarina.blomkvist@fek.uu.se*)

*Enabling Entrepreneurship within MNC Subsidiaries: Key Challenges and Organizational Solutions*

Monica Masucci, Bocconi University  
Markus Venzin, Bocconi University

This paper investigates the process through which entrepreneurial activities unfold in MNC foreign units. Its main focus is on the key challenges that subsidiaries face when promoting new initiatives and on the organizational solutions adopted by MNCs to manage different types of entrepreneurial undertakings. The study is based on a comparative analysis of the initiative development process in the Italian subsidiaries of two leading consumer-products MNCs. Preliminary empirical evidence shows that MNCs display suspicion and resistance toward subsidiary initiatives. Hostility comes often from sister units, worried about their potential gains in terms of increased power and reputation and results in delays and rejections of the new projects. To overcome those drawbacks MNCs tend to centralize decisions about initiatives entailing radical process or management innovations, while still grant subsidiaries some discretion over renovation and rejuvenation initiatives in more fragmented corporate environments. (*For more information, please contact: Monica Masucci, Bocconi University, Italy: monica.masucci@unibocconi.it*)

*Strong or Invisible Hands? Managerial Involvement in the Knowledge Sharing in Globally Dispersed Group Settings*

Katharina Johanne Raab, WU Vienna

This paper examines factors affecting the knowledge sharing in globally dispersed group settings within the MNC, and specifically focuses on the moderating effects of managerial involvement. Given conflicting findings in previous research concerning the role of management, this question contributes to a deeper understanding of knowledge sharing in globally dispersed settings in the MNC. By taking a mezzo-level approach, it additionally challenges some traditional assumptions on the appropriate level of analysis in studies of knowledge flows

within the MNC. (For more information, please contact: Katharina Johanne Raab, WU Vienna, Austria: [katharina.raab@wu-wien.ac.at](mailto:katharina.raab@wu-wien.ac.at))

*Of Slumbering and Active Ties: A Dynamic View on Networks*

Lisa K. Gärber, Wirtschaftsuniversität Wien

Barbara Brenner, WU Vienna

Shalini Rogbeer, Wirtschaftsuniversität Wien

By focusing on knowledge as a key strategic resource, we investigate the relationship between power and knowledge within the MNC. Paying particular attention to subsidiaries that either control or have access to critical knowledge, we conceptually draw a link between knowledge and subsidiary power. Two issues are central to this debate. Firstly, analyzing a subsidiary's knowledge base as a critical power resource, we claim that a subsidiary may either be powerful to the extent that it owns a critical stock of knowledge or has access to critical knowledge flows through its network centrality. Secondly, we conceptually integrate the two perspectives on power and demonstrate how they jointly influence a subsidiary's power base. Although a subsidiary's stock of critical knowledge and its network centrality may have independent effects on power, they are highly interdependent, as the existence or absence of one typically mediates the effect of the other. In particular, we try to answer three general questions that have been left unanswered over the past years: (1) Is knowledge a critical resource? (2) Are subsidiaries in central network positions more powerful? (3) And to what extent are a subsidiary's stock of knowledge and its network centrality related? That is to say, do open or closed networks have a more significant effect on a subsidiary's knowledge base and hence its power? (For more information, please contact: Lisa K. Gärber, Wirtschaftsuniversität Wien, Austria: [lgaerber@wu-wien.ac.at](mailto:lgaerber@wu-wien.ac.at))

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**Session: 3.5 - Plenary**

***AIB Awards Ceremony and Business Meeting***

**Presented On:** June 30, 2009 - 15:45-17:15

**Chair:** G. Tomas M. Hult, Michigan State University

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