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2010 PROGRAM ACKNOWLEDGEMENTS

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**AIB 2010 Program Overview**

Rio de Janeiro, Brazil - June 25-29, 2010

- **Friday, June 25**
  - 8:00-8:15: AIB Annual Conference
  - 8:15-9:00: AIB America Chapter Annual Conference
  - 9:00-10:15: Concurrent Sessions
  - 10:15-10:45: COFFEE BREAK
  - 10:45-12:15: Deans Plenary
  - 12:15-13:30: LIGHT LUNCH
  - 13:30-14:45: Concurrent Sessions
  - 14:45-15:00: BREAK
  - 15:00-16:15: Concurrent Sessions

- **Saturday, June 26**
  - 8:00-8:15: AIB Fellows' Opening Plenary
  - 8:15-9:00: AIB Presidential Reception
  - 9:00-10:15: Concurrent Sessions
  - 10:15-10:45: COFFEE BREAK
  - 10:45-11:00: Concurrent Sessions
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- **Sunday, June 27**
  - Fellows Café 8:15-9:00
  - 1.1 Concurrent Sessions 9:00-10:15
  - COFFEE BREAK 10:15-10:45
  - 1.2 Deans Plenary 10:45-12:15
  - LIGHT LUNCH 12:15-13:30
  - 1.3 Concurrent Sessions 13:30-14:45
  - BREAK 14:45-15:00
  - Concurrent Sessions 15:00-16:15
  - COFFEE BREAK 16:15-16:45
  - Concurrent Sessions 16:45-18:00
  - WAIB Reception 18:00-19:00

**AIB 2010 Conference Proceedings**
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**COFFEE BREAK 10:15-10:45**

**LIGHT LUNCH 12:15-13:30**

**BREAK 14:45-15:00**

**COFFEE BREAK 16:15-16:45**

**AIB Gala Dinner 20:00-23:00**

**JIBS Decade Award**
Concurrent Sessions 10:45-12:00

**BREAK 14:30-14:45**

**COFFEE BREAK 16:00-16:30**

**AIB Awards Ceremony and Business Meeting**
16:30-18:00

**AIB Awards Reception**
18:00-18:45
The Academy of International Business thanks the following sponsors for making the 2010 Rio de Janeiro Conference possible through their generous contributions.
ABSTRACTS
ABSTRACTS FOR SATURDAY, JUNE 26, 2010

Session: 0.4 - Plenary

**AIB Fellows' Welcoming Plenary: Recognizing IB Leaders**

**Presented On:** June 26, 2010 - 16:30-19:00

Chair: Eleanor Westney, York University  
Co-Chair: Tatiana Kostova, University of South Carolina

*Welcome Remarks:*
  Tatiana Kostova, University of South Carolina  
  Maria Tereza Fleury, Fundacao Getulio Vargas

*International Executive of the Year: Ozires Silva*
  Ravi Ramamurti, Northeastern University

*International Educator of the Year: Danica Purg*
  Eleanor Westney, York University

*AIB Fellows' Special Recognition Award: Jagdish N. Sheth*
  Jean J. Boddewyn, Baruch College, CUNY

**AIB Fellows' Feature Plenary: International Business in Tough Times**

*Panelists:*
  Pankaj Ghemawat, IESE Business School  
  Tarun Khanna, Harvard Business School  
  Jose R. de la Torre, Florida International University  
  Yves Doz, INSEAD  
  Eleanor Westney, York University
Globalization by Emerging Economy Firms - 1

Presented On: June 27, 2010 - 09:00-10:15

Chair: Peter James Williamson, University of Cambridge

**Emerging Economy Firm Internationalization: Changing International Operating Strategy of INVs**

Vikas Kumar, University of Sydney
Ajai S. Gaur, Rutgers University

We analyze an important international strategic issue – the shift from exports to foreign direct investment (FDI) - for emerging economy (EE) international new ventures (INVs) vis-à-vis other internationalizing EE firms. We integrate the resource and institution-based views to suggest that EE INVs are more likely to shift from exports to FDI in their international operations, and that they have a higher degree of internationalization compared to other internationalizing EE firms. We test our arguments on a longitudinal sample of 28,563 firm year observations during 1989 to 2007. Our findings suggest that firms which initiated their internationalization early on in their life cycle, are affiliated to a business group, have a greater level of firm level and group level international experience, and have more technological and marketing resources, are more likely to make this shift in their international operating strategy. (For more information, please contact: Vikas Kumar, University of Sydney, Australia: vikas.kumar@sydney.edu.au)

The Performance of Firms Acquired by Multinational Companies from Emerging Countries: Theoretical Framework and Empirical Evidence

Stefano Elia, Politecnico di Milano and University of Leeds
Mario I. Kafouros, University of Leeds

This paper studies the relationship between Mergers and Acquisitions (M&As) from emerging to advanced countries and the performances of target firms. An extension of the Resources Based View and Dynamic Capabilities approach is adopted to state that the performance of target firm depends not only on its own resources but also on those of the acquiring company. Furthermore, the role of network resources and experience, which arise from previous investments undertaken by the acquiring company, is also considered. An empirical analysis is employed to investigate the impact of the resources and network resources and experience of Emerging Multinational Companies (EMNCs) from Brazil, Russia, India and China (BRIC) on the performance of firms that have been acquired in Europe, North America and Japan between 2000 and 2007. The results of the GMM analysis show that EMNC’s resources have a positive effect on target firms’ profitability and labor productivity, while the impact on its sales and employment are not significant and negative, respectively. Conversely, EMNCs’ network resources and experiences, especially when cumulated through previous M&As in advanced economies and in the BRIC home country, positively affect all the performance measures but employment, which still reports a negative sign. (For more information, please contact: Stefano Elia, Politecnico di Milano and University of Leeds, Italy: stefano.elia@polimi.it)
**Foreign Ownership and Corporate Restructuring:**  Direct Investment by Emerging-Market Firms in the United States

Anusha Chari, University of North Carolina
Wenjie Chen, George Washington University
Kathryn Dominguez, University of Michigan

This paper examines the recent upsurge in FDI by emerging-market firms into the United States. Traditionally, direct investment flowed from developed to developing countries, bringing with it superior technology, organizational capital, and access to international capital markets, yet increasingly there is a trend towards “capital flowing uphill” with emerging market investors acquiring a broad range of assets in developed countries. Using transaction-specific information and firm-level accounting data we evaluate the operating performance of publicly traded U.S. firms that have been acquired by firms from emerging markets over the period 1980-2007. Our empirical methodology uses a difference-in-differences approach combined with propensity score matching to create an appropriate control group of non-acquired firms. The results suggest that emerging country acquirers tend to choose U.S. targets that are larger in size (measured as sales, total assets and employment), relative to matched non-acquired U.S. firms before the acquisition year. In the years following the acquisition, sales and employment decline while profitability rises, suggesting significant restructuring of the target firms.  *(For more information, please contact: Wenjie Chen, George Washington University, USA: chenw@gwu.edu)*

**The Role of Organizational Culture in the International Performance of Emerging Market MNEs**

Man Zhang, Bowling Green State University
Gary Knight, Florida State University
Patriya Tansuhaj, Washington State University

In recent years, countless firms in emerging market countries have begun to participate actively in international business. The internationalization of such companies is facilitated by various factors. It represents an important trend in a global business environment that has been historically dominated by firms from the advanced economies. Indeed, most international business research has been conducted in relation to advanced economy firms. Accordingly, relatively little is known about the role of particular orientations and strategies in the international performance of emerging market firms. In this paper, we seek to address this gap by assessing the relevant roles of organizational culture, international orientation, and international strategy, constructs that have been little researched in emerging market firms. We develop and empirically test a model using firms from an important emerging market, China. Findings reveal that, in general, the above antecedents strongly influence the internationalization and international performance of the investigated firms. We provide discussion and managerial implications on these results.  *(For more information, please contact: Man Zhang, Bowling Green State University, USA: mzhang@bgsu.edu)*

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**Session: 1.1.2 - Competitive**
**Track: 7 - Emerging, Transition, and Developing Economies**

**Entrepreneurship and Innovation in Emerging Economies**

**Presented On:** June 27, 2010 - 09:00-10:15

**Chair:** Eva Stal, UNINOVE

**What do we really know about the Base of the Pyramid concept? A literature review**

Ans Kolk, University of Amsterdam
Miguel Rivera-Santos, Babson College
Carlos Rufín, Suffolk University
Our goal in this paper is to answer a simple question: “What do we really know about the Base of the Pyramid concept?” To answer that question, we conducted a review of the BOP literature, ten years after Prahalad and Hart started circulating their first working paper on the BOP. Following a systematic multi-stage search procedure, we identified and coded 92 BOP-related papers. Based on our findings, we propose an organizing framework to help identify what we know and what is left to explore in this literature. Overall, we find that there is little consensus regarding the definition of the BOP. We find, contrary to what is often claimed, that BOP initiatives are typically initiated by local firms, both large and small, and non-profits, rather than multinationals. We find that most BOP business models reported in the literature view the poor as consumers of somewhat adapted products rather than co-inventors and entrepreneurs. Finally, we find that empirical evidence of the economic, social, and environmental impact of BOP initiatives is not only limited, but also scattered, and that, in particular, very little attention has been paid to the implications of the BOP concept for the environment. (For more information, please contact: Miguel Rivera-Santos, Babson College, USA: mrivera@babson.edu)

Managing the Challenge of Innovation for the Base of the Pyramid in Emerging Economies: A Lesson for MNEs
Sangeeta Ray, University of Sydney
Pradeep Kanta Ray, University of New South Wales

A seemingly insuperable problem facing enterprises today is how to design and diffuse innovations to effectively tap into local demand in emerging economies. Extant literature focuses on business models adopted by MNEs to diffuse pre-existing technologies but provides little insight into the upstream processes or the alternative models of innovation offered by local players from emerging markets. Our research objective was to explore in-depth an alternative model of innovation adopted by an indigenous enterprise to meet the telecommunication needs of India’s mass-markets. In this study we demonstrate how innovation, that focused on developing affordable and locally sustainable products, was achieved in an environment challenged by resource constraints and institutional weaknesses. The three critical factors for innovation identified were: the entrepreneurial leadership and vision; modular designs to meet user demands of affordability, functionality, and operability through architectural innovation; and the exploitation of the local knowledge base and the creation of local innovation clusters. Our longitudinal study provides insights into the labour intensive but capital sensitive processes involved in shaping technology development and diffusion and makes an important contribution to an emerging body of literature that addresses ‘what kind of innovation models effectively address emerging markets needs?’ (For more information, please contact: Sangeeta Ray, University of Sydney, Australia: s.ray@econ.usyd.edu.au)

The Privatization of Innovation in Emerging Markets: Evidence from Indian National Laboratories
Prithwiraj Choudhury, Harvard Business School
Tarun Khanna, Harvard Business School

The literature on state-owned entity (SOE) reform has been focused on privatization. However privatization has its limits and has mostly resulted in partial privatization with the state retaining control. In this context, we document a dramatically successful reform effort in India where 42 state owned labs, over a fourteen year period (1993-2006) used licensing of intellectual property to reduce dependence on government budgetary support. This follows incentive policy and leadership change at the labs, the latter event being plausibly exogenous given rigid government employment rules. Alternatives and complements to privatization have been documented in the Chinese context. However unlike the Chinese examples, collaboration between the state and private sectors is the engine of the reform in the Indian context. (For more information, please contact: Prithwiraj Choudhury, Harvard Business School, USA: prithwic@hotmail.com)
Venture Capital Risk in Transitional Economies: Evidence from China  
Charles xiaoliang Chen, University of Hawaii at Manoa  
James E. Richardson, University of Hawaii at Manoa

Venture capital markets in transitional economies have been characterized by social networks as a governance mechanism in dealing with institutional risks. This study examines how VC's respond to the institutional risks by using appropriate social networks or guanxi that have direct and indirect influence on VC's investment performance. We propose an integrative framework that delineates social network direct effects on firm performance, moderated by environmental turbulence, and its indirect influences mediated through responsive capability, interlocking directorates, and syndications. A group of 400 venture capital firms in China market will be surveyed. In this paper we report initial results for 160 VC firms. The study will reveal the type of link exists between social network and VC performance and the way of social networks help to explain why some VC's have better returns than others. (For more information, please contact: Charles xiaoliang Chen, University of Hawaii at Manoa, USA: xiaolian@hawaii.edu)

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Session: 1.1.3 - Competitive  
Track: Track: 10 - SMEs, Entrepreneurship, and Born Global

Internationalization Processes in Born Global Firms (State-of-the-Art Session)

Presented On: June 27, 2010 - 09:00-10:15

Chair: Sumit Kundu, Florida International University

Are International New Ventures Really New? Reconsidering Firm Inception and Internationalization  
Catherine Welch, University of Sydney  
Lisa Hewerdine, University of Sydney

Firm ‘inception’ is integral to the definition of the ‘international new venture’/‘born global’, yet has received little attention to date. We propose that inception be analysed as a process. We undertake a comparative case study of five internationally oriented firms that analyzes their key inception events, including the internationalization milestones within each firm’s gestation period. Reconceptualizing inception has major implications for ‘born global’ research, including operationalization of concepts and the unit of analysis. We suggest that research consider how internationalization and inception processes co-evolve.

(For more information, please contact: Catherine Welch, University of Sydney, Australia: c.welch@econ.usyd.edu.au)

Examining Critical Incidents to Identify Antecedents to Early Internationalization in Born Global Firms  
Jay Weerawardena, University of Queensland  
Gillian Sullivan Mort, La Trobe University  
Peter Liesch, University of Queensland

We investigate processes that predate the emergence of born globals, firms that internationalize at or near founding, by examining organizational routines that influence early internationalization. In a novel research design, we incorporate the critical incident method within twelve case studies to track how organizational routines were initiated, integrated and reconfigured to pave the way for early internationalization. The dynamic capability view of competitive strategy, within which organizational routines have been discussed, informs this analysis. An emergent model of born global firm early internationalization is presented along with implications for theory and practice, and future research directions. (For more information, please contact: Jay Weerawardena, University of Queensland, Australia: j.weerawardena@business.uq.edu.au)
**Why Do Born-global and Older Firms Initially Access Culturally Proximate Markets?**
Susan Freeman, University of Adelaide
Kate Hutchings, Griffith University

This article examines the question: why do born-global and older firms initially access culturally proximate markets? Prior research using resource-based and knowledge-based perspectives suggests unlike older firms, born-global firms confront unique challenges because of their short history, lack of resources and accelerated pace of internationalisation. These research streams suggest born-global firms tend to internationalise rapidly into markets ready to adopt their technology - usually larger developed economies, often culturally similar (proximate) - which offer economies of scale - reducing risk for inexperienced firms. Based on twenty Australian firms, this study has important implications, suggesting that born-global firms rely more on technological experience than older firms which can draw on previous international experience. However, building on the Uppsala model (staged approach) to internationalisation, our research suggests that each type of firm demonstrates both reactive and proactive behaviour, yet born-global firms reveal an entrepreneurial propensity perspective, relying more so on proactive behaviour than their older counterparts. (For more information, please contact: Susan Freeman, University of Adelaide, Australia: susan.freeman@adelaide.edu.au)

**International Networks and the “Born Global” Phenomenon: Evidence from a Transition Economy**
Martina Musteen, San Diego State University
Deepak K. Datta, University of Texas Arlington
John Francis, San Diego State University

Based on a sample of 159 Czech SMEs covering a broad range of manufacturing industries, we examine the impact of firm reliance on international networks on early internationalization. In addition, our study investigates how factors related to the strategic and environmental context moderate the nature of this relationship. Findings indicate that firms which engage in aggressive international networking are more likely to become born globals. Our results also suggest that the relationship between international networking and the likelihood of a firm being a born global is stronger among firms with a focus on technological innovation but weaker in the context of firms with a focus on low costs. The relationship is also stronger among firms who perceive the domestic environment to be hostile. (For more information, please contact: Martina Musteen, San Diego State University, USA: mmusteen@mail.sdsu.edu)

**Session: 1.1.4 - Panel**
**Track: Track: 6 - Innovation and Knowledge Management**

**Global Knowledge Sourcing: Modes, Locations, Processes and Outcomes**

**Presented On:** June 27, 2010 - 09:00-10:15

Chair: Felipe Monteiro, University of Pennsylvania
Chair: Thomas Klueter, University of Pennsylvania

**MNE Location Choices**
Lilach Nachum, Baruch College/CUNY

**Reverse Knowledge Transfers in Multinational Enterprises**
Ram Mudambi, Temple University
Leveraging External Modes of Knowledge Sourcing: Innovation-Targeted Acquisitions and R&D Outsourcing  
Saikat Chaudhuri, University of Pennsylvania

Understanding Boundary Spanning at the Initiation of the External Knowledge Sourcing Process  
Felipe Monteiro, University of Pennsylvania

Knowledge Accession Strategies and Spatial Organization in MNCs  
John Cantwell, Rutgers University

Session: 1.1.5 - Competitive  
Track: Track: 3 - IB Theory, FDI, and Entry Mode

After the Entry: The Dynamics of Subsidiary Strategies

Presented On: June 27, 2010 - 09:00-10:15

Chair: Julian Birkinshaw, London Business School

Getting it Right and Righting it Afterwards: Experience, Ownership (MIS)Alignment and Subsidiary Dynamics  
Xavier Martin, Tilburg University  
Ilya Cuypers, Singapore Management University

We theorize under what conditions firms will be more or less likely to select appropriate ownership levels in new international subsidiaries, given the uncertainty in the environment surrounding the subsidiary, and under what conditions firms will subsequently adapt their ownership levels if they are misaligned. We argue that these decisions are contingent on the source and type of experience the firm had with setting ownership levels in previous subsidiaries. Using a sample of 726 Japanese-foreign subsidiaries established in 38 different host countries, we find support for our predictions. Overall, our arguments and findings improve the understanding of how subsidiaries evolve. (For more information, please contact: Ilya Cuypers, Singapore Management University, Singapore: ilyacuypers@smu.edu.sg)

The Mediating Effect of Satisfaction on the Relationship between Location Advantages and Repeat Investment  
Paul Kalfadellis, Monash University

Using an economic measure - satisfaction with firm performance and a behavioural measure - satisfaction with location or ‘place utility’ as mediators, this study examined the efficacy of the relationship between identified location advantages and the repeat investment of foreign subsidiaries operating in Australia. Understanding the mediating effects of these two variables is especially important for governments trying to cement foreign subsidiaries within their domain through ongoing investment and development. From a sample of 356 foreign MNE subsidiaries operating Australia, the results revealed that these two measures of satisfaction both fully and partially mediated some of the location advantages that predicted repeat investment. The implication of the results suggest that in order to embed existing subsidiaries in a location, analysis of location based solely on the location advantages to be found in a place may not be sufficient. An understanding of satisfaction with a firm’s performance and the net effect of the place utility experienced by a subsidiary in the location where it operates may ultimately be a more pertinent indicator of continued operation and ongoing repeat investment in that location. (For more information, please contact: Paul Kalfadellis, Monash University, Australia: paul.kalfadellis@buseco.monash.edu.au)
Higher-order Capabilities and the Post-entry International Market Expansion of the Firms
Noor Un Nabi Md., University of Leipzig
Utz Dornberger, University of Leipzig

This paper is based on the proposition that firm's international market entry-time capabilities and post-entry expansion capabilities are two different sets of capabilities. Entry-time capabilities are more task-specific capabilities, while post-entry expansion is driven more by the non-task specific capabilities that serve as the guidance for the task-specific capabilities to be fitting with the changing contextualities. This paper proposes such capabilities as higher-order capabilities and such capabilities include organizational cultural milieu, market-based learning and market positioning strategy. This paper particularly seeks to assess the impact of the higher-order capabilities on the post-entry international market expansion of the Bangladeshi pharmaceutical. Along with the linear impacts of the higher-order capabilities on post-entry expansion, probable patterns of interaction among the higher-order capabilities and their impact on post-entry expansion has also been analyzed. Partial least square regression analyses were done, including both ‘moderation’ and ‘mediation’ effects, with the primary data from the 30 pharmaceutical exporting firms from Bangladesh. Results of the analyses have confirmed the positive relation between the higher-order capabilities and post-entry expansion. The result has also explored two valid patterns of interactions among the higher-order capabilities and post-entry expansion.

(For more information, please contact: Noor Un Nabi Md., University of Leipzig, Germany: noor@uni-leipzig.de)

Subsidiary Downsizing: Which Ones Get Cut?
Nikhil Celly, Hong Kong University

We use a sample of 400-1200 Japanese subsidiaries over the time period 1992-2003 to examine the important phenomenon of subsidiary downsizing. Specifically we sought to understand why some subsidiaries were downsized versus others that were not. We found factors such as subsidiary profitability, parent multinationality, local partner presence, parent equity, subsidiary localness and relatedness, cultural distance and expatriates all affected the downsizing decision. However, not all effects were in the proposed direction and some were contrary to extant knowledge regarding divestments suggesting that downsizing may be distinct from exits and require independent treatment. Implications for theory and practice are discussed.

(For more information, please contact: Nikhil Celly, Hong Kong University, Hong Kong, SAR-PRC: ncelly@hku.hk)
Drivers of Persistence in R&D Alliances: A Self-Determination Theory Explanation
Bodo B. Schlegelmilch, Wirtschaftsuniversität Wien
Brigitte Bojkowszky, Wirtschaftsuniversität Wien
Matthew J. Robson, University of Leeds

Building Successful Advantage Positions in International Markets: Does Nature of Competition Matter?
Stavroula Spyropoulou, University of Leeds.
Constantine S. Katsikeas, University of Leeds
Dionysis Skarmeas, University of Leeds

Session: 1.1.7 - Competitive
Track: Track: 1 - Institutions, Governance, and CSR

Legitimacy and Identity in International Business

Presented On: June 27, 2010 - 09:00-10:15
Chair: Srilata Zaheer, University of Minnesota

Symbolic Management, Corporate Interlocks, and CEO Compensation in China
Livia Markoczy, University of Texas at Dallas
Sunny Li Sun, University of Texas at Dallas
Mike W. Peng, University of Texas at Dallas
Bing Ren, Nankai University

We suggest that firms in a central position within corporate interlocks will be more likely to directly adopt novel practices, while firms occupying structural holes will be less likely to adopt such practices unless they rely on symbolic management. We test our hypotheses in the context of CEO compensation in China. We argue that setting up a compensation committee (CC) is a form of symbolic management that can be used to legitimize increased CEO compensation in China. Using 7,618 firm-year observations, we find that firms in a central position in corporate interlocks are more likely to raise CEO compensation without setting up a CC, while firms in a structural hole position are less likely to increase CEO compensation—unless they also set up a CC. (For more information, please contact: Livia Markoczy, University of Texas at Dallas, USA: livia.markoczy@utdallas.edu)

The Influence of Ownership Structure and Owner Identity on Internationalization
Michael-Jörg Oesterle, University of Mainz
Hannah Noriko Richta, University of Mainz
Jan Hendrik Fisch, University of Augsburg

The separation of ownership and control and the resulting agency problem is one of the core topics of management research. Building on the agency theoretical reasoning concerning the link between ownership and industry diversification we study the influences of ownership structure as well as owner identity on firms’ geographical (international) diversification. This is particularly interesting since the link between ownership structure and geographical diversification was not directly investigated before. To test our hypotheses we utilize panel data for the 102 largest German manufacturing firms from 1990 to 2006. Our analysis confirms the agency theoretical predictions about the relationship between ownership structure and geographical diversification. In addition the analysis verifies the influence of owners’ identity on firms’ geographical diversification. (For more information, please contact: Michael-Jörg Oesterle, University of Mainz, Germany: micoeste@uni-mainz.de)
Global or Local Legitimacy? A Three Country Study of the Adoption of Environmental Practices and Institutional Pressures

Paresha N Sinha, University of Waikato
Michele E.M Akoorie, University of Waikato
Ralph Hamann Hamann, University of Capetown
R. Scott Marshall, Portland University

This study explores the adoption of environmental practices in the wine industry which is characterized by small firms whose identities are rooted in their home countries. Using an institutional theory framework we surveyed 608 wineries in New Zealand, South Africa and United States to examine perceived pressures from institutional actors, which we hypothesize directly influence the adoption of environmental practices in the wineries. By pooling the data from multiple countries we identify the global drivers of environment responsiveness and evaluate the extent of convergence in institutional pressures and practices. Overall, the results identify the environmental practices that have converged as well as those that differ across the three country wine industries, and they confirm that these patterns are influenced by corresponding patterns of institutional pressures. Furthermore, organizational characteristics such as high exports, larger winery size and high end production were found to influence the adoption of those environmental practices that have converged, suggesting some degree of organizational discretion even within organizational fields that exert isomorphic pressures.

Keywords: Institutional pressures, legitimacy, environmental practices, global wine industry

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Session: 1.1.8 - Competitive
Track: Track: 9 - International Economics, Finance and Accounting

Shareholder Protection and Corporate Investment Policy
Gang Xiao, University of South Carolina

In this paper I examine the effect of shareholder protection on the level of investment. The agency conflict between shareholders and managers of firms motivates managers to expropriate wealth by overinvestment. As shareholder protection increases the cost of entrenchment and grants greater power to shareholders against managers, stronger shareholder protection may alleviate overinvestment and thereby reduce investment. In addition, compared with tangible investment, intangible investment is harder to price and track so managers may be more likely to make intangible investment for private benefits rather than tangible investment. Thus shareholder protection may have greater effect on intangible investment than on tangible investment. Using a large panel dataset of 90,563 observations, I find that stronger shareholder protection is associated with significantly lower investment level. The effect of shareholder protection on R&D expense is five times as much as on capital expenditures. Shareholder protection also increases firm return on asset and sales growth rate through the investment channel, and this value effect is greater through R&D expense than through capital expenditures. Overall, these findings contribute to the law and finance literature by showing that shareholder protection reduces firm overinvestment, and the effect is greater on intangible investment than on tangible investment. (For more information, please contact: Gang Xiao, University of South Carolina, USA: gang_xiao@moore.sc.edu)
Power Game between the CEO and Labor: Evidence from Outsourcing
Jongmoo Jay Choi, Temple University
Jose M. Plehn-Dujowich, Temple University
Xiaotian Tina Zhang, Saint Mary's College of California

Prior studies of outsourcing have mostly focused on the strategic motivation of outsourcing, we attempt to explore the power play between the CEO and labor in a special type of corporate restructuring—outsourcing. Fundamentally, outsourcing may be potentially desirable because of cost saving and the value of flexibility. However, to make it happen, the CEO must negotiate with labor that may resist outsourcing because of its concern for jobs. Yet without outsourcing, the firm may lose out competitively and labor may lose even more. This paper develops a theoretical rationale for the power between the CEO and labor, and empirically examines the extent to which outsourcing decisions and its outcomes depend on CEO power and labor participation in major corporate decisions. Using the sample of US firms, we observe that the probability of outsourcing is positively related to CEO power and negatively associated with labor power. Our results also demonstrate that both CEO and labor power affects to their share of profits. We further show both a dominant CEO and powerful labor are correlated to long-term firm performance, as well as short-term market valuations. (For more information, please contact: Jongmoo Jay Choi, Temple University, USA: jjchoi@temple.edu)

Capital Structures in Europe, Managerial Insight and Governance Regimes
Charles-Henri Jean Reuter, Université de Paris Ouest & ESCP Europe

We investigate the determinants of Capital Structure in Europe and we implement a novel approach focusing on the relevance of manager's knowledge and behaviors for leverage ratios in aggregate. We show that this relevance is moderated by the governance structure of firms. Specifically we show that firms with concentrated-ownership exhibit a negative relation between managerial sentiment and both measures of leverage (market and book leverages) while firms with dispersed ownership exhibit a positive relation to market leverage only (no relation is obtained on medium-range firms). We further show that other dimensions relating to transparency, size & prominence moderate the relationship.

Our contribution extends to debates on agency and corporate governance. We emphasize the practical importance between two dominant views of agency: managers vs. shareholders and control-holders vs. minority shareholders. While illustrating this relevance, we suggest that different governance structures, that is, different kinds of agency conflicts, lead to different managers’ behaviors in aggregate and different market valuation of these behaviors. An implication is that a normative assessment of managerial action may depend on the underlying governance regime. (For more information, please contact: Charles-Henri Jean Reuter, Université de Paris Ouest & ESCP Europe, France: henri.reuter@gmail.com)

Determinants of Voluntary Executive Stock Option Disclosure in Brazil
Fernanda Gomes Victor, UFRGS
Paulo Renato Soares Terra, UFRGS
Eduardo Schiehll, HEC-Montreal

This study examines how Brazilian public companies responded to investor demands for enhanced disclosure of executive stock option compensation plans before regulatory changes made this disclosure mandatory. Motivated by initiatives by the Brazilian Stock Exchange Commission (CVM) and the Institute of Corporate Governance (IBGC) to improve compensation disclosure in Brazil, we investigate whether companies’ governance attributes are associated with voluntary executive stock option (ESO) disclosure. Our results show that Brazilian companies voluntarily disclose very little about their ESO plans. Multiple regression analysis results show that board size, proportion of independent directors on the board, and auditing by a Big 4 firm are significantly related to the degree of voluntary ESO disclosure practiced by companies in Brazil. Complimentary analyses suggest a non-linear effect of outside directors on disclosure practices. To our knowledge, this is one of the few empirical studies conducted on voluntary compensation disclosure in an emerging market. As such,
this study has academic, professional, and regulatory implications for Brazil and other emerging capital markets.  
(For more information, please contact: Paulo Renato Soares Terra, UFRGS, Brazil: prsterra@ea.ufrgs.br)

Session: 1.1.10 - Interactive
Track: Track: 10 - SMEs, Entrepreneurship, and Born Global

International SMEs

Presented On: June 27, 2010 - 09:00-10:15

Chair: Claude Obadia, Advancia-Negocia, Paris


   Manfred Fuchs, University of Graz
   Mariella Koestner, University of Graz

This study examines the influence of firm-specific factors, such as international marketing strategy, firm experience, psychic distance, and international commitment, on export performance in Austrian small and medium-sized enterprises (SMEs). Using survey data from 220 export ventures, this paper tests causal-effect-relationships in the proposed conceptual model, using structural equation modelling. The results of the study show that there is a twofold influence of psychic distance, commitment, and firm experience. There is evidence that this relationship is an inverted u-curve. In addition, we found that competition in foreign target markets exerts a positive effect on the adaption of marketing strategies. The results confirm that psychic distance has an impact on all measured dimensions of export success in SMEs. We found evidence that the degree of product adaptation positively influences the overall success and the profitability of export ventures, whereas the degree of price adaptation is positively related to sales growth and profitability. Our study indicates that SMEs are more successful in early stages of exporting and become less successful in later stages. (For more information, please contact: Manfred Fuchs, University of Graz, Austria: manfred.fuchs@uni-graz.at)

Born-Again Global Firms: The Catalytic Effects of Critical Incidents: A Case Study on the Internationalization Behavior of Mature SMEs

   Rico J. Baldegger, University of Applied Sciences Western Switzerland
   Patrick Schueffel, University of Applied Sciences Western Switzerland

The international entrepreneurship model developed by Zahra and George was used in an exploratory effort to explain the internationalization pattern of mature and previously domestically focused firms. In-depths interviews were conducted with seven older firms based in Switzerland that suddenly expanded beyond national borders, resulting in substantial business in foreign markets.

The results of the case studies show that not only new ventures, but also well-established mature companies can internationalize quickly and comprehensively should identify the optimal entry strategy for a given market in the respective country. As hypothesized by Jones and Coviello (2005) the surveyed companies managed to take advantage of unexpected occurrences and changes in customers’ expectations in order to foster their international growth, indicating that critical incidents have a strong catalytic effect on the internationalization behavior of mature SMEs.

Once established in foreign markets, the born-again global firms are able to attract a more qualified and high-skilled workforce and developed a significant capability of learning from their new international partners. This leads to an improvement in their products and services, which in some cases result in a change in business model as well as in a different choice of target market. Due to their late, but fast internationalization process,
the companies did not only achieve growth, but they also became more innovative, self-confident and sustainable. (For more information, please contact: Rico J. Baldegger, University of Applied Sciences Western Switzerland, Switzerland: rico.baldegger@hefr.ch)

The International Collaborations of Costa Rican ICT Producers: Leveraging Transnational Social Ties
Luciano Ciravegna, University of London

The development of information and communication technology (ICT) clusters in India, Israel and Taiwan, has been supported by 'Argonauts' - transnational entrepreneurs with linkages to migrant communities in Silicon Valley (Breznitz, 2003; Shin-Horng, 2002; Saxenian, 2006). However, there is little empirical evidence of the socio-economic mechanisms that explain the external linkages of other ICT clusters in the developing world, some of which may not benefit from having a diaspora of ICT professionals. Building on a broader ethnographic study of a the Costa Rican ICT cluster, this paper discusses how Costa Rican entrepreneurs establish collaborative relationships with firms located abroad, illustrating the role of transnational social ties. It shows that Costa Rican entrepreneurs leverage transnational social ties based on shared educational or professional background, rather than ethnicity, to support their collaborative strategies. And that when they do not have the necessary ties, they try to build them. (For more information, please contact: Luciano Ciravegna, University of London, United Kingdom: luciano.ciravegna@rhul.ac.uk)

Ready or Not - Here We Come! On Internationalization Readiness
Roger Schweizer, University of Gothenburg

This paper uses the case of a Swedish small and medium sized company's transformation from being a domestic firm to become engaged in its first international venture in order to discuss the concept of internationalization readiness. The paper empirically confronts the model offered by Tan et al (2007). The paper concludes arguing that the general framework proposed adequately explains the case studied, however, suggests that the model should not only emphasize the pre-internationalization phase more strongly, but also the actual decision-making process as an important factor explaining the above mentioned transformation. Finally, the study - understanding internationalization as a by-product of a firm's strive to grow and/or survive - somewhat provocatively changes the focus from internationalization readiness to readiness for further growth. (For more information, please contact: Roger Schweizer, University of Gothenburg, Sweden: roger.schweizer@mgmt.gu.se)

The Importance of Relationships in Internationalization Processes of Firms: A Model and Analysis of International SMEs Entering Emerging Markets
Susanne Sandberg, Linnaeus University

As a result of the third wave of internationalization, Western SMEs establish themselves on a big scale in the emerging markets of the world. The aim of this paper it to determine the importance of relationships in the internationalization processes of such firms. This current research topic is examined through two main research questions concerning (1) factors driving the building of international relationships in emerging markets and (2) the effect of long-term and direct relationships on the export performance of SMEs in emerging markets. In this work-in-progress paper a theoretical framework applying a network approach to both internationalization process theory and the resource based view will be presented, as well as a number of research propositions. The propositions will in further work on this paper be tested on a sample of 203 SMEs in Southern Sweden with experience of entering the emerging markets of the Baltic States, Poland, Russia and China. (For more information, please contact: Susanne Sandberg, Linnaeus University, Sweden: susanne.sandberg@lnu.se)
Critical Success Factors to the Internationalization of the SMEs
Vesna Sedoglavich, Australian National University

This paper brings together perspectives of international business and the strategic management of SMEs with the goal of proposing a model of sustainable competitive advantage within the international business environment. It provides a better understanding of the complexity of the resources available to internationalizing SMEs, indicating the relationships between the firm’s resources and the international success of SMEs. The objective of the paper is to propose a conceptual model developed to provide a basis for further empirical examination of how the firm’s resources and capabilities affect the international success of a firm. The model is grounded on the Resource Based View (RBV) because, as the paper proposes, this approach is able to bridge the relevance in managerial practice and empirical scientific rigor which is necessary to produce robust and valid results for theory generation. The next stage will be empirical validation for the purpose of confirming and refining the model based on these results. (For more information, please contact: Vesna Sedoglavich, Australian National University, Australia: vesna.sedoglavich@anu.edu.au)

Session: 1.1.11 - Interactive
Track: Track: 5 - MNC Management and Organization

Subsidiary Coordination and Control

Presented On: June 27, 2010 - 09:00-10:15

Chair: Jane Lu, National University of Singapore

Subsidiary Roles and Resistance to Change
Saul Klein, University of Victoria
Laura Kruiskamp, University of Pretoria
Albert Wöcke, University of Pretoria

This study describes the factors which caused resistance to subsidiary evolution as a global strategy was implemented by a mature multinational corporation (MNC). We examine the resistance to change for twenty-eight geographically dispersed subsidiaries of a single organization. The subsidiaries were diverse in terms of the roles they performed within the MNC. We evaluate the strength of different sources of resistance to change based on differences in subsidiary roles. We hypothesized that Parent factors would be strongest for Global Innovators followed by Local Innovators and then Implementers, Subsidiary factors would be strongest for Local Innovators followed by Global Innovators, and Host Country factors would be equivalent for Global and Local Innovators and greater than for Implementers. General support for these relationships is found. (For more information, please contact: Saul Klein, University of Victoria, Canada: sklein@uvic.ca)

Extending Conceptualizations of Control: Towards a New Agenda in MNC Research
Laura Erkkilä, Aalto University
Perttu Kähäri, Aalto University

The purpose of this paper is to review organizational control literature on MNCs and discuss control, and the development of control conceptualizations over time. Using systematic literature review, we analyzed over 70 articles from high-quality academic journals, from 1975 to 2009. We also identified five research streams, and organized the conceptualizations according to them. Subsequently, we identified a clear trend from mechanistic towards abstract conceptualizations of control. Following our findings from the literature, we make suggestions for a new control research agenda. The paper contributes to the international business literature on MNC control and provides suggestions for future research, promoting control as a contemporary research topic. (For more information, please contact: Laura Erkkilä, Aalto University, Finland: laura.erkkila@hse.fi)
Coordination at the Edge of the Empire: Subsidiary Regional Administrative Mandates in the Multinational Enterprise
Eva A. Alfoldi, University of Manchester
L. Jeremy Clegg, University of Leeds
Sara L. McGaughey, University of Strathclyde

In this paper, we develop the concept of subsidiary regional administrative mandates (RAMs), used by MNE headquarters as a cost-effective alternative to regional headquarters. In small or fragmented market regions, MNE headquarters frequently ‘offload’ regional administrative responsibilities to local subsidiaries – a form of regional governance that is commonly noted in the practitioner literature, but has yet to be studied academically. We consider the subsidiary-level antecedents and critical impacts of RAMs, using an in-depth qualitative case study of Unilever Hungary and its cluster of related subsidiaries. We find evidence that, similarly to product mandates, RAMs are negotiated between HQ and subsidiary, but appear more easily contestable and require less HQ commitment. We find that subsidiaries’ ability to handle RAMs may be constrained by task ambiguity, internal legitimacy and contested leadership, and note that RAMs may carry a risk of subsidiary isolation. Overall, our findings suggest that unless mandated tasks and responsibilities are fully clarified and subsidiary perceptions of internal legitimacy addressed at the outset, RAMs are unlikely to solve the problem of international coordination, but merely shift it outside HQ’s field of vision to the ‘edge of the empire’. We summarise our theoretical and empirical findings in a proposed multi-level framework. (For more information, please contact: Eva A. Alfoldi, University of Manchester, United Kingdom: eva.alfoldi@mbs.ac.uk)

Partners’ Strategies and Management Control in International Joint Ventures
Dong Chen, Loyola Marymount University
Seung Ho Park, Skolkovo Institute for Emerging Market Studies
Donghong Li, Tsinghua University

Our study examines how partners’ strategic objectives are related to their management control over IJVs. Partners’ control activities are categorized into three different types: output control, process control, and social control. Using a survey sample of IJVs in China, we find that partner firms emphasize different types of control in order to achieve different objectives. Specifically, parent firms with strong motivation of capability creation tend to exercise process control. It seems that foreign parent firms focusing on gain capabilities in new markets are more likely to monitor routine operations. Similarly, in order to acquire new knowledge from foreign partners, Chinese parent firms tend to closely monitor functional processes. Meanwhile, foreign parent firms seeking capability utilization tend to focus on output control and social influence over IJV operations. The findings provide important implications for the design and implementation of control system in IJVs. (For more information, please contact: Dong Chen, Loyola Marymount University, USA: dchen@lmu.edu)

The Role of Subsidiaries in the Formulation of Global Strategies in Multinational Firms
Cesar Minervino, Universidade Positivo
Zandra Balbinot, PPGADM/UFPR

As global strategy is shown through the organizational structure and the role of subsidiaries, the purpose of this study is to examine the role of subsidiaries in the formulation of global strategy in multinational firms. To this end, the study proposes an integrated model of global strategy formulation in multinational firms using four variables: competitive advantage, comparative advantage, role of subsidiaries, and organizational structure. The research design is a case study of Beta, a multinational operating in the global trade of steel components, with productive subsidiaries in the Netherlands, Brazil and China. The study adopts a longitudinal perspective, examining the four mentioned variables in three subsidiaries between 2004 and 2008. The results suggest that in mature markets with highly standardized products the strategy formulation of the multinational company is
highly sensitive to costs and thus the comparative advantages of location prevail in detriment of the competitive advantages at the time of the organization of the subsidiaries in the multinational company's strategy. Research in markets of non-standardized products is necessary for closer observation of the competitive advantages of the companies. Likewise, the study proposes an integrating model of the four variables for future studies of multinational firm strategy formulation. (For more information, please contact: Zandra Balbinot, PPGADM/UFPR, Brazil: zbalbinot@ufpr.br)

How to Raise a Unified Family: Multinational Corporations Socialization Strategies for Coordinating Subsidiary Managers
Crystal X. Jiang, Bryant University
Eileen Kwesiga, Bryant University
Madan Annavarjula, Bryant University
Qin Yang, Robert Morris University

This article explores linkages of headquarters (HQ) and subsidiaries in multinational corporations (MNCs) from a strategic leadership perspective. Based on their interdependence and transaction flow patterns within MNCs' networks, subsidiaries are categorized into self-directors, executors, intermediators, and subcenters. To improve the internal coordination and global effectiveness, MNCs need to employ appropriate social control mechanisms to facilitate subsidiaries' cooperative behavior. Using organizational socialization framework, we posit that these four types of subsidiary can be better integrated and coordinated by using institutionalized socialization tactics—collective/formal content, sequential/fixed context, and serial/investiture social aspect. We provide implications for both managers and researchers interested in improving the global competitiveness of MNCs through effective socialization of subsidiary managers. (For more information, please contact: Eileen Kwesiga, Bryant University, USA: ekwesiga@bryant.edu)

The Impact of Network Involvement on Absorptive Capacity: A Dynamic Model of Subsidiary Role Evolution
Xiaoyu Pu, Rutgers University
Ranfeng Qiu, Rutgers University

By identifying a MNC subsidiary's involvement in its MNC network and local business network, this paper develops a new construct to distinguish the two types of potential absorptive capacity of a subsidiary in regards to its target network (PACAP-M and PACAP-L). We argue that a subsidiary tends to develop these two sets of absorptive capacity simultaneously, whereas the extent of the enhancement of a subsidiary's absorptive capacity in each type will be influenced by its involvement in the two networks. The two-dimension construct helps us build a dynamic model on subsidiary role evolution. This new model distinguishes three types of subsidiaries (ICE, LCE, and GCC) and suggests that over time, MNC subsidiaries tend to evolve to the Global Competence-Creator. By achieving this role, the degree of boundedness of a subsidiary in each network will be increased, and therefore its overall absorptive capacity will also be enhanced. (For more information, please contact: Xiaoyu Pu, Rutgers University, USA: puxiaoyu@gmail.com)

Returnees and the Performance of Multinational Subsidiaries in China
Huanglin Wang, University of Western Ontario
Jean-Louis Schaan, University of Western Ontario

MNE staffing has an impact on performance. Overseas returnees (returnees hereafter), those who went overseas for higher education and then returned to their home countries, are a becoming a new phenomenon in multinational enterprises (MNEs) in China. In order to understand the characteristics and contributions of this new group of people, we conducted interviews with ten top executives from multinational subsidiaries in China. These executives suggested that returnees understand multiple cultures, possess cross-cultural communication skills and a global perspective, and act as a “bridge” between expatriates and locals, between a subsidiary and...
the other units of the MNE including headquarters and the other subsidiaries, as well as between the MNE and the local environment. Based on the interviews, we categorized staff in MNEs based on cultural knowledge and developed theory around returnees. We argue that returnees have a positive impact on subsidiary performance and that geocentrism and socialization may moderate this relationship. (For more information, please contact: Huanglin Wang, University of Western Ontario, Canada: hwang@ivey.uwo.ca)

Session: 1.1.12 - Interactive
Track: Track: 7 - Emerging, Transition, and Developing Economies

MNEs from Emerging Economies

Presented On: June 27, 2010 - 09:00-10:15

Chair: Ashok Som, ESSEC Business School


Svetla Trifonova Marinova, University of Birmingham
John Child, University of Birmingham
Marin Alexandrov Marinov, University of Gloucestershire

The aim of this paper is to identify and analyze changes in country specific advantages and disadvantages, and firm specific advantages and disadvantages that have relevance to the process of Chinese firm internationalization. Unlike previous studies, it will take account of disadvantages as well as advantages and it will also ground its analysis in six case studies. To meet its aim, the paper proceeds as follows. First, the relevant theoretical background is analyzed by summarizing mainstream views on firm internationalization simultaneously addressing the use of advantages and changes in competitive disadvantages. Issues pertaining to latecomer firms and their internationalization are also brought to light. Further on, case study data of internationalizing Chinese firms are examined. Drawing upon the theoretical perspectives and case study analysis, the paper offers propositions relating to the evolution of country and firm specific disadvantages and advantages in the process of firm internationalization. The closing discussion considers the implications of the study. (For more information, please contact: Svetla Trifonova Marinova, University of Birmingham, United Kingdom: s.t.marinova@bham.ac.uk)

Emerging Market Multinationals and the Pursuit of Knowledge

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

Knowledge is the preeminent resource of firms that wish to become and/or remain globally competitive. This is especially true for emerging market multinationals, whose ability to overcome their inherent disadvantages as latecomers relies heavily on their ability to seek knowledge outside of their home borders through foreign direct investment. Our conceptual framework explores drivers of knowledge-seeking foreign direct investment, the types of functional knowledge sought, the role of firm-specific capabilities, and the impact on location choice and entry mode decisions. (For more information, please contact: Nolan T. Gaffney, University of Memphis, USA: ntgaffney@memphis.edu)
Lessons to Learn from the Rising Stars: Tale of Emerging Nation Multinational Companies

Tanvi H Kothari, University of Wisconsin Oshkosh
Masaaki "Mike" Kotabe, Temple University

An emerging phenomenon of global competition is the increasing participation of firms from emerging economies. On the face of it, the disadvantages of being a late entrant seem overwhelming, and according to the traditional stage models of internationalization, the Emerging Nation Multinational Companies (EMCs) may not be able to compete against global giants whose dominance is rooted in their first-mover status. However, the success of EMCs like the Infosys, Lenovo, and the like raise an important research issue as to what are the strategies these EMCs pursue as they begin to compete in the global competitive landscape? Hence, this study introduces a novel combination of multiple in-depth case-studies of Indian and Chinese companies, using an inductive approach based on historical text data analyzed using a computerized content analysis tool – all used to explain the competitive advantages of EMCs. Methodologically, the study illustrates the usefulness of semantic network analysis tools, especially centering-resonance-analysis, in identifying and interpreting concepts that provide coherence to a set of textual data. The results suggest that EMCs' competitive advantage is based on their ability to acquire and absorb resources to build their own advantage (supply-side-dynamics) and their ability to find some market niches, untapped by traditional MNCs (demand-side-dynamics). (For more information, please contact: Tanvi H Kothari, University of Wisconsin Oshkosh, USA: kothari.t@gmail.com)

Going Global: Why Some Firms from Emerging Markets Are More Successful at International Expansion Than Others

Sourindra Banerjee, University of Cambridge

Over the last decade the rapid internationalization of firms from emerging markets has generated a lot of interest among management scholars. In this paper we look at the rapid international expansion of firms from emerging markets from a knowledge based view of the firm. The question we address in this paper is: Why are some firms from emerging markets internationalising more than others? In this paper we argue that although the international expansion of firms from emerging markets seems to have happened at an unprecedented speed it has actually happened in only those firms which had a CEO with knowledge of foreign markets. In this paper we also develop a firm specific variable called preparedness which is broadly defined as a state of readiness for internationalisation attained by the adoption of global business practices. We argue in this paper that firms which have a greater level of preparedness internationalize more. The empirical context of the paper is a 23 year data of 255 firms from the BSE 500 index of Bombay Stock Exchange. (For more information, please contact: Sourindra Banerjee, University of Cambridge, United Kingdom: sourindrab@gmail.com)

An Exploration of State Owned Enterprises from Emerging Economies

Anubha Shekhar Sinha, Indian Institute of Management Calcutta

Emerging economies like India have a good mix of public and private sector enterprises and the presence of these two growth engines help them play catch-up with the developed world better if the governments strategically use them. However, public-private coexistence and convergence of the world towards market capitalism has created unique challenges for the state owned enterprises (SOEs). SOEs in a number of countries have witnessed discontinuous changes in their institutional environment as erstwhile closed and protected economies were subject to a combination of domestic and internationally imposed liberalization reforms. As rules of the game changed, these organisations were forced to play by the rules of the market but their allegiance to their non-market principals remained. Strong dependence on external context also prevented a radical deinstitutionalisation in SOEs. As a result, SOEs are pursuing contradictory and mutually exclusive ends simultaneously at various levels within the organisation and these ends can't be traded off for each other. They are facing multi-level paradoxes. Through five cases we try to bring out these paradoxes faced by SOEs in an emerging economy. We also present in this paper our understanding of how some of these SOEs manage these paradoxes and do well. (For more information, please contact: Anubha Shekhar Sinha, Indian Institute of Management Calcutta, India: anubhashekh@gmail.com)
The Role of Subsidiaries from Emerging Economies - A Survey Involving the Largest Brazilian Multinational Corporations
Moacir de Miranda Oliveira Junior, University of São Paulo
Felipe Mendes Borini, ESPM

New multinationals are emerging in countries of the so-called BRIC group of major economies and other developing countries. Several researches have been devoted to the study of internationalization of Brazilian firms however there is a lack of research related to strategy and management of subsidiaries of Brazilian multinational corporations in other countries. This paper seeks to contribute to fill this gap and aims to establish a typology of roles for subsidiaries of Brazilian multinational corporations, identifying the factors that determine the roles of subsidiaries of Brazilian multinational corporations, the subsidiaries roles and examining the implications of these results for the strategy and management of the subsidiaries of Brazilian multinational corporations in other countries. For that an academic research in the form of quantitative survey was conducted, involving 30 Brazilian multinational corporations. Of the 93 subsidiaries involved, 66 foreign subsidiaries answered the questionnaires. The main results concern the identification of three factors and the proposition of a typology of Brazilian subsidiaries of multinational corporations. The analysis of clusters allowed the proposition of a typology of subsidiaries with reasonably balanced three groups: Cluster 1: Implementers Subsidiaries; Cluster 2: Market Explorers Subsidiaries and Cluster 3: Aspirants to SRS - Strategically Relevant Subsidiaries. (For more information, please contact: Felipe Mendes Borini, ESPM, Brazil: fborini@espm.br)

The Location Choice of Cross-border Mergers & Acquisitions: The Case of Chinese Firms
Guohua Jiang, Temple University
Feng Zhang, Rutgers University

This paper examines the location decision on cross-border mergers and acquisitions (M&As) of developing-country multinational corporations (MNCs). By looking at motivations that may influence Chinese firms to merge/acquire a developing-country firm or a developed-country firm, we find, from 166 cross-border M&As deals by Chinese firms, that strategic asset-seeking, in particular technology-seeking, is the major reason for Chinese firms to expand internationally to merge or acquire firms from developed countries. While, Chinese firms aim to access to natural resources through their M&As of other developing-country firms. This study also has some important implications on the catch-up of developing-country firms, and bridges the literatures of M&As and those of foreign direct investment (FDI). (For more information, please contact: Guohua Jiang, Temple University, USA: guohua.jiang@temple.edu)

Institutional Duality and Emerging Country MNEs
Abdulrahman Chikhouni, Concordia University
Gwyneth Edwards, Concordia University
Mehdi Farashahi, Concordia University

With the growth of MNEs from emerging countries, the applicability of Western IB theories in the context of emerging nations is brought to light. We propose that the degree of subsidiary institutional duality, presented by conflicting institutional pressures from within the MNE and external host environments, is influenced by the home country of the MNE parent, specifically as either a developed or an emerging economy. We argue that subsidiaries of emerging-nation MNEs experience less institutional duality than developed-nation MNE subsidiaries, when embedded in either developed or developing nations. In support of current theory, we expect both emerging and developed nation MNEs to experience moderate institutional duality when their subsidiaries are operating in nations similar to their parent. Conversely, when institutional distance between the home and host country is large, we expect emerging-nation MNEs to be faced with less dual institutional pressures than their developed-nation counterparts, and to seek legitimacy under minimal conflict. Using a dynamic model of institutional duality, we support and provide evidence for the argument that international business research must take both an etic and emic approach towards the development of IB theories in order to demonstrate both the similarities and differences between the behaviour of MNEs from emerging nations vis-à-vis developed nations. (For more information, please contact: Abdulrahman Chikhouni, Concordia University, Canada: a_chikho@jmsb.concordia.ca)
Recently, there has been considerable research on the great rise of Emerging Market Multinationals (EMNEs). Yet very few EMNEs are generating a significant portion of their profits abroad, and there is a growing list of failures associated with these firms’ internationalization efforts. This paper summarizes traditional thought on international strategy, explains the historical trajectory of EMNEs, and highlights how EMNEs have adapted to mainstream IB strategy theories. The paper develops a new model of international value creation based on primary and secondary data from the largest firms in Latin America. Specific examples of how to operationalize the model are offered. (For more information, please contact: Flávia de Magalhães Alvim, Fundação Dom Cabral, Brazil: flavia.alvim@fdc.org.br)

**Session: 1.1.13 - Interactive**  
**Track: Track: 4 - Global Strategy, Alliances, and Competitiveness**

**Internationalization & Global Strategy**

**Presented On:** June 27, 2010 - 09:00-10:15

**Chair:** Subramanian Rangan, INSEAD

**Viewing through New Lens: A Coevolution-Based Perspective of Offshore Outsourcing**  
Somnath Lahiri, Illinois State University

Offshore outsourcing of business functions is widely practiced by firms in advanced economies. Although scholars have argued for various theoretical perspectives in explaining its nature and implications, a coherent explanation of how crucial factors that aid this growing phenomenon coevolve has not been offered. Further, a potential gap in the extant literature concerns inadequate simultaneous attention to clients and providers—the key actors in offshore outsourcing. With an aim to fulfill these research gaps, we provide in this paper an integrated framework wherein we delineate various institutional and organizational factors that coevolve to enable engagement of clients and providers in offshore outsourcing. Our conceptualization draws from information obtained by interviewing 46 executives of 31 firms of the Indian business process outsourcing industry. (For more information, please contact: Somnath Lahiri, Illinois State University, USA: slahiri@ilstu.edu)

**Stumble You Might Fall: How Cluster-based Global Firms use Local Cluster Capabilities in the Knowledge-based Economy**  
Poul Houman Andersen, Aarhus University  
Anne Bøllingtoft, Aarhus University

Despite growing interest in the cluster phenomena as a reservoir of hard-to-imitate knowledge for understanding the differences in the global competitiveness of firms and globalizations’ impact on localization of activities, there has been little research on how globalization impacts on cluster-based firms’ use of local knowledge resources and their combination of local and global knowledge. In a qualitative study of firms in three clusters strongly affected by increasing global division of work, we study how globalization has impacted on firm’s a) use of local cluster-based knowledge, b) integration of local and global knowledge and c) networking capabilities. Using the type of knowledge base in the cluster as a mediating variable, we suggest
that globalization indeed has impacted on how firms use local resources and combine local and global knowledge. Contrary to expectations, clusters with explicit procedures and established global fora for exchanging knowledge are highly active in local knowledge use, whereas firms in clusters which are characterized by a more implicit and sticky knowledge base do not use local knowledge in any significant amount. This has implication for both strategizing and for policy making. (For more information, please contact: Anne Bøllingtoft, Aarhus University, Denmark: anns@asb.dk)

The Relationship between Multinationality and Performance Risk
Nejat Capar, Bilkent University

Researchers in international business and strategic management have long been interested in understanding the relationship between multinationality and firm performance. The general argument in this research stream has been arguing that multinationality has a positive effect on performance. An alternative benefit to international expansion is the reduction in risk performance. However, most of the earlier studies that examined the relationship between multinationality and performance have not focused on this dimension. This study is concerned with the explicit question whether multinationality reduces risk. The empirical examination was based on a sample of 188 U.S. firms from 13 industries. Results show no support for our hypothesis that multinationality reduces risk. Potential reasons and implications are discussed. (For more information, please contact: Nejat Capar, Bilkent University, Turkey: capar@bilkent.edu.tr)

Diversification and Performance in Latin American Firms: Assessing the Impact of Product and Geographic Diversification
Armando Juan Borda, Florida International University
William Newburry, Florida International University

Despite the growing importance of multinationals from emerging countries, relatively few studies have been conducted. This paper explores the relation between diversification and performance in the context of Latin American firms. We explored two dimensions of diversification: international and product diversification. We hypothesized that the internationalization process of Latin American companies is best represented by a quadratic U-shape relation. In addition, we hypothesized a positive main effect of diversification on firm performance, but a negative moderating effect on the M-P relation. Arguments of RBV, TCE and institutional theory are used to support the claims presented in the paper. (For more information, please contact: Armando Juan Borda, Florida International University, USA: abord001@fiu.edu)

Global, Regional and National Strategies: Revisiting the Case of Domestic Appliances
Ling Liu, University of Edinburgh
Chris Carr, University of Edinburgh

Sceptics question the extent of integration within international markets and multinationals and the performance of 'global' (as compared with semi-global, regional or national) players: domestic appliances have been used as almost the 'bell weather' test and demonstration. This paper analyses such trends and performances over the last twenty years. Contrary to expectations, we observed global concentration; substantial geographical expansion by top companies, accompanied by more global strategic orientations; whilst major national players and even powerful regional players have gone. Today's competition is between regional players with global aspirations (mainly from emerging markets) and more globally-integrated incumbents from developed countries. (For more information, please contact: Ling Liu, University of Edinburgh, United Kingdom: ling.liu@ed.ac.uk)
The Business Evolution and the Holistic Approach
Suthikorn Kingkaew, University of Cambridge

The world has observed the rise and fall of different business structures from multi-divisional model which internalizes various functions within firms through to systems integration model in which firms control their related entities through external coordination. This structural change is termed as business evolution as it resembles to natural evolution. Transaction cost and knowledge based views are used to explain this change. As technology progresses, business world first responses by integrating various functions within firms, thus bypassing high transaction costs of external procurements. The arrival of information technology accelerates the flow of information, leading to increase in knowledge of firms and subsequent reduction in transaction cost. This gives rise to a systems integration era when businesses becomes more intertwined in complex global value chains. The author proposes a new “holistic framework” as a way to cope with this complexity. This framework integrates value chain with industry-, resource- and institution-based views. The value chain enables us to analyse individual firm within its interrelated environment, looking at it as a chain of interlinked activities. Furthermore, the incorporation of these three approaches and their interactions should provide a better understanding of possible factors that can influence on firm and its related entities. (For more information, please contact: Suthikorn Kingkaew, University of Cambridge, United Kingdom: sk516@cam.ac.uk)

Session: 1.1.14 - Interactive
Track: Track: 7 - Emerging, Transition, and Developing Economies

Institutional Context and Corporate Governance - 1

Presented On: June 27, 2010 - 09:00-10:15

Chair: Paul Vaaler, University of Minnesota

The Role of the Stock Market in the Provision of Islamic Development Finance: Evidence from Sudan
Bruce Hearn, University of Leicester
Jenifer Piesse, King's College London
Roger Strange, University of Sussex

This paper assesses the impact of stock exchange funding in the shari'ya compliant Islamic economy of Sudan. Evidence suggests that while Islamic financial instruments have considerable potential in facilitating development finance through their emphasis on partnership this is better achieved by the banking system rather than the Khartoum stock exchange. A case study of the Sudan Telecommunications company shows that larger firms able to cross-list elsewhere are likely to choose regional markets in preference to their domestic one thus benefiting from lower costs of equity. However, governance preferences are likely to favour block shareholders following the Islamic finance partnership concept (For more information, please contact: Bruce Hearn, University of Leicester, United Kingdom: bruce.hearn@kcl.ac.uk)

Business Group Diversification and Performance
Angeline, Te-Yi Lin, National ChengChi University
Tom, Cheng-Wen Yao, Yuan Ze University

As a distinctive phenomenon of emerging countries, business groups receive much attention of practitioners and academics. Although many studies examine the relationship between diversification and business group performance, most of them focus on the relationship between diversification and a member firm’s performance. Due to the nature of business groups, and to explore the bigger picture of business group performance, this study proposes that the impacts of diversification on a business group are different from those on a single firm. This study explores the impacts of different diversifications on business group performance.
An OLS multiple regression model was used to test the hypothesis. Results based on 100 high-tech business groups show that diversification is beneficial to a business group. All three types of diversification, including related diversification, unrelated diversification, and geographic diversification, are positively related to business group performance. This finding indicates that a business group performs better when it diversifies internationally and into different industries. (For more information, please contact: Angeline, Te-Yi Lin, National ChengChи University, Taiwan: linteli@nccu.edu.tw)

**Multinationalization and Efficiency of Banking Sectors in South-East Europe**

Yiwei Fang, Rensselaer Polytechnic Institute
Iftekhar Hasan, Rensselaer Polytechnic Institute
Katherin Marton, Fordham University

As the second decade of economic transition of South-Eastern European (SEE) countries draws to an end, through an arduous process of restructuring, countries in the region developed a privately-owned banking sector. Major participants in this restructuring were foreign subsidiaries of multinational banks from Western Europe. For the future accession of SEE countries to the European Union (EU) competitiveness of their banking sectors with EU membercountries is a prerequisite. We analyze cost and profit efficiency of banking sectors in SEE countries where major political turbulence delayed development of the financial sector by about a decade. We investigate financial data for 186 banks in 8 SEE countries for the 2000-2008 period and compare it to 8 countries in the Central European region that already joined the EU. We find, that on average, banking sectors in SEE operate at lower cost efficiency but higher profit efficiency than their CEE counterparts. We also find that foreign ownership is not a significant factor in cost efficiency, rather market power of banks, and progress in institutional development have a significant impact. (For more information, please contact: Katherin Marton, Fordham University, USA: marton@fordham.edu)

**A Panel Data Study of Foreign Banks in Transition Countries**

Jennifer Foo, Stetson University
Dorota Witkowska, Warsaw University of Life Sciences

The banking and financial development of European transition countries remains relatively underdeveloped. A sound banking system is essential for the successful development of a market economy. Numerous studies investigate the economic and financial progress in transition countries but few investigates the foreign banks’ impact on the countries’ financial development. This paper investigates what factors attract foreign banks penetration into transition countries using a panel data study. Our results show that foreign banks are attracted to transition countries by factors that improve the health of the domestic financial sector through continued reforms. Lastly, policy choices are inferred from the analysis. (For more information, please contact: Jennifer Foo, Stetson University, USA: jfoo@stetson.edu)

**Connecting Growth-Development Theories to the Country Risk Literature: Theoretical Tales Conceiving FDI Flows to Developing Countries**

Marcos Carvalho Sena, University of Forlaleza

Importance given to internal features of developing countries has propitiated the emergence of a literature that is very relevant to entrepreneurial decisions to invest abroad, in terms of mapping the risks involved in such a venture. The country risk literature in the international business field is precise in pointing to key-variables related to multinationals’ decisions to invest, upon constraints tied to domestic weaknesses of less-developed countries. Despite the relevance of that literature, a link connecting its empirical record with key-variables specified by growth-development theories is still missing. In the country risk empirics, flows of FDI are shown to be negative and significantly correlated to political instability, high levels of corruption and ethnic tensions, as well as institutional weaknesses related to unimplemented or delayed reforms, all of which growth-development
theories have elected as important variables to study underdevelopment in poor countries. As its main contribution, this article aims to bridge the two sides by summarizing part of the growth-development literature and connecting it to the international business country risk empirical record. (For more information, please contact: Marcos Carvalho Sena, University of Forlaleza, Brazil: amsena@unifor.br)

Session: 1.2 - Plenary

Future of Scholarship and Academic Careers in the IB Field: A Dean’s Perspective

Presented On: June 27, 2010 - 10:45-12:15

Chair: Pankaj Ghemawat, IESE Business School

Participants:
- Julian Birkinshaw, London Business School
- P. Christopher Earley, University of Connecticut
- Maria Tereza Fleury, Fundacao Getulio Vargas
- Hildy Teegen, University of South Carolina
- George Yip, Erasmus University
- Srilata Zaheer, University of Minnesota

(For more information, please contact: Pankaj Ghemawat, IESE Business School, Spain: Pankaj@ghemawat.org)

Session: 1.3.1 - Panel
Track: Track: 3 - IB Theory, FDI, and Entry Mode

Stephen Hymer’s Contribution to International Business Scholarship @50 (State-of-the-Art Session)

Presented On: June 27, 2010 - 13:30-14:45

Chair: Christos N Pitelis, University of Cambridge
Chair: Jean J. Boddewyn, Baruch College, CUNY

Stephen Hymer – The Elvis Presley of International Business
- Peter J. Buckley, University of Leeds

The Multinational as a “Social Community”: A Hymerian Critique
- Mo Yamin, University of Manchester

The Theory of International Operations: Building a Bridge between the Early and Later Hymer
- Grazia Ietto-Gillies, London South Bank University

Stephen Hymer and the Political Economy of Globalisation
- Christos N Pitelis, University of Cambridge

Presented On: June 27, 2010 - 13:30-14:45

Chair: Hafiz Mirza, UNCTAD

Panelists:
Sarianna Lundan, University of Bremen
Axele Giroud, University of Manchester
L. Jeremy Clegg, University of Leeds

(For more information, please contact: Hafiz Mirza, UNCTAD, Switzerland: h.r.mirza@bradford.ac.uk)

Session: 1.3.3 - Competitive
Track: Track: 1 - Institutions, Governance, and CSR

Theories on the Relationships Among Business, Government and Society

Presented On: June 27, 2010 - 13:30-14:45

Chair: Hildy Teegen, University of South Carolina

The Making of a Global Citizen: Foundations, Meaning and Approaches
José R. de la Torre, Florida International University
Corinne B. Young, Saint Leo University

This paper traces the origins of the concept of global citizenship, or “cosmopolitanism,” and compares current views on its meaning and application with the efforts made by management schools around the world to implement its precepts. The rights, duties, and obligations of a citizen of a sovereign state are still fundamental to civil society. However, the increasing interconnectedness of the world requires us to recognize that these are no longer confined to national boundaries and that many global issues require global civic responses. To the extent that issues transcend boundaries – morally and physically – only responsible global citizens can ensure the sustainability of the earth and its inhabitants. How then should global citizenship be defined? Where from does it derive legitimacy? What does it mean for business leaders in terms of their responsibilities? How can it be taught? The paper first discusses the antecedents and historical roots of global citizenship and examines its different dimensions. Next we relate these to the issue of sustainability and define some of the values, attitudes and obligations associated with various interpretations of global citizenship. Finally, we survey the world of business education and summarize what teachers and scholars are doing to propagate these concepts to their students and organizational clients, and conclude with some suggestions for further work in this area.

(For more information, please contact: José R. de la Torre, Florida International University, USA: jose.delatorre@fiu.edu)

Embedded Neoliberalism: Replacing the False Prophets of Homo Economicus with Homo Therian
Witold Jerzy Henisz, University of Pennsylvania

The history of economic policymaking over the past two centuries has been characterized by a cyclical competition between economic policymakers promoting liberalism and regulation. Victories by proponents of one ideology or another led to subsequent policy shifts which subsequently collapsed amidst their own internal
contradictions with their ideological advocates discredited as the cycle began anew. As we soak in the implications of the “End of Neoliberalism” (Stiglitz, 2008), are we doomed to repeat the cycle by turning to heavy handed regulation or have we observed and learned from a sufficient number of cycles to allow for a break in the pattern? I draw insight for this analysis from the capitalists who contributed to the lengthening of the long nineteenth century in their response to the demands of the Progressive era. Managerial training and economic theory were at that time embedded within social science more broadly. Self-interest was mated to the greater problems of society. Using the formalism and greater understanding of human behavior developed in recent years, I call for a return to this conception of socio-politically embedded markets. (For more information, please contact: Witold Jerzy Henisz, University of Pennsylvania, USA: henisz@wharton.upenn.edu)

**Beyond the Hype? Expanding Research at the “Bottom of the Pyramid”**
Shahzad Ansari, University of Cambridge
Kamal Munir, University of Cambridge
Tricia Gregg, University of Cambridge

Recent events and trends in the globalization of business and strategy have highlighted both the successes and failures of market-led economic growth. This has led to an increase in the public's expectations of business's role in society as well as mounting business effort to address sociopolitical and environmental issues. Within these developments, an emerging strategy discourse, Bottom of the Pyramid (BoP) strategies, has particularly interested academics and practitioners. We critically examine the emergence and evolution of BoP strategies in the theoretical literature and compare its anticipated outcomes to the growing body of empirical evidence. We then draw on another literature in the globalization discourse to usefully extend the existing BoP concept, and suggest areas for further theory building and empirical research. We offer a typology of BoP ventures; market driven, distribution driven, production driven, and knowledge driven, and suggest appropriate levels of public-private involvement for each of these types to achieve the desired social and economic aspirations. (For more information, please contact: Shahzad Ansari, University of Cambridge, United Kingdom: s.ansari@jbs.cam.ac.uk)

**International Business and the Quest for Energy Security: (How) Does Government Policy Affect Managerial Behavior?**
Yujin Jeong, George Washington University & HEC Montreal
Robert Weiner, George Washington University

Research on the effects of state participation in international business is hindered by the absence of clear government objectives, making differences between government ad private outcomes difficult to analyze and interpret. This paper examines a dimension of state capitalism wherein governments of some countries have a clearly defined goal - access to natural resources, especially oil. The rapid growth of resource-poor Asian economies, and attempts to purchase natural resource assets, especially by China and India, has led to claims that companies from these countries (and others, such as Japan and Korea), are not undertaking resource foreign direct investment on a commercial basis, a claim vigorously denied by managers of companies from these countries.
If natural-resource investments are undertaken on grounds of energy security rather than on the basis of commercial profitability, some testable implications follow. Using unique transaction level data from a trade source specific to the world oil industry, we examine whether firms from resource-poor countries, both state-owned and private, act in the interest of home-country policy in acquiring natural-resource assets abroad. (For more information, please contact: Yujin Jeong, George Washington University & HEC Montreal, USA: yujin@gwu.edu)
External Sourcing of Knowledge

Presented On: June 27, 2010 - 13:30-14:45

Chair: Felipe Monteiro, University of Pennsylvania

Technological Innovation Strategies of Multinational Corporations: The Strategic Access of External Technological Knowledge
Feng Zhang, Rutgers University

This study investigates the pattern of internal and external knowledge access by the overseas subsidiaries of multinational corporations (MNCs) located in China. It uses patents granted to the world largest firms by the US Patent and Trademark Office for inventions attributable to their subsidiaries in China between 1996 and 2005. We found that the internal and external knowledge sources of overseas subsidiaries might be differently connected to generate new knowledge in locally distinctive ways. In particular, international external knowledge may sometimes be accessed instead of local external knowledge as the major source for technological knowledge accumulation across fields. Further investigation suggests that overseas subsidiaries located in non-traditional 'centers of excellence' might follow a distinctive path of capability development. Moreover, while our study is consistent with the suggestion that firms tend to draw upon external non-core technological knowledge to complement internal R&D in their core areas, we further found that only certain categories of non-core knowledge are strategically sourced relatively more externally than is core knowledge. (For more information, please contact: Feng Zhang, Rutgers University, USA: fengz@pegasus.rutgers.edu)

Integration of International Market Information in New Product Development - A Stage-specific View
Holger Ernst, WHU - Otto Beisheim School of Management
Mohan Subramaniam, Boston College
Anna Dubiel, WHU - Otto Beisheim School of Management

In this study we develop and test a conceptual model for integrating international market information in three generic stages of the global NPD process (concept development, product development and commercialization). In addition, we examine whether international experience and international innovation culture influence the impact of integrating international market information in the different stages of global NPD. We develop a theoretical framework and test our arguments on an empirical base constituting responses from 138 business units from five German industries. (For more information, please contact: Anna Dubiel, WHU - Otto Beisheim School of Management, Germany: anna.dubiel@whu.edu)

The Impact of Complementarity of Firms’ Internal and External Resources on Innovation Capabilities
Masaaki "Mike" Kotabe, Temple University
Crystal X. Jiang, Bryant University
Janet Y. Murray, University of Missouri St. Louis

What are the factors that affect the innovation capabilities of firms in emerging economies: firms’ internal resources, external resources, or the complementarity of both? In surveying 106 Chinese executives, we find that firms’ internal resources have the strongest effect on their incremental innovation, whereas the complementarity of firms’ internal- and external resources exerts the strongest influence on their radical innovation. We provide theoretical and practical implications of these findings. (For more information, please contact: Crystal X. Jiang, Bryant University, USA: cjjiang1@bryant.edu)
Multinational Enterprises, Development and Globalisation: Some Clarifications and a Research Agenda
Rajneesh Narula, University of Reading

This paper revisits our earlier contribution and reconsiders how economic globalisation has affected opportunities and challenges for developing countries in following an MNE-assisted development strategy. The growing share of industrial activity owned and/or controlled by MNEs has not – by and large- led to a proportional increase in sustainable domestic industrial growth. Particular attention is paid to how MNEs have proactively responded to globalisation by modifying their strategies, spatial organisation and the modalities by which they interact with host economic actors, and how these changes change our understanding of MNEs and development. We examine what has been learnt over the last decade about embeddedness, institutions, inertia, absorptive capacity, spillovers and linkages, and how it can explain the success of some countries (or regions) in promoting growth, and the failure of others. We highlight the need for systematically linking MNE and industrial policies. Attracting the ‘right kinds’ of MNE activity remains important, but greater heterogeneity of MNE activity and host locations requires greater customisation of policy tools. (For more information, please contact: Rajneesh Narula, University of Reading, United Kingdom: r.narula@reading.ac.uk)

The Liability of Foreignness Reconsidered: New Insights from the Alternative Research Context of Transforming Economies
Harun Emre Yildiz, Stockholm School of Economics
Carl F. Fey, Stockholm School of Economics

Institutional theory has been increasingly used to decipher implications of the liability of being a foreign firm. Earlier studies have argued that multinational corporations bear social costs arising from lack of legitimacy and, thus, need to engage in isomorphism to increase their likelihood of survival. Drawing on postconscious institutionalization and insights gained from considering transforming economies, this study reconsiders the espoused relationships among legitimacy, local isomorphism, and overcoming the liability of foreignness. We argue that idiosyncrasies of transforming economies could engender (1) varying levels of need for gaining legitimacy of local constituents and (2) alternative ways other than local isomorphism for gaining legitimacy from local institutional actors. (For more information, please contact: Harun Emre Yildiz, Stockholm School of Economics, Sweden: emre.yildiz@hhs.se)

Do the Same Rules Apply? Strategic Logics of Doing Business in Emerging Markets
Douglas Lars Johansen, Jacksonville University/Florida State University
Gary Knight, Florida State University

Emerging markets (EMs) present distinctive challenges for foreign firms seeking to do business in them. Simultaneously, EMs offer huge, new international opportunities with potential for fast, profitable growth. Given that EMs differ from countries that firms have traditionally targeted, it is useful to investigate the extent to which firms must apply different rules - that is, distinctive strategic logics - in order to succeed in such markets.
In developed markets, scholars have argued that firms should develop a market orientation as a foundation for marketing capabilities that lead to superior performance. Market orientation can help the foreign firm deepen its understanding of the EM, and devise appropriate marketing and other approaches accordingly. At the same time, scholars also recognize the utility of having an entrepreneurial orientation for attaining success in new or challenging markets. Using data from a sample of 369 firms, we investigate these issues in detail. We examine the relationship between international market orientation and international entrepreneurial orientation and how the context of Emerging Markets modifies international performance. After reviewing findings, we review the resulting theoretical and managerial implications. (For more information, please contact: Douglas Lars Johansen, Jacksonville University/Florida State University, USA: dlj06@fsu.edu)

The Advantage and Disadvantage of Foreignness in Acquisitions during Crisis Periods

  Wenjie Chen, George Washington University
  Gabriela Contreras, University of Michigan
  Alvaro Cuervo-Cazurra, University of South Carolina

We analyze differences in the post-acquisition performance of target firms in developing countries that are acquired by foreign and domestic firms in and out of periods of crisis. We challenge the fire-sale hypothesis that argues that foreign investors have an advantage of foreignness in periods of crisis because they can buy assets cheaply. Instead, we argue that in periods of crisis, foreign and domestic investors alike can purchase assets on the cheap, but foreign investors face a disadvantage of foreignness because of the higher level of asymmetric information than domestic companies. Foreign acquirers buy more profitable targets than domestic acquirers, thanks to relatively easier access to funds during crisis periods. At the same time, however, asymmetries in information are exacerbated in periods of crisis such so that targets acquired by foreign acquirers suffer worse post-acquisition performance than those acquired by domestic acquirers despite exhibiting higher pre-acquisition performance. (For more information, please contact: Wenjie Chen, George Washington University, USA: chenw@gwu.edu)

Session: 1.3.6 - Competitive
Track: Track: 2 - International Marketing Management and Supply Chain

Crisis Impact on Marketing

Presented On: June 27, 2010 - 13:30-14:45

Chair: Arnold Schuh, WU Vienna

The Performance of Global Brands in the 2008 Financial Crisis

  Johny K. Johansson, Georgetown University
  Claudiu V. Dimofte, Georgetown University

ABSTRACT

Previous research has demonstrated that high brand equity helps reduce volatility in the stock market. This suggests that the leading global brands should perform better than other brands in a down market. This research investigates how 58 of the top global brands fared in the stock market downturn in the Fall of 2008. The results are not supportive of the hypothesis. On average, the top global brands performed worse than the market. The 29 global brands with highest equity performed slightly better than the 29 with lower equity - but lagged behind them in four daily upturns. Controlling for fundamental financial factors and industry effects shows that global brands have no advantage over other brands in a down market. (For more information, please contact: Johny K. Johansson, Georgetown University, USA: johanssj@georgetown.edu)
Is there Another Side to the “Blame Game”? Investigating the Influence of Home Country Image in an Organisation Crisis Situation

Roberta Carolyn Veale, University of Adelaide
Vinh Nhat Lu, University of Adelaide
Braden Cichinski, University of Adelaide

Organisational crises are increasing more common, often threatening organisational viability. Nevertheless, the influence of Country Image (CI) in a crisis management (CM) public relations context is significantly under researched. This study investigates the ability of home CI of an organisation to influence attribution of blame and trust, both antecedents of consumer future purchase intentions, post an organisational crisis. Using a two (country) x three (crisis type) experimental design, we collected data from 375 consumers. We found the organisation originating from the country with the more favourable CI (England) was held significantly less accountable than that with a significantly less favourable CI (China) for two of the three crisis types tested, enjoying higher levels of trust and purchase intensions. The English company was found equally accountable as the Chinese company for the preventable crisis type; however, attribution was still lower for them with trust and purchase intensions higher. These results reveal the potential benefits for organisations with positive CI, and the increased risks for organisations from countries with negative CI associations. This study contributes to the theoretical development of both CM and country-of-origin (COO) literature, providing international business practitioners with a sound understanding on the nature and orientation of any CI biases and how to develop and implement the most effective CM strategies to exploit or diminish such biases. (For more information, please contact: Roberta Carolyn Veale, University of Adelaide, Australia: roberta.veale@adelaide.edu.au)

Who's to Blame? Consumers’ Attribution of Blame in Product-Harm Crises Involving Hybrid Products

Etayankara (Murli) Muralidharan, University of Manitoba
Sergio W. Carvalho, University of Manitoba
Hari Bapuji, University of Manitoba

In this research, we study consumers’ attribution of blame in a product-harm crisis involving hybrid products. Our findings suggest that in a hybrid product recall, consumers have a bias in favor of the brand company and against the manufacturing company. Particularly, these biases are more pronounced when consumers are unfamiliar with the brand of the recalled product or the product recalled is manufactured in a country with a weak reputation. Finally, we found that following the recall of an unfamiliar product made in a low reputation country, consumers assess the quality of other products manufactured in the same country to be lower. Our findings have important implications for research on attribution theory, information discounting, and product-harm crisis. (For more information, please contact: Sergio W. Carvalho, University of Manitoba, Canada: carvalho@cc.umanitoba.ca)

The Effect of CSR Reputation on Consumer Preference and the Role of Individual and Societal Values

Burcu Tasoluk, Sabanci University
Rajeev Batra, University of Michigan

Across 30 countries, we study whether a company’s corporate social responsibility (CSR) reputation impacts the evaluations of its brands more among consumers and countries that place a greater importance on life-values reflecting collective welfare, such as universalism and benevolence, than among individually-oriented values such as hedonism, power and achievement (Schwartz, 1992). Using data from 30,000 consumers on 36 brands in 6 categories, we find that this is indeed the case, at both the individual consumer and societal (national values) levels. Implications are drawn for researchers as well as corporate and brand managers seeking to increase the attitudinal impact of their CSR activities. (For more information, please contact: Burcu Tasoluk, Sabanci University, Turkey: tasolukb@sabanciuniv.edu)
Using Simulations to Teach International Business

Presented On: June 27, 2010 - 13:30-14:45

Chair: Denise J. Luethge, Northern Kentucky University

The Corporate Competitive Challenge: Learning Catalyst
Anne Marie Zwerg-Villegas, Universidad EAFIT

Companies seek employment candidates with relevant experience that is indicative of future professional growth. Studies show that the most predictable and sought after qualities in terms of professional growth are the attitudinal skills. Universities have the responsibility of providing the means necessary to develop such qualities, which are not directly developed in the classroom, but rather in activities specifically designed for that purpose. This work narrates the initiative that one academic area shows by incorporating corporate competitive challenges within its program in order to systematically educate the student by integrating theory and practice. (For more information, please contact: Anne Marie Zwerg-Villegas, Universidad EAFIT, Colombia: azwerg@eafit.edu.co)

The Use of a Business Simulator as Tool in the Development of Skills Related to Management of International Business
Gustavo Abib, Universidade Federal do Paraná - UFPR
Luciano Minghini, Universidade Federal do Paraná - UFPR
Cleverson Renan da Cunha, Universidade Federal do Paraná - UFPR

In this document we intend to present an innovative tool to international business education programs based on the concept of business games simulation solutions. We will explain how it’s useful to improve better management skills and develop technical and personal international business competences. (For more information, please contact: Gustavo Abib, Universidade Federal do Paraná - UFPR, Brazil: gustavo@gmail.com)

Using Business Simulations for Assessment of Global Learning Outcomes
Denise J. Luethge, Northern Kentucky University
Ernie Cadotte, University of Tennessee
Claudio Manassero, Insper Business School

This proposal examines the use of an international business simulation to measure student learning using a variety of methods at both the team and individual level. The global simulation is shown to be an excellent tool to assist in the assurance of learning assessment process. It allows us to examine the thought processes, skills and knowledge of our students using multiple methods in order to capture different aspects of learning. Assessment can be conducted at the team level for program assessment or at the individual level for individual student, course and major assessment. Individual instructors can choose from a wide variety of assessment instruments based upon how they structure their class. (For more information, please contact: Denise J. Luethge, Northern Kentucky University, USA: luethged1@nku.edu)
Gender and Family in International Assignments

**Presented On:** June 27, 2010 - 13:30-14:45

Chair: Elizabeth C. Ravlin, University of South Carolina

**Motivation for an international assignment and predictors of expatriate turnover intentions: Does gender matter?**

Charlotte Davis, WU Vienna  
Christof Miska, WU Vienna  
Chei Hwee Chua, University of South Carolina  
Günter K. Stahl, WU Vienna

With the steady increase in the share of female expatriates, the comparison between male and female expatriates has become an increasingly important, and yet under-researched topic in the well-established expatriate careers and expatriate management literature. We conducted an exploratory study of male and female expatriates' motivation to accept an international assignment, satisfaction with company support, repatriation concerns, turnover intentions, and the predictors of their turnover intentions. Based on an international questionnaire survey of 1,509 male and 164 female expatriates, we found that female expatriates are more intrinsically motivated while male expatriates are more extrinsically motivated to accept an international assignment. They are both equally dissatisfied with company support, concerned about their repatriation, and willing to leave their company for a better job in another firm. Nevertheless, they are not influenced by the same set of factors in their turnover intentions. Implications for research and practice are discussed. *(For more information, please contact: Chei Hwee Chua, University of South Carolina, USA: cheihwee.chua@grad.moore.sc.edu)*

Isomorphism, Uncertainty, International Experience, and Expatriate Staffing

Naoki Ando, Hosei University

Applying institutional theory as a theoretical basis, this study explores determinants of staffing policy for foreign subsidiaries. The study proposes that managers at headquarters are subject to dual pressures when making decisions on foreign subsidiary staffing. The dual pressures include adaptation to a host country environment and conformity to an intraorganizational norm. To examine hypotheses regarding determinants of staffing policy for foreign subsidiaries, the study conducts Tobit regressions using data of 1,998 foreign subsidiaries of Japanese firms. The findings show that staffing policy for foreign subsidiaries is positively affected by a parent firm's taken-for-granted staffing policy and the staffing policy adopted by other foreign firms in the same host country and the same industry. The study reveals that positive relationship between a firm's taken-for-granted staffing policy and staffing policy for foreign subsidiaries is strengthened as environmental uncertainty of a host country is greater. In addition, the positive influence of the staffing policy adopted by other foreign firms in the same host country and the same industry decreases as firms accumulate international experience. *(For more information, please contact: Naoki Ando, Hosei University, Japan: nando@hosei.ac.jp)*

Predictors of Expatriation Willingness in Asia: A Role Salience Perspective

Jisun Kim, Korea University  
Fabian Jintae Froese, Korea University

Multinational enterprises need an increasing number of expatriates, yet finding expatriate candidates can be difficult. Prior research found that family matters are a major barrier for individuals to accept expatriate
assignments, while occupational issues are motivating factors. By applying the social role salience theory, this study attempts to explicate how these two major roles (marital and occupational roles) affect employees’ expatriation willingness. Furthermore, the study investigates the direct and moderating effects of host country characteristics such as its economic developmental level and native language. Regression analysis of data from 151 married Korean employees confirmed the direct and moderating effects of occupational commitment. However, unlike prior studies that were based in Western contexts, family matters had no effect on expatriation willingness. Detailed explanations and implications are provided. (For more information, please contact: Fabian Jintae Froese, Korea University, Korea, South: fabian.froese@gmail.com)

Session: 1.3.9 - Competitive
Track: Track: 4 - Global Strategy, Alliances, and Competitiveness

Managing Alliances

Presented On: June 27, 2010 - 13:30-14:45

Chair: Mehmet Genc, Baruch College/CUNY

The Effect of Adverse Selection, Opportunism, and Competitor Selection Problems on Licensing Exclusivity
Preet S. Aulakh, York University
Marshall S. Jiang, Brock University
Sali Li, University of Wisconsin-Milwaukee

Technology licensing provides strategic flexibility for subsequent moves in foreign markets. Firms entering markets through licensing consider two types of strategic flexibility. Granting exclusive rights to a particular firm allows greater coordination flexibility as partners need to cooperate in current operations and collaborate for future moves; while granting non-exclusive rights gives higher redeployment flexibility as a licensor maintains easiness for alternative market entry. One critical factor for licensor firms is the quality of the foreign licensee, as an adverse selection can undermine the success of this market entry strategy. A licensee's absorptive capacity mitigates the adverse selection concerns. However, higher absorptive capacity increases the risk of second-order diffusion whereby an opportunistic licensee can appropriate the licensed know-how for private gains outside the terms of the agreement. We suggest that the foreign market’s intellectual property protection regime (IPR) and licensee’s product substitutability will minimize the secondary appropriation concerns arising from a strong licensee. Empirical results based on 375 international licensing agreements of US firms reported in the SDC database (1995-2008) show that licensee’s absorptive capacity induces a licensor to grant exclusive rights and this relationship is enhanced by the strength of IPR protection but weakened by the licensee product substitutability. (For more information, please contact: Marshall S. Jiang, Brock University, Canada: mjiang@brocku.ca)

An Analysis of Capability Exploitation: Empirical Evidence of International Strategic Alliances in China
Yanni Yan, City University of Hong Kong
Daniel Z Ding, City University of Hong Kong
Wenyu Dou, City University of Hong Kong

The study, by investigating 137 IJVs in China, draws from the extant studies including capability-based view, international marketing and financial economics theory to examine an IJV’s investment, capability exploitation and performance. This study of an IJV’s financial capital and noncapital resource investment considers the analysis of goal and system performance measures. It also examines how investment in an IJV’s management-, marketing- and technology-specific capabilities can increase business investment performance. The results suggest that business investment depends upon the level of control that an IJV’s management is allowed to exercise over its marketing- and technology-specific capabilities in order to attain goal performance. In addition,
the exploitation of an IJV's management-specific capability positively moderates the relationship between investment and corporate system performance. (For more information, please contact: Yanni Yan, City University of Hong Kong, Hong Kong, SAR-PRC: mkyany@cityu.edu.hk)

Effect of Trust, Knowledge Intensity, and Environmental Uncertainty on R&D Alliance Formation: An Examination of German SMEs

Debmalya Mukherjee, University of Akron
Ajai S. Gaur, Rutgers University
Sanjaya S. Gaur, Auckland University of Technology
Florian Schmid, Roland Berger Strategy Consultants

This study examines the effect of uncertainty, trust, and knowledge intensity on the formation of R&D alliances among 854 German small and medium size enterprises (SMEs). We develop our arguments based on relational capital theory and transaction cost theory to suggest that environmental uncertainty and knowledge intensity are critical factors that impede firms' R&D alliance formation. However, the focal firms' overall trust on its partners enhances alliance formation. Moreover, we find evidence to suggest that the negative effect of environmental uncertainty and knowledge intensity on alliance formation is weakened as the level of trust increases. We discuss implications of these findings and offer directions for future research. (For more information, please contact: Debmalya Mukherjee, University of Akron, USA: dmukher@uakron.edu)

Session: 1.3.10 - Interactive
Track: Track: 6 - Innovation and Knowledge Management

Performance Effects of Knowledge Diffusion

Presented On: June 27, 2010 - 13:30-14:45

Chair: Eleanor Westney, York University

Does External R&D Sourcing Increase Innovation?: Evidence from French Manufacturing

Olivier Bertrand, St. Petersburg State University
Michael Mol, Warwick Business School

In their quest to seek new inputs for innovation purposes, firms increasingly tap external sources, both at home and abroad. Therefore the contribution of outside suppliers to innovation is gradually supplanting internal investments, including foreign direct investments. In this paper we investigate how external sourcing of research and development, both at home and abroad, affect a firm's chances of successfully creating product innovations, by studying a large number of businesses operating in France. We build hypotheses using the international management literature and incorporate resource-based and capabilities arguments. We find that sourcing from independent suppliers has a negative impact on product innovation but this negative impact is entirely attributable to domestic sourcing. Foreign sourcing from independent suppliers in fact has a positive effect. Overall, we conclude that while external sourcing is often undertaken when firms lack innovative capabilities, the choice to use independent foreign suppliers can produce innovation benefits. (For more information, please contact: Olivier Bertrand, St. Petersburg State University, Russia: olivier.bertrand@som.pu.ru)
**Knowledge-based Resources, Organizational Learning Orientation and Firm Performance: The Mediating Effect of Organizational Capability**

Li-Qun Wei, Hong Kong Baptist University
Randy, K Chiu, Hong Kong Baptist University

Drawing on the dynamic perspective of organizational capability and the literature of organizational learning, this study posited that knowledge-based resources influences firm performance through its positive effect on organizational capability. Organizational learning orientation was proposed and tested to moderate the positive relationship between knowledge resource and firm performance. Moreover, a mediated moderation model was further tested and the effect of interaction between knowledge-based resources and learning orientation on firm performance was found to be mediated by organizational capability. Implications were discussed as well. *(For more information, please contact: Li-Qun Wei, Hong Kong Baptist University, Hong Kong, SAR-PRC: weiliqun@hkbu.edu.hk)*

**Global R&D Network and Its Effect on Innovation**

Changsu Kim, Ewha Womans University
Jong-Hun Park, Sogang University

We examine innovation impact by analyzing science intensity and network positions of firms in a global R&D network. By drawing from research on organizational learning and network theory, we empirically evaluate the moderating role of a firm's network position in the relationship between science intensity and innovation impact of the firm. Data derived from the global pharmaceutical industry indicated that the science intensity of a firm enhances the impact of innovation. The relationship was reinforced when the firm possesses network resources derived from the position it occupies in the network of R&D alliances. These results support the notion that the impact of innovation is strengthened by combining internal research capability with external network resources. This study in a global industry network context also enables the exploratory examination of the role of international gatekeepers bridging ties across US, Japanese, and European geographic boundaries. *(For more information, please contact: Jong-Hun Park, Sogang University, Korea, South: johnpark@sogang.ac.kr)*

**Coordination and Knowledge Creation across Borders: A Study of Timely Completion in Internationally Distributed Work**

Metin Onal Vural, London Business School

Interventional clinical trials are complex endeavors requiring contributions to and supervision of the clinical trial process by the sponsors of the trial. Each trial varies on several dimensions including the extent to which complexity plays a role in managing relationships with partners and overseeing distributed tasks related to clinical trial processes. In this study, I analyze the effects of internationalization of distributed work, collocation and proportion of collocated work distribution on the timely completion of clinical trials. Using data from 165 Diabetes trials between the years of 1981 and 2009, I examine the effects of the level of internationalization, partner complexity, geographic dispersion, and country level collocation on the completion of clinical trials. The results show that both internationalization and partner complexity increase the time to completion whereas collocation at country level helps create efficiencies leading to timely completion. However, there are unforeseen benefits to internationalization of distributed work projects as reflected by the negative impact of the proportion of collocated work distribution on project completion. The implications of these findings for theories of internationalization of research and development work, coordination and knowledge management are discussed. *(For more information, please contact: Metin Onal Vural, London Business School, United Kingdom: ovural.phd2006@london.edu)*
Innovation Capabilities and International Competitiveness of Firms: A Quantile Regression Approach
Madan Annavarjula, Bryant University
Anup Menon Nandialath, HEC Paris
Ramesh Mohan, Bryant University

This study employs a broader definition of a firm's technological innovation capabilities that comprise the generation, dissemination and strength of the innovative activity in a firm to predict international competitiveness. The role of Technology Cycle Time is also explored. This paper uses longitudinal data with multiple indicators of firm's technological innovation along with measures of international competitiveness by employing quantile regression of Bayesian Analysis. The quantile regression analysis allowed us to test the impact of innovation capability on average, poor and highly competitive firms internationally. To our knowledge, this is the first time quantile regression has been applied to test the linkage between innovation capability of firm and international competitiveness. (For more information, please contact: Anup Menon Nandialath, HEC Paris, France: nandialath@hec.fr)

The Design Paradox: The Contribution of In-house and External Design Activities on Product Market Performance
Susanne Thorwarth, K.U. Leuven
Dirk Czarnitzki, K.U. Leuven

This paper explores the contribution of design activities on product market performance of Belgian companies. While there is mounting evidence that design can be seen as a strategic tool to successfully spur sales of new product developments at the firm level, the topic of design innovation has not been linked to the open innovation concept yet. In this paper we empirically test whether design activities conducted in-house differ in their contribution to new product sales from externally acquired design. Using a large cross-section of manufacturing and service firms, we investigate the effects on sales of products new to the market and of imitation or significantly improved products of the firm. At first glance, we find the paradox that externally acquired design is not superior to in-house design activities. This effect is robust to several modifications of the model specification. As earlier literature on new technological developments in high-tech sectors, we argue, however, that external design may not affect the sales of market novelties as the “market news” may spill-over quickly to rivals through common customers and suppliers including external designers. (For more information, please contact: Susanne Thorwarth, K.U. Leuven, Belgium: susanne.thorwarth@econ.kuleuven.be)
in the 1998-2003 period. The results of our estimates highlight a ranking of firms consistent with a priori expectations, and provide a clear indication that passive exporters (i.e. using sub-contracting in foreign markets) display lower TFP values as compared to direct exporters. Moreover, only the latter category exhibits higher pre-entry productivity levels and growth rates as well as higher post-entry TFP growth rates. Such findings are consistent with both the self-selection hypothesis and the learning by exporting explanation. (For more information, please contact: Davide Vannoni, University of Torino, Italy: vannoni@econ.unito.it)

Regional Integration and International Strategic Management

Chang Hoon Oh, Brock University
Alan M. Rugman, University of Reading

From the perspective of regional economic integration, we decompose international strategy into regional integration strategy and three types of global strategy (global sales, global production, and pure global integration). Using 1,100 firm-year observations we find that 60% of the largest firms in Europe pursue a regional integration strategy; indeed, the set of European firms average 70% home region to total sales (and assets). We also find that global strategies vary. We find firm specific factors deciding global and regional strategies. R&D capability determines a global production strategy, whereas firm size and managerial capability determine a global sales strategy, as well as a pure global integration strategy. (For more information, please contact: Chang Hoon Oh, Brock University, Canada: coh@brocku.ca)

Firms' Heterogeneity and Internationalisation Choices: Only Productivity Matters? Evidence on Italian Manufacturing Firms

Luigi Benfratello, University of Turin and Ceris-CNR
Tiziano Razzolini, University of Siena

This paper provides evidence on the relative importance of productivity and other firm-level characteristics in affecting firms' internationalisation choices. By using detailed qualitative and quantitative information for a large sample of both large and small-medium sized Italian companies we identify firms engaged in international activities through exports and/or horizontal FDIs and estimate different measures of Total Factor Productivity (TFP). This allows us to provide empirical support to the theoretical prediction of a productivity ranking among domestic firms, exporters, and multinational firms (MNEs). We then estimate multinomial logit models with both TFP and other firm-level characteristics (size, innovative activity, age, ICT adoption, labour composition, group membership, and location in an industrial district) as regressors in order to shed some light on the interplay of all these variables in affecting firms' globalisation choices. We find that i) productivity remains an important driver of globalisation choices although the inclusion of additional firm-level characteristics (notably size, innovative activity, and labour composition) lowers its impact; ii) the other covariates appear to have a direct effect (i.e. not through productivity) on globalisation. These findings support the idea that old and new theories highlight different, only partially overlapping, factors affecting expansion abroad. (For more information, please contact: Luigi Benfratello, University of Turin and Ceris-CNR, Italy: benfratello@econ.unito.it)

Expropriation is the Exercise of an Option: Modeling the Sakhalin-2 Production Sharing Agreement as an American Call Option

Naoya Takezawa, Nanzan University
Katsushige Sawaki, Nanzan University
Marc Bremer, Nanzan University

This research argues that that foreign direct investment effectively writes an option for the host government. A rational host government will exercise its option by expropriating when the value of holding/controlling the investment’s assets and cash flows is greater than the value of keeping the option alive. Expropriation will have a non-trivial exercise cost. This cost will be the immediate expense of nationalization, plus efficiency losses caused by agency problems associated with managing the investment with domestic talent, and loss of future foreign investment. We model a gas/oil production sharing agreement as an American call option on an asset
that has stochastic cash flows similar to dividends. The model has empirical implications for the strategic behavior of foreign direct investors. In particular, investments that include options that are deep-in-the-money are very likely to be expropriated. The foreign investors who write these options should revise their contracts to effectively raise the time value of the option to expropriate. These implications are illustrated with a simplified example of a recent high profile, foreign direct natural resource investment in the Russian Far East by a consortium of Japanese and European companies, the Sakhalin-2 natural gas project. (For more information, please contact: Marc Bremer, Nanzan University, Japan: myxen@bf7.so-net.ne.jp)

Does Inward Foreign Direct Investment Increase Local Firms' Innovative Productivity?
Francisco Garcia Perez, University of Oviedo
Byunghae Jin, University of Maryland
Robert M. Salomon, New York University

Over the past several decades, research in the fields of international business and strategy has devoted increasing attention to foreign direct investment (FDI). It is now well documented that firms engage in FDI either to exploit existing knowledge-based assets, or to seek new knowledge. Despite extensive scrutiny of the motivations for firms to engage in FDI, we know relatively little about the impact of FDI on host country firms, and especially, how inward FDI affects the innovative productivity of those firms. Extant theoretical arguments predict contrasting effects. One line of research suggests positive externalities to host country firms resulting in increased learning. Another line of research highlights the deleterious consequences to host country firms resulting from increased competition. Utilizing data from 1,836 Spanish manufacturing firms from 1990–2002, we investigate the impact of industry-level and firm-level inward FDI on the innovative productivity of host country firms. We find that FDI inflows into Spain at both the industry- and firm- levels negatively influence the ex post innovation of local firms. We contrast these findings with those using measures of labor productivity. (For more information, please contact: Francisco Garcia Perez, University of Oviedo, Spain: fgarciap@uniovi.es)

Session: 1.3.12 - Interactive
Track: Track: 9 - International Economics, Finance and Accounting

Macroeconomics and Exchange Rates

Presented On: June 27, 2010 - 13:30-14:45

Chair: Lemma Senbet, University of Maryland

A Spatial Dependence Panel Estimation of Cross-County Growth Convergence: Incorporating Technology Spillover and Human Capital
Eunsuk Hong, Queen's University Belfast
Laixiang Sun, University of London

This paper advocates a spatial dependence panel model that introduces technology diffusion and human capital into the cross-region growth regression. The process of derivation leads to a spatial dynamic model and provides a strong link between empirical spatial econometrics in growth regression and the economic growth literature. An application of this model to the study of cross-country growth over the period 1980-2004 indicates that economic growths are spatially correlated, which highlights the significance of technology diffusion. Furthermore, by taking into account spatial dependence, the speed of conditional convergence becomes faster for both standard Solow model and augmented Solow model with human capital. This result highlights the essential importance of technology diffusion in shaping the pattern and dynamics of cross-country growth. (For more information, please contact: Eunsuk Hong, Queen's University Belfast, United Kingdom: e.hong@qub.ac.uk)
**Investment and Financial Constraints in an Emerging Market - Brazil**

Vicente Lima Crisóstomo, Universidade Federal do Ceará  
Félix Javier López Iturriaga, Universidad de Valladolid  
Eleuterio Vallelado González, Universidad de Valladolid

Dynamic investment models are estimated for a panel dataset of Brazilian companies for the time period 1995-2006. A preference for financing sources may arise as a consequence of market imperfections making investment and financing decisions not independent. The models estimated in this work are based on the Euler equation for optimal capital accumulation in the presence of convex adjustment costs, and controls for previous investment, output fluctuations, cash flow and leverage. Although the recent institutional changes in Brazil and advances in its capital markets, the results show that the Brazilian firm faces financial constraints since it has its investment strongly dependent of internally generated funds.  

Keywords: investment, financial constraints.  
*For more information, please contact: Vicente Lima Crisóstomo, Universidade Federal do Ceará, Brazil: vlc@ufc.br*

**Examining the Global Reach of the 2008 U.S. Economic Downturn**

Yener Kandogan, University of Michigan-Flint

This article analyzes how the 2008 U.S. economic downturn propagated through the global trading system creating a contagion around the World. Consistent with previous global crises, and the reach and impact of this crisis is not the same across different regions. This article contributes to the literature on contagion by examining the effect of dependency on country of origin of a crisis, openness to international trade, and the role a country plays in the global trading network to explain the variation in the reach and the impact. The article concludes with recommendations to avoid such future contagion or reduce its impact.  

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**Nonlinear Foreign Exchange Exposure: Evidence from Brazilian Companies**

Jose Luiz Rossi, Insper Institute of Education and Research

The paper analyzes the exchange rate exposure of a sample of non-financial Brazilian companies from 1999 to 2009 using a smooth transition autoregressive model (STAR). The results confirm the importance of using nonlinear models to address companies’ exchange rate exposure. The results indicate that when compared to the linear model commonly used in literature, the nonlinear model leads to an increase in the number of firms exposed to exchange rate fluctuations, which allows a more accurate analysis of the impact of exchange rate fluctuations on the value of the firms.  

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**Exchange Rate Exposure, Foreign Currency Debt and the Use of Derivatives: Evidence from Brazil**

Jose Luiz Rossi, Insper Institute of Education and Research

This paper studies the exchange rate exposure and its determinants for a sample of non-financial Brazilian companies from 1996 to 2006. The results indicate that the number of firms exposed to exchange rate fluctuations is higher in periods of crisis and under a fixed exchange rate regime. In addition, the results point out that although companies’ international activities, operational hedging and financial policies are important determinants of firms’ exposure, the changes in companies’ exposure that took place when the country moved from a fixed to a floating exchange rate regime were mainly driven by changes in companies’ foreign currency borrowing and the use of derivatives that occurred in the period.  

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Born Global Firms

Presented On: June 27, 2010 - 13:30-14:45

Chair: Gillian Sullivan Mort, La Trobe University

Quasi-Born Globals: Do They Deserve a Specific Approach?
Vitor Corado Simões, ISEG, Universidade Técnica de Lisboa
Pedro Tiago Capao, Technical University of Lisbon
Rui Manuel Cartaxo, Technical University of Lisbon

The literature on Born Global firms has steadily expanded in the last 15 years. The first inroads on the subject showed a new breed of firms, taking a global approach since inception and showing a significant commitment to international business growth.

In this paper we aim to contribute to the advancement of the understanding of BGs. The case of a medical software service provider will be presented and discussed. This case enables to address three relevant questions in connection with the BG phenomenon: the scope of BG definition, the relevance of the business model and the geography of internationalisation. In particular, it leads to introduce the concept of quasi-BG.

Our case study indicates that having a global product may not be enough for BGs' sustainability. The global product needs to be protected and leveraged by a consistent business model, which makes imitation difficult. The process of adjustment of the business model observed in our case study may be more common than the BG literature suggests.

Our conclusions with regard to geography are mixed. Our case challenges some views that geography-oriented and incremental approaches are dead although things might be different for companies with internet-based business models. (For more information, please contact: Pedro Tiago Capao, Technical University of Lisbon, Portugal: ptcapao@gmail.com)

Bridging the Gap between the Traditional Stages Model and the "Born Global" Multinationals in the Internationalization Process: Toward a New Insight through a Network Perspective
Jeongho Choi, Rutgers University
Javier Cuervo, University of Macau
Joseph Sy-Changco, University of Macau

This theory paper seeks to bridge a theoretical inconsistency between the traditional stages model and the born global perspective in the study of internationalization of companies. We revisit the theoretical gap to identify what factors and levels of analysis have been missing, and integrate a network perspective for a richer understanding of the fast internationalization phenomenon. We ask why and how firms may skip a step entirely, or take further steps in the entire internationalization process. We offer a new approach toward the study of internationalization by considering the country level uncertainties, and tracing the firm level network. (For more information, please contact: Jeongho Choi, Rutgers University, USA: jhochoi@pegasus.rutgers.edu)
Understanding the Pace, Scale and Pattern of Firm Internationalisation: An Extension of the ‘Born Global’ Concept

Robert Graham Jack, Macquarie University
Murray Taylor, Macquarie University

Since the growth of the ‘born global’ concept much of the established literature has tended to overlook the development of born global characteristics outside ‘high technology’ sectors. To further enhance our understanding of the ‘born global’ phenomenon this paper draws on the ‘born global’ literature to identify possible industry influences and common internationalisation behaviours that rapidly internationalising firms are involved with. Five propositions are developed related to the key dimensions of pace, scale and pattern of firm internationalisation. These dimensions incorporate the speed with which a firm internationalises, its choice of markets, its choice of entry mode and the number of markets it enters. The results from a comprehensive case study of four Australian ‘born global’ firms suggest that industry influences may be an emerging factor on the influence of the pace with which a firm internationalises. Other key academic implications for our research include the ongoing importance of psychic distance in the assessment of prospective international markets and that entry mode choice is influenced by the prevailing trends established in each firm’s industry. (For more information, please contact: Robert Graham Jack, Macquarie University, Australia: rob.jack@mq.edu.au)

Too Fast Too Furious? The Survival of Born-Global Firms in the Foreign Market

Sui Sui, Carleton University

Comparing to gradually internationalized firms, do born-global firms have a lower chance of survival in the foreign market? Do born-global firms have a different set of determinants of survival in the foreign market? On an effort to a better understanding of the born-global phenomenon, the purpose of this study is to provide empirical evidence on above questions by comparing the survivability of born-global and gradually internationalized firms in the foreign market. The duration analysis on is applied on 1,959 newly established small and medium-sized Canadian exporting manufacturers for the period of 1997-2005. The unique longitudinal data set that used in this study is constructed by linking multiple large-scale administrative data sources. With all else held constant, the probability of survival of born-global is six percent lower than traditional internationalized firms. After correcting for endogeneity, the probability of survival of born-global is fifteen percent higher, albeit statically insignificant, than traditional internationalized firms. Further, the results reveal that born-global and gradually internationalized firms have notably different advantages and disadvantages while competing in the global export market. (For more information, please contact: Sui Sui, Carleton University, Canada: sui.sui.66@gmail.com)

The Impact of Global Crisis on the Performance of New Ventures

Susan Freeman, University of Adelaide
Ryan Trudgen, Monash University

An assessment of the appropriate measures for evaluating the performance of new ventures (NVs) from other smaller and older firms remains an unfilled gap at the juncture of the literature between international entrepreneurship and strategy. Strategic choices are not only determined by industry conditions and firm capabilities, but are also a manifestation of the formal and informal constraints of a specific institutional framework that managers face. Why are some managers able to manage these constraints? The managerial orientation of NV managers was identified as a key factor in how they perceive and manage risks, such as a global crisis. Integrating industry-based view, institutional based-view and international entrepreneurship theory we extend understanding by exploring how NV performance is vulnerable during a global crisis, but why some NV managers are able to develop strategies (flexible, adaptive and predictive) to manage the turbulence, which we describe as entrepreneurial acclimatisation perspective. (For more information, please contact: Susan Freeman, University of Adelaide, Australia: susan.freeman@adelaide.edu.au)
**A Theoretical Framework of New Venture Creations within Business Group**

Qian Gu, National University of Singapore  
Chi-Nien Chung, National University of Singapore  
Jane Lu, National University of Singapore

We provide a framework for studying the business group's entrepreneurial behaviors in the emerging economy. Drawing on network theory and firm behavioral theory, we argue that business group's decision of new venture creations is concurrently determined by the group's network structures and key leader behaviors. Specifically, we theorize about how the intra-group and the extra-group networks function and interact to shape business group's likelihood of new venture creations. We also explain whether and why key leaders of the founder generation differ from those of the successor generation in their propensity to take risk and form new firms.  
*(For more information, please contact: Qian Gu, National University of Singapore, Singapore: guqian@nus.edu.sg)*

**Constituting Dimensions of Early Internationalizing Firms: Towards a Common Framework**

Lydia Bals, Copenhagen Business School  
Heather Berry, University of Pennsylvania  
Evi Hartmann, Friedrich-Alexander-University of Erlangen-Nuremberg  
Gordian Raettich, Friedrich-Alexander-University of Erlangen-Nuremberg

From both an entrepreneurial and international business vantage point, quick and early internationalization of firm value chain activities can allow firms to be as efficient, effective and competitive as possible right from the start. Nevertheless, the terms used to describe early internationalizing firms, as for example ‘born globals’ or ‘international new ventures’, currently have a multitude of interpretations and operationalizations. Based on a systematic literature review, we propose four criteria to distinguish these firms, including timing of foreign entry, business functions, ownership, and extent of multinationality. Thus, we seek to extend the current discussion and research efforts and embrace a broader perspective based on extant literature on early internationalizing firms.  
*(For more information, please contact: Lydia Bals, Copenhagen Business School, Denmark: lydia.bals@web.de)*

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**External Sourcing of Knowledge**

**Presented On:** June 27, 2010 - 13:30-14:45

Chair: Kazuhiro Asakawa, Keio University

**A Comparative Study of MNEs' Technology Networks in the Host Country—Motorola, Nokia, IBM and Microsoft in China**

Chan Hsiao, National Central University

This paper compares the technology networks of MNEs with the innovation systems in the host country. Based on MNE network and innovation theories, this paper develops the framework of the MNE’s technology networks. In addition, the mechanisms of building the technology network are classified into five taxonomies from ‘technology spillover’, ‘technology transference’, ‘technology cooperation’, ‘technology co-research and development (co-R&D)’, and ‘technology infrastructure establishment’. This paper adopts a comparative case study approach utilising both quantitative and qualitative methods. The four ICT companies, Motorola, Nokia, IBM and Microsoft, are selected as the comparative cases. The findings show that Motorola China is the ‘Industry and technology co-R&D type’; Nokia China is the ‘Edu/Sci and technology transference type’; IBM
China is the ‘Edu/Sci and technology co-R&D linkage type’; and Microsoft China is the ‘Industry and technology cooperation type’. This paper makes the theoretical contributions by combining the MNE’s network theories with the R&D internationalization theories. By building a holistic mechanism of technology networks, this paper contributes the mechanisms of building technology networks in the host country. Finally, this paper distinguishes and compares the four typologies of MNE’s technology networks with the application in the context of China. (For more information, please contact: Chan Hsiao, National Central University, Taiwan: hsiaochan@gmail.com)

Strategic Independence and the Localization Benefit of Subsidiaries Internal and External R&D Activities

Jörg Zimmermann, Max Planck Institute of Economics

This article investigates the moderating effect of strategic independence on the localization benefit of internal and external R&D activities. We argue that only internal R&D activities depend on localization gains whereas external R&D activities do not. External knowledge exploration activities are objectively evaluated beforehand by their expected contribution, which doesn’t require tacit local knowledge. Thus it can be done by headquarters as well as the subsidiary. That suggest that headquarters do not have to assign an overall knowledge exploration mandate to their subsidiaries. Instead they can use a more fine-grained conditional knowledge exploration mandate that allows subsidiaries to examine internal R&D but gives headquarters the right to assign external R&D activities for the subsidiary. Such a conditional knowledge exploration mandate ensures a more efficient internal capital market of the MNE by reducing the opportunities for rent-seeking behavior of the subsidiary. The empirical results for a sample of Spanish manufacturing firms support our approach. We find a significant moderating effect of foreign firms’ strategic independence when performing internal R&D activities but not for external knowledge exploration activities. (For more information, please contact: Jörg Zimmermann, Max Planck Institute of Economics, Germany: zimmermann@econ.mpg.de)

Knowledge Sourcing Effectiveness in the People’s Republic of China and the United States: A Comparative Study

Nathaniel Lupton, University of Western Ontario
Heather Spiegel, University of Western Ontario
Yinglei Wang, Acadia University
Darren B Meister, University of Western Ontario
Peter H Gray, University of Virginia
Jonathan Kang, University of Western Ontario

In an effort to enrich the understanding of knowledge sharing practices in different countries, a United States-based study of employee knowledge sourcing effectiveness was replicated in a large state-owned manufacturing firm in the People’s Republic of China. The results are similar with a few notable exceptions. PRC employees were found to consult a variety of knowledge sources more frequently and achieve learning outcomes in a less context-dependent fashion. A further analysis integrating Hofstede’s theory about cultural differences suggests that knowledge sourcing behavior and organizational learning processes may differ appreciably between collectivist and individualistic cultures. A revised model of knowledge sourcing is proposed, taking into account the potential moderating influences of the collectivist-individualist cultural dimension and perceived group boundaries. Implications for organizations that operate in multiple cultures are provided. (For more information, please contact: Nathaniel Lupton, University of Western Ontario, Canada: nlupton@ivey.uwo.ca)

Offshoring of Core Activities: Choice between Offshore Outsourcing and Captive Offshoring

Pooja Thakur, Rutgers University
Anke Piepenbrink, Rutgers University

This study examines the four types of motives for internationalizing core activities such as R&D and how these motives influence the choice between offshore outsourcing and captive offshoring. Specifically, we look at four offshoring motives: resource, market, strategic asset and efficiency seeking motives. We also look at offshore
outsourcing and captive offshoring (foreign affiliates) and compare which of the four motives are significantly important for each of the two offshore sourcing strategies. Our research setting is clinical trials which is a core activity in the pharmaceutical industry. We focus on the period 1997-2005 and analyze data on thirty seven countries. Controlling for unobserved country characteristics, we find significant results for resource, efficiency and strategic asset seeking motives. (For more information, please contact: Pooja Thakur, Rutgers University, USA: thakur@pegasus.rutgers.edu)

The Internationalization of Research and Development: A Research Update and Future Advancement

Joseph L. C. Cheng, University of Illinois at Urbana-Champaign
Jay Hyuk Rhee, Korea University
Min-Young Kim, University of Illinois at Urbana-Champaign

This paper provides a 15-year update to the Cheng and Bolon (1993) extensive review of research conducted on the topic of international R&D for the period 1994-2008. It covers articles published in fifteen journals, five from each of the three categories of business and management publications (general management, international business, and technology management). Our review found a substantial growth in the amount of research done on international R&D, producing a wealth of interesting findings with important implications for theory and practice. However, it also revealed a number of deficiencies that need to be corrected in future investigations if this research topic is to realize its full potential. (For more information, please contact: Min-Young Kim, University of Illinois at Urbana-Champaign, USA: mkim229@illinois.edu)

MNE’s R&D Location Decisions: Does Product Modularization Matter?

Kirsten Foss, Norwegian School of Economics and Business Administration

Abstract: MNE’s may want to improve their initial firm specific advantages in product development by sourcing innovative input from many different locations. However, they face a trade off between exploiting location advantages and ensuring effective coordination. This paper addresses the issue of interdependence between organization and location of product development activities and argue that modularization positively impact on the trade off that MNEs faces. The reason is that modularization reduces interdependencies in product development activities such that issues of co-location become less important. This should put the MNE in a favourable position to build dynamic capabilities by exploiting location advantages in R&D. (For more information, please contact: Kirsten Foss, Norwegian School of Economics and Business Administration, Norway: kf.smg@cbs.dk)

Drivers and Dynamics of the International Sourcing of Pharmaceutical R&D

Stine Haakonsson, Copenhagen Business School
Peter D. Ørberg Jensen, Copenhagen Business School
Susan M. Mudambi, Temple University

The international sourcing of research and development (R&D) raises numerous challenges to firms. In this paper we focus on the drivers and dynamics of the international sourcing of pharmaceutical R&D. In particular, we investigate how the attractiveness of the Indian pharmaceutical industry as a destination for the offshore outsourcing of R&D activities has changed since the early 1990s and how this evolution has coincided with changes in foreign MNC strategies regarding sourcing location and governance modes. We introduce dynamic elements into a location attractiveness model, building on resource-based theories, transaction cost theories, and institutional theories. The case of India illustrates that institutional evolution in the host country, such as implementation of intellectual property rights and level of education, plays a significant role in scope and scale decisions for the outsourcing of knowledge intensive activities such as R&D in the pharmaceutical sector. Overall, the interplay of different and constantly changing determinants shapes location attractiveness in emerging countries. The insights from the analysis have implications for host country and firm strategies, and
R&D internationalization trends. (For more information, please contact: Susan M. Mudambi, Temple University, USA: susan.mudambi@temple.edu)

When Knowledge Flows Globally - Location Choice of Standard Developing Activities
Anke Piepenbrink, Rutgers University

In recent years IB scholars put their attention to the location choice of competence creating (CC) activities, where knowledge-seeking motives play a major role. This study looks at a specific CC activity, participation in standard developing organizations. This is characterized by rather freely flowing knowledge across the globe, while adaptations to local market needs are inhibited by the global standard itself. These traits are at odds with the assumptions of rather localized knowledge. They not only offer an interesting setting to study location choice of R&D activities, but the mechanisms of setting a global standard is relevant in itself as it has important implications for MNC's strategies and countries' innovation policies. The findings of this studies are, that SDO participations are a dynamic process, largely driven by participations in the past and the market of the host country. The host country's technological capabilities have no significant influence. (For more information, please contact: Anke Piepenbrink, Rutgers University, USA: anke@pegasus.rutgers.edu)

Session: 1.4.1 - Competitive
Track: 4 - Global Strategy, Alliances, and Competitiveness

Internationalization, Diversification and Performance

Presented On: June 27, 2010 - 15:00-16:15

Chair: Steve Tallman, University of Richmond

A Causal Analysis of the Relationship between International Diversification and Performance
Nejat Capar, Bilkent University

There have been many previous that have examined the relationships between international diversification, product diversification, firm resources, and performance. An important shortcoming of most of these studies is that they have largely ignored the interrelationships and the causal linkages among the variables in consideration. It is the purpose of this study, to overcome these limitations and to provide a better understanding of how these variables are related to each other. We have studied a sample of 211 firms for a 6-year period between 1995-2000. The results of the analyses have provided some interesting results. First, international diversification has been found to have a positive effect on innovation assets rather than the other way around. Second, the results show innovation assets lead to higher performance with a time lag. Further, there is also support that firms with little or no product diversification are more likely to benefit from international diversification. Finally, product diversification has been found to lead to lower investments in innovation assets. (For more information, please contact: Nejat Capar, Bilkent University, Turkey: capar@bilkent.edu.tr)

Internationalization and Performance: Degree, Duration and Scale of Operations
Majid Abdi, York University

We reassess the theoretical underpinnings and associated empirical findings of the three-staged sigmoid curve relationship between degree of internationalization (DOI) and performance. Our empirical results, based on 4488 observations of 786 US firms over the period 1979-1996, and a re-examination of the findings reported in one of the prominent studies in the literature, show that while the relationship between DOI and performance conforms to a sigmoid curve, it does not support the three-stage theorization. Further examination reveals that
the accurate relationship, unveiled after controlling for liability of newness as a confounding variable, is monotonically negative. We argue that increased DOI and enhanced sales must be considered simultaneously as two mediating mechanisms through which internationalization influences performance. (For more information, please contact: Majid Abdi, York University, Canada: mabdi06@schulich.yorku.ca)

The Three-Stage Paradigm of International Expansion Revisited
Chang Hoon Oh, Brock University
Farok Contractor, Rutgers University

Empirical studies on international expansion, that have followed the six years since the publication of the 3-stage paradigm for international expansion, have shown only limited support for the S-curve hypothesis. But while the basic concept is unassailable, the very generality of the paradigm is its weakness in empirical studies. A study's sample has to include firms in all three stages to have empirical verification. The field needs more fine-grained distinctions, such as territorial coverage, product diversification and other firm-specific variables. This research note shows that the territorial scope covered by the firm makes a substantial difference to the relationship between multinationality and performance. Moreover, the effect of multinationality on performance can be overwhelmed by other firm-specific variables, such as product diversification. The path of international expansion is a much more complex process than is shown by existing studies. The results also suggest three generic types of international expansion strategies with which a MNE can increase its market value. (For more information, please contact: Chang Hoon Oh, Brock University, Canada: coh@brocku.ca)

Session: 1.4.2 - Competitive
Track: Track: 1 - Institutions, Governance, and CSR

Corporate Social Responsibility and International Business

Presented On: June 27, 2010 - 15:00-16:15

Chair: Stephan Manning, University of Massachusetts Boston

Corporate Social Responsibility, Firm Value and Financial Performance in Brazil
Vicente Lima Crisóstomo, Universidade Federal do Ceará
Fátima de Souza Freire, Universidade de Brasília
Felipe Cortes de Vasconcellos, Universidade de Brasília

Corporate Social Responsibility (CSR) has received growing attention of the literature. Analysis of the relationship between CSR and business performance, has been the target of many studies. The inconclusive results and the concentration of investigation among well developed countries motivate additional work like this one undertaken in an emerging market - Brazil. This study aims to verify the possible effects of CSR on business performance in Brazil. Using an index of CSR that takes into account employee relations, external actions and environmental concerns, we analyze the relationship between CSR and business performance, considering both market and accounting measures. For a sample of 78 Brazilian firms in the period 2001-2006, the results indicate that CSR is value destroying in Brazil and does not affect financial business performance and is not affected for it. That may signal the stronger power of shareholders and creditors which do not prioritize corporate social action in comparison to other stakeholders. We consider these results as initial findings for the Brazilian market and that further research is necessary in Brazil for a better understanding of the theme. (For more information, please contact: Vicente Lima Crisóstomo, Universidade Federal do Ceará, Brazil: vic@ufc.br)
External Stakeholder Engagement: Transforming CSR From Principled Rhetoric to Theoretically Grounded Practice

Lite Nartey, University of Pennsylvania

Multinational firms seeking to directly address stakeholders’ suspicion in their overseas operations often implement CSR initiatives in a bid to engender cooperative relations and form ties. However, scholars and practitioners alike lack theoretical guidance on how and when to approach which stakeholders. Drawing from network theory, I develop propositions regarding four drivers of change in relations between stakeholders and foreign firms and the structure of network ties linking them. First, network ties serve as prisms that enable third parties to cognitively ascribe characteristics of known stakeholders to an unknown foreign firm with whom that known stakeholder associates, thus “who” the firm initially associates with impacts subsequent cooperative relations and tie formation. Second, as ties convey information about actors in the network, firms should seek ties to stakeholders that maximize the volume, diversity and richness of information afforded the firm. Third, as the content of a network tie impacts stakeholder perceptions, firms whose engagement of stakeholders is characterized by greater collaboration should engender cooperation and increase tie formation. Finally, as certain network structures are inherently more stable than others, the evolution of stakeholder relations with the foreign firm should take into account network properties of transitivity and differential power. (For more information, please contact: Lite Nartey, University of Pennsylvania, USA: lnartey@wharton.upenn.edu)

Drivers for Corporate Social Responsibility: A Panoramic Picture of European and Brazilian Context

Monica Cavalcanti Sa Abreu, Federal University of Ceara
Claire Y Barlow, University of Cambridge

This paper analyses the driving forces influencing corporate social responsibility in order to build up a panoramic picture of the European and Brazilian context. Case study methodology was adopted using a systematic collection of data from companies operating in the steel, petroleum and retail sectors in both developed and developing countries. Senior executives from leading companies were interviewed and corporate reports were reviewed in order to understand why the companies engage with stakeholders and embedded environmental and social issues into corporate strategies. The main issues investigated were corporate social investment, climate change projects, and environmental, health and safety policies and management systems. Empirical results suggest that the exercise of corporate social responsibility is dependent on effective interconnection between business, government and society. The study demonstrates that corporate social responsibility in leading Brazilian companies is more developed than is commonly thought. However in Brazil there is more focus on social issues than environmental issues. This is the result of high levels of inequality, insufficient social and economic infrastructure and active NGO movement. Regulatory enforcement and internationalization are increasing pressure on Brazilian firms to act on environmental issues which have been the focus of CSR in Europe. (For more information, please contact: Monica Cavalcanti Sa Abreu, Federal University of Ceara, Brazil: mabreu@ufc.br)

Does Corporate Social Responsibility affect the Cost of Capital?

Sadok El Ghoul, University of Alberta
Omrane Guedhami, University of South Carolina
Chuck C. Y. Kwok, University of South Carolina
Dev Mishra, University of Saskatchewan

We examine the effect of corporate social responsibility (CSR) on the cost of equity capital for a large sample of U.S. firms. Using several approaches to estimate firms’ ex ante cost of equity, we find that the firms with better CSR rankings exhibit cheaper equity financing. In particular, our findings suggest that firms’ CSR investment in improving responsible employee relations, responsible environmental policies, and responsible product strategies substantially contributes to reducing their cost of equity. Our results also show that firms’ involvement in two controversial business practices (sin industries), namely, tobacco and nuclear, increases
their cost of equity. These findings support arguments in the literature that firms with socially responsible practices often have higher valuation and lower risk. (For more information, please contact: Omrane Guedhami, University of South Carolina, USA: omrane.guedhami@moore.sc.edu)

Session: 1.4.3 - Competitive Track: Track: 5 - MNC Management and Organization

Whither Transnationalism? (State-of-the-Art Session)

Presented On: June 27, 2010 - 15:00-16:15

Chair: John Daniels, University of Miami

Ethnographies of the Global, Flows of Cultures, and Renewed Challenges for International Business
Guilherme Azevedo, McGill University

This article aims to exam how globalization transforms the cultural environment and how it brings renewed challenges to international business. We review nine “ethnographies of globalization” - texts describing movements of goods, services, people, and ideologies that ultimately provide a cultural connection among different places and transform local cultures.

In this study, which also pursues the interdisciplinary effort of bridging international business and anthropological studies, we develop a perspective to represent cultures as flows of cultural content interconnecting and transforming local-places.

The review of ethnographies of global leads to discussions on: (1) mechanisms moderating flows of cultural content, (2) cultural flows accompanying patterns of migration, and (3) processes of “recontextualization” of local cultures. We explore how anthropological “unproblematic view” on culture and “problematic view” on globalization may indicate new research directions to organizational studies concerning cultures within and around organizations.

The observation globalization through ethnographic eyes unveils some facets that management scholars usually do not see but that are crucial to organizations engaged in international business. A reflection about the quest of possible “alter-globalizations” closes this paper. (For more information, please contact: Guilherme Azevedo, McGill University, Canada: guilherme.azevedo@mail.mcgill.ca)

Knowledge Creation in Multinationals and Return Migration of Inventors: Evidence from Micro Data
Prithviraj Choudhury, Harvard Business School

Do multinational firms leverage their internal labor resources (e.g. returnees) in conducting cross border R&D? Local inventors at emerging market R&D centers of MNCs face constraints in securing resources for knowledge creation projects. Two mechanisms can be employed to overcome this – leveraging returnee managers and/or socializing ideas by traveling to the headquarters. I test this using hand-collected employment, travel, demographic similarity and patent data for 1315 inventors in a Fortune 50 multinational R&D center in India. To test for the contribution of returnee managers, I consider new graduates, for whom manager assignment is plausibly random. To test for the effect of travel, I consider employees who could not travel because they got married/had children and match them to similar employees without such constraints. Both mechanisms lead to higher patenting. However the marginal effect of the compensating mechanism (travel) is about half the returnee effect. The exposition that MNCs use their internal labor resources in emerging markets could lead to an ‘internal labor markets’ view of multinationals (For more information, please contact: Prithviraj Choudhury, Harvard Business School, USA: prithwic@hotmail.com)
The Role of Organizational Culture and Underlying Ideologies in the Success of Globally Distributed Teams
Aycan Kara, Florida Atlantic University

Organizations utilize globally distributed teams because they allow organizations to improve performance and to limit the extended expatriate assignments. Organizational Behavior and Information Technology literatures have examined several micro level factors that affect the success of globally distributed teams. But it is the organizational culture and the underlying ideologies that affects how organizations conduct business, which structures they adopt and which policies they implement. This paper examines the effects of organizational culture on the success of globally distributed teams. Key factors - group processes, technology and its appropriation, and member characteristics and selection - that affect the success and are affected by the organizational culture are examined by Competing Values Framework. In addition, the moderating effect of level of assimilation of organizational culture across subsidiaries is discussed since understanding of organizational culture varies across physical, national, and institutional distances. Discussion of limitations and suggestions for future research are also included. (For more information, please contact: Aycan Kara, Florida Atlantic University, USA: akara@fau.edu)

Which Differences Matter Most in Transnational Teams? Cultural, Geographic, Demographic, and Structural Barriers to Knowledge Seeking
Martine Haas, University of Pennsylvania
Jonathon Cummings, Duke University

Extending prior research on transnational teams that focuses on cultural or geographic differences between members, we examine how not only cultural and geographic differences but also demographic and structural differences influence knowledge seeking within transnational teams. We theorize that team member differences that are position-based deter knowledge seeking more than those that are person-based, because they create more potential for communication problems. Using the Social Relations Model, we study 12,720 dyadic interactions among 2,051 members of 276 teams in a large multinational corporation. As predicted, we find that geographic and structural barriers create greater barriers to knowledge seeking than cultural and demographic differences. However, familiarity from a previous project reduces position-based barriers more than person-based barriers, indicating that the differences that pose greater impediments to knowledge seeking in multinational corporations may also be more readily addressed by managerial interventions. (For more information, please contact: Martine Haas, University of Pennsylvania, USA: mrhaas@wharton.upenn.edu)

Session: 1.4.4 - Panel
Track: 7 - Emerging, Transition, and Developing Economies
The State of the State in Current International Business Research

Presented On: June 27, 2010 - 15:00-16:15
Chair: Stewart Miller, University of Texas - San Antonio
Chair: Paul Vaaler, University of Minnesota
Chair: Hildy Teegen, University of South Carolina

State Policies and Partners Mitigating Investment Risk around the World
Barclay E. James, Louisiana State University

Selecting State or Local Private Alliance Partners in Emerging Markets
Kim Clark, University of Texas - San Antonio
Indu Ramachandran, University of Texas at San Antonio
Organisational Capabilities and Entrepreneurial Internationalisation

Erkko Autio, Imperial College London
Johan Bruneel, Imperial College London
Bart Clarysse, Imperial College London

We used a rare, 10-year longitudinal data set of technology-based new firms from Belgium to examine how an entrepreneurial firm’s substantive and dynamic capabilities influence its ability to grow post internationalisation. We found early, proactive internationalisers to be simultaneously advantaged, because of the absence of well-formed substantive capabilities, and disadvantaged, because of the absence of a well-formed transactive memory, which operates as a change capability. The observed differential capability effects of internationalisation on sales growth both reconcile previously reported conflicting results on internationalisation-performance relationship and suggest that the relationship between organisational capabilities and internationalisation is more complex than previously thought. (For more information, please contact: Erkko Autio, Imperial College London, United Kingdom: erkko.autio@imperial.ac.uk)

Show Me the Money, Show Me the Markets: The Role of Financial Networks for New Venture Internationalization in a Transition Economy

Ivan M. Manev, University of Maine
Tatiana S. Manolova, Bentley University
Bojidar S. Gyoshev, International Business School
Maya K. Kroumova, New York Institute of Technology

Although access to financing is critical for the survival and growth of entrepreneurial ventures in transition economies, its role in new venture internationalization has been understudied. Exploring the internationalization of entrepreneurial ventures (n = 623) in Bulgaria, we find that the diversity of the domestic financial network has a positive effect on internationalization. In addition, the role of financial networks for new venture internationalization increases with the size of the new venture. However, contrary to our predictions, the role of the financial network for new venture internationalization was not significantly enhanced by the size of the entrepreneur’s personal network. Implications for the theory of small and medium-sized enterprise internationalization, managerial practice and public policy are discussed. (For more information, please contact: Ivan M. Manev, University of Maine, USA: imanev@maine.edu)
Growth Phases and Survival of International New Ventures: Empirical Evidence of Firms from a Small and Open Economy

Mika Gabrielsson, Aalto University
Peter Gabrielsson, University of Vaasa

The growth phases and survival of international new ventures have not been the subject of extensive study. This paper recognizes two growth dimensions: global expansion and growth in the size of the firm. It further describes four phases that international new ventures are expected to pass through in becoming large MNCs and recognizes the differences between the born global and born international growth paths. Moreover, it develops a framework and propositions regarding the impact of the industry, resources and capabilities, entrepreneurial orientation, and lateral rigidity on the growth phases and survival of international new ventures. These are then examined empirically in firms originating from a small and open economy. The research finds that besides favorable industry environment, adequate resources and capabilities, especially strong networking capability is important for both growth and survival of these firms. In contradiction to earlier research high entrepreneurial orientation does not seem to lead to growth and survival on longer term. The article discusses also theoretical contributions, managerial implications and future study avenues. (For more information, please contact: Peter Gabrielsson, University of Vaasa, Finland: peter.gabrielsson@uwasa.fi)

Session: 1.4.6 - Competitive
Track: Track: 3 - IB Theory, FDI, and Entry Mode

Developing and Implementing Subsidiary Strategies

Presented On: June 27, 2010 - 15:00-16:15

Chair: Yves Doz, INSEAD

Entering a Host Country Market through Mergers and Acquisitions: Does the Consumer Perception of the Acquired Target Matter?
Cher-Min Fong, National Sun Yat-sen University
Chun-Ling Lee, National Sun Yat-sen University
Yunzhou Du, Nankai University

We investigate when a multinational corporation (MNC) acquires a local firm as its entry or sequential entry choice, how consumers in the host country react to such a deal. Drawing on the consumer animosity perspective, we hypothesize that the selection of local target company will affect local consumers’ responses. Results of our analysis show the selection of local target company did not affect local consumer attitude and purchase intentions toward products; however, it did affect the local consumer attitude toward the combined company. Chinese consumers will have a more favorite attitude toward the combined company if the local target company has a negative evaluation. Chinese consumers with high animosity tend to have a more negative attitude toward the combined company and its product, lower purchase intentions toward the combined company's product, and lower repurchase intentions toward the acquired local company's product after acquisition than those low in animosity. Moreover, this difference only appears if the foreign acquiring company has a positive evaluation as opposed to having a negative evaluation. (For more information, please contact: Chun-Ling Lee, National Sun Yat-sen University, Taiwan: d934010005@student.nsysu.edu.tw)

Do Wholly Owned Subsidiaries Perform Better than Joint Ventures?
Sea Jin Chang, National University of Singapore
Jaiho Chung, Korea University
Jon JungBien Moon, Korea University
This study evaluates the performances of joint ventures and wholly owned subsidiaries, using foreign joint ventures in China that were converted to wholly owned subsidiaries between 1998 and 2006. In order to avoid the endogeneity problem inherent in entry mode decisions that may confound their influence on the performance of subsidiaries, we employed the propensity score matching technique and the difference-in-difference approach. We detected evidence strongly suggesting that joint venture-turned-wholly owned subsidiaries, indeed, demonstrate superior performance, as measured by total factor productivity and returns on assets. *(For more information, please contact: Jon Jungbien Moon, Korea University, Korea, South: jonjmoon@korea.ac.kr)*

**MNE Strategizing in Relation to Host Country Institutions**  
Jesper Edman, Stockholm School of Economics  
Patrick Regnér, Stockholm School of Economics

This paper employs a comparative case-study design to investigate how institutional environments impact strategy formation in multinational enterprises. Based on an inductive study of six different multinational firms the paper examines how multinational enterprises strategize around and deal with host country institutional settings. We begin by highlighting the various institutional conditions faced by each of the firms across three institutional pillars. We then explore how managers and firms dealt with these conditions by leveraging both their own internal institutional knowledge, and the pre-existing institutions of the local setting. Finally, we combine these insights to derive four archetypes of MNE strategizing in institutional environments. *(For more information, please contact: Jesper Edman, Stockholm School of Economics, Sweden: jesper.edman@hhs.se)*

**Where a Contract is Signed Determines Its Value: Chinese Provincial Variation in Utilized vs. Contracted FDI Flows**  
Abigail S. Hornstein, Wesleyan University

China is the only country that releases data on contracted foreign direct investment (FDI). We explore why levels of utilized FDI differ from what is pledged through analysis of the utilized/contracted FDI ratio (UC ratio). There is substantial inter-provincial variation in this ratio, which is less than one in most province-year observations. We find evidence that poorer provinces are less likely to inflate reports of contracted FDI, which is consistent with these provinces having higher UC ratios. Empirical analysis of the UC ratio suggests that provinces may be able to increase their rate of utilizing pledged FDI by strengthening their local legal systems and reducing government bureaucracy. *(For more information, please contact: Abigail S. Hornstein, Wesleyan University, USA: ahornstein@wesleyan.edu)*

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**Integrating Video Clips in Classroom Teaching**

**Presented On:** June 27, 2010 - 15:00-16:15

Chair: Mark Holtzblatt, Roosevelt University

*Press ‘Pause’ before ‘Play’: A Cautionary Tale of Using Video in Culturally-diverse Classes*  
Anthony Fee, University of Sydney  
Amanda Budde-Sung, University of Sydney

We derive guidelines for instructors about the most effective ways of using video content as a pedagogical tool in culturally-diverse classrooms. These guidelines are based on the results of an empirical study that examined
the attitudes of a culturally-diverse sample of international business students toward the use of video as a teaching and learning tool. Differences in these attitudes were found along cultural and linguistic dimensions, and a qualitative follow-up study helped inform guidelines on how to use video in a way that enhances the learning of all students in a culturally diverse audience. This presentation will discuss key findings of the study, present the derived guidelines for instructors, as well as give examples of ‘best practices’ in video use within culturally diverse classrooms. (For more information, please contact: Amanda Budde-Sung, University of Sydney, Australia: amanda.budde-sung@sydney.edu.au)

**Experiential Learning via an Innovative Inter-University IFRS Student Video Competition**
Mark Holtzblatt, Roosevelt University
Norbert Tschakert, University of the Virgin Islands

This presentation reports on the results of an innovative IFRS Student Video Competition conducted between our two universities in the Fall/2009 semester. The competition provided an experiential learning opportunity for our 56 graduate level students. A total of 46 recognized partners, professors, accounting standard setters and other experts were identified, contacted and interviewed. Numerous communication technologies enabled this collaborative venture to connect the expert interviewees to the student interviewers. The end result was the creation of eighteen IFRS related videos, 10 to 15 minutes in length, available on a special educational Vimeo.com channel for the benefit of students and professors worldwide. (For more information, please contact: Mark Holtzblatt, Roosevelt University, USA: mholtzblatt@roosevelt.edu)

**Developing an IB Curriculum in Higher Education Using the Great Decisions Series**
Margaret Ann Goralski, Southern Connecticut State University

In my experience of teaching International Business courses over the past several semesters to students who were born and bred in the United States, I have noticed that on the topic of foreign policy and its relationship to International Business, many U.S. students enter the classroom in a state of ignorance. Other students, perhaps 50% of students in these same IB courses, have emigrated to the U.S. from Brazil, Peru, Ecuador, Turkey, China, Hong Kong, Belarus, Serbia, Pakistan, India, Ivory Coast, Cameroon, etc. These students bring with them vast amounts of world and cultural knowledge. A topic like bribery takes on an entirely different dimension when discussed from the perspective of a student from Cameroon, Brazil, Turkey, China, or India. It is not a black and white issue with clear delineations. It contains all the subtleties of gray that make up world politics, society, religion or lack of religion, and cultural underpinnings. (For more information, please contact: Margaret Ann Goralski, Southern Connecticut State University, USA: goralskim1@southernct.edu)

**Session: 1.4.8 - Competitive**
**Track: Track: 8 - Cross-cultural Management and International HRM**

**New Frontiers in CCM/HRM Research**

**Presented On:** June 27, 2010 - 15:00-16:15

Chair: Mila B. Lazarova, Simon Fraser University

**Cross-Cultural Cognitive Differences in the Perceived Relationship between Novelty and Utility for Creative Ideas**
Robert C. McNamee, Rutgers University

Understanding the lost creative potential of all employees in organizations is a critical management challenge. This problem is especially important cross-culturally since creativity has been shown to be especially problematic
in these contexts. Although cross-cultural creativity research is still in its infancy, I contribute to this literature by integrating research on cross-cultural cognitive differences (Nisbett et al., 2001) with research on prospect theory (Kahneman & Tversky, 1979) to attempt to understand individuals’ innate priorities in evaluating creative ideas. In order to accomplish this, I break down some of the assumptions inherent in much creativity literature in order to create a utility function for new ideas where novelty is an important predictor of utility. Then I highlight four features of the holistic-analytic distinction between East and West: dialectical reasoning, situationalism, preference for experiential knowledge, and belief in cyclical change in order to predict the ways in which people from various cultures prioritize various features of creative ideas in their evaluation of their utility. Finally, I conclude by highlighting organizational implications of this innate filtering of ideas as well as the mismatch of filters and judgmental criteria within groups and across levels of the organizational hierarchy. (For more information, please contact: Robert C. McNamee, Rutgers University, USA: rmcnamee@andromeda.rutgers.edu)

The Value of an Integrated Framework of Employer Branding: Evidence from a Multinational Enterprise in China
Sebastian Rudolf, TU Bergakademie Freiberg
Michael Nippa, TU Bergakademie Freiberg
Andreas Klossek, TU Bergakademie Freiberg

Employer branding is a powerful tool for improving a company’s employee recruitment, employee retention, and overall employee relations. However, an employer brand also bears the risk of being perceived as untrustworthy if it cannot live up to its promises. Hence, employee perception is a potent indicator for successful employer branding. This paper closes the gap of an integrated framework based on different aspects as well as perspectives of employee perception. The goal of this paper is to provide guidance for holistic employer branding strategies with respect to the challenging context of multinational enterprises in the People’s Republic of China. (For more information, please contact: Sebastian Rudolf, TU Bergakademie Freiberg, Germany: sebastian.rudolf@cc.tu-freiberg.de)

Whose Interests Are Being Served? Interest Alignment, Discretion, and the Display of Pro-Organizational Behaviors
Mary Sully de Luque, Thunderbird School of Global Management
Nathan T. Washburn, Thunderbird School of Global Management
David Waldman, Arizona State University

When executive interests are intrinsically aligned with the firm, stewardship theorists suggests that the firm will benefit from giving them more discretion. The resulting benefits come from the “pro-organizational” behaviors that these executives exhibit. Based on stewardship theory, we contrast the behaviors of interest-aligned executives that have high levels of discretion, to executives with lower levels of interest alignment and less discretion. Although unexpected, we found that executives with less discretion and less interest alignment are more likely to display stewardship behaviors. This challenges central notions of stewardship theory that assume, interest alignment and discretion promote pro-organizational behaviors. Theoretical implications are discussed, and an alternative explanation of organizational forms is suggested, in which ownership and controls are delineated. (For more information, please contact: Mary Sully de Luque, Thunderbird School of Global Management, USA: mary.sullydeluque@thunderbird.edu)

Emerging Patterns of HRM Systems of Foreign Firms in India
Pawan Budhwar, Aston University
Arup Varma, Loyola University
Ingmar Bjorkman, Swedish School of Economics and Business Administration
Effective management of human resources (HRs) in foreign firms operating in emerging markets constitutes a major challenge and can be decisively beneficial to the success of investments in these markets. Multinational companies (MNCs) establish country/region specific centers to create and transfer knowledge in order to coordinate and control their different operations. We describe the roles played by the HR function in India centers in the same regard and highlight how the center’s HR function provides a range of services both to the units of MNCs operating in India in general and at times to other parts of the world. The India centers’ HR function is not only responsible for developing and implementing HR policies and practices, but it is a key instrument for knowledge creation and organizational learning about HR. We also highlight the problems faced by the HR function of foreign firms in the Indian context and the efforts made by HR managers to overcome the same. (For more information, please contact: Pawan Budhwar, Aston University, United Kingdom: p.s.budhwar@aston.ac.uk)

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**Current Issues in Japanese Business Studies: Special Session of AJBS Best Papers**

**Presented On:** June 27, 2010 - 15:00-16:15

**Chair:** Elizabeth L Rose, Aalto University

**Domestic Competitive Position and Internationalization: A Study of Japanese Companies**

- Kiyohiko Ito, University of Hawaii at Manoa
- Elizabeth L Rose, Aalto University
- Eun-Bum Cho, University of Hawaii at Manoa

We investigate the relationship between a firm’s domestic competitive position and its multinationality, based on the notions of ownership, first-mover’s advantages, and economies of scale. Theoretical frameworks suggest that, because larger MNCs have more resources available to support foreign operations, they will tend to display higher degrees of multinationality, relative to smaller competitors. However, many MNCs from Japan provide counter-examples to this assumption. Using Japanese firms’ data from 1975 to 2004, we investigate the relationship between multinationality and both size and domestic competitive position. Our empirical evidence suggests that multinationality, measured as the numbers of both foreign subsidiaries and countries in which Japanese MNCs operate, is positively related to firm size. However, firms that are leaders in the Japanese domestic market tend to have lower degrees of multinationality, after controlling for size and experience, relative to their non-dominant competitors. Our findings suggest that, in terms of multinationality, the leaders are following the followers. (For more information, please contact: Kiyohiko Ito, University of Hawaii at Manoa, USA: k.ito@hawaii.edu)

**The Impacts of Uncertainty, Ownership Misalignment and Experience on Subsidiary Adjustment**

- Xavier Martin, Tilburg University
- Ilya Cuypers, Singapore Management University

We examine under what conditions, and how fast, firms adapt their ownership levels in foreign subsidiaries given an initial or emerging misalignment with environmental uncertainty. We theorize that the impact of experience on this adjustment is contingent on the source and type of experience. Using a sample of subsidiaries established by Japanese automotive firms in 38 host countries, we find support for our predictions. Overall, our arguments and findings improve our understanding of how subsidiaries evolve. (For more information, please contact: Xavier Martin, Tilburg University, Netherlands: x.martin@uvt.nl)
The Effect of Institutions on Foreign Firm Performance in Transition Economies
Naoki Ando, Hosei University
Daniel Z Ding, City University of Hong Kong

This study explores how institutions affect resource-based advantage of MNCs in transition economies. Using data collected from the questionnaire survey of Japanese firms operating in China, the study finds that an MNC’s resources positively influence its performance and institutions work as facilitators of or impediments to business activities. The results also show that institutions that support economic transactions enhance resource-based advantage of MNCs while institutions that impede economic transactions decrease the advantage. The findings suggest that possession and deployment of rent-generating resources does not necessarily ensure success and firm growth under weak institutions. (For more information, please contact: Naoki Ando, Hosei University, Japan: nando@hosei.ac.jp)

Social Exchange Relationship and Newcomer Adjustment in Japanese Organizations: A Longitudinal Analysis
Norihiko Takeuchi, Aoyama Gakuin University
Tomokazu Takeuchi, Tokyo Fuji University
Helena Cooper-Thomas, University of Auckland

Based on social exchange theory, this study hypothesized that the quality of leader-member and team-member exchange relationships (LMX and TMX, respectively) would mediate the relationship between organizational socialization tactics and newcomer adjustment outcomes. Longitudinal survey data were collected from 137 newcomers collected at entry and one year later. Analyses provided evidence that both LMX and TMX take on mediating roles in a majority of the relationships of tactics with outcomes, mostly supporting our hypotheses. These findings contribute to the extant socialization literature by confirming the importance of newcomers’ social exchanges with both their supervisors and coworkers. Specifically, these social exchanges link the socialization tactics designed by firms with organizational adjustments experienced by newcomers. Limitations and directions for future research are also discussed. (For more information, please contact: Norihiko Takeuchi, Aoyama Gakuin University, Japan: ntake@busi.aoyama.ac.jp)

Session: 1.4.11 - Interactive
Track: 1 - Institutions, Governance, and CSR

Comparative Corporate Governance Systems

Presented On: June 27, 2010 - 15:00-16:15
Chair: Steen Thomsen, Copenhagen Business School

Corporate Governance Systems and Organizational Capabilities: An Integrative Framework
Manzur Rahman, University of San Diego
Claudio Carpano, University of North Carolina Charlotte
Carsten Zimmermann, University of San Diego

In this paper, we focus on the impact of different corporate governance systems on a firm’s development of organizational capabilities. More specifically, we illustrate how the different systems of corporate governance developed in the U.S. and Germany are major resource-based factors on the decision to develop manufacturing related organizational capabilities. We develop an integrative framework, drawing on both the corporate governance as well as strategic management literatures to explain idiosyncrasies and commonalities in capability development. (For more information, please contact: Claudio Carpano, University of North Carolina Charlotte, USA: ccarpano@uncc.edu)
Corporate Governance and Financial Performance: The Case of Portugal  
Patricia Kanashiro, George Washington University

The CMVM Code of Corporate Governance sets the standards for good corporate governance practices in Portugal. While compliance with the code is not enforced by law in Europe and most Portuguese companies are highly controlled, I investigate whether or not companies have the incentives to adopt higher standards of corporate governance. Using the Ohlson valuation model and the results yield by the panel data analysis, it cannot be concluded that better corporate governance practices have a share pricing effect in Portugal. (For more information, please contact: Patricia Kanashiro, George Washington University, USA: ptk@gwmail.gwu.edu)

How Multinational Companies Act as Negotiator in International Governance? The TRIPs and the Cartagena Protocol Cases  
Gilberto Sarfati, Fundacao Getulio Vargas

The main objective of this paper is to identify how multinational companies (MNCs) act as negotiators in the context of international governance. The main hypothesis is that MNCs try to influence the states and their coalitions, nationally and transnationally, by exercising their structural power as well as their soft power. The defense of their corporate interests depends on the confluence of their interests with those of the states as well as the states’ vulnerabilities to the corporations’ activities. In the first part of this paper, I present the theoretical framework related to the Complex Interdependence Theory and the three-level chessboard of Nye. The second part of the work shows the role of MNCs in two case studies: the negotiations that led to the creation of an international regime of intellectual property in the Uruguay Round of GATT (General Agreement on Tariffs and Trade) and the negotiations of the Cartagena Protocol of Biosafety, a complementary instrument of the Biodiversity Convention (CBD), which regulates genetically modified organisms (GMOs). (For more information, please contact: Gilberto Sarfati, Fundacao Getulio Vargas, Brazil: gilberto.sarfati@fgv.br)

The Global Value Chain of Debt: Organizational Constituents and Institutional Context  
Suhaib Riaz, University of Ontario Institute of Technology

An analysis of the current global economic crisis from an international business perspective can gain from a focus on debt, its creation and dissemination across various macro and micro constituents within and across national borders, and the regulative, normative and cultural-cognitive institutional contexts within and across national borders in which these activities unfold. In this paper, I provide initial analysis in this direction and introduce the notion of the "global value chain of debt" that can help international business scholars untangle salient aspects of the current economic crisis and also understand the broader institutional context of the crisis. (For more information, please contact: Suhaib Riaz, University of Ontario Institute of Technology, Canada: suhaib.riaz@uoit.ca)

Ethics and Taxation: A Cross-National Comparison of UK and Turkish Firms  
Mehmet Demirbag, University of Sheffield  
Jane Frecknall-Hughes, Open University  
Keith Glaister, University of Sheffield  
Ekrem Tatoglu, Bahcesehir University

This paper investigates responses to tax related ethical issues facing business, an area where there has been little prior research. As perceptions may be determined by response to different legal systems and regulations, we examine responses to a series of ethical questions posed to two groups of tax practitioners, one group employed in UK firms and another group employed in Turkish firms. This facilitates both an examination of
responses from within each country and a cross-national comparison of ethics and taxation. Although there is a similarity of perception of the importance of a number of taxation related ethical issues between UK practitioners and Turkish practitioners, there are also several statistically significant differences between the two groups. The paper makes a significant contribution to academic literature in obtaining and analysing data from tax professionals in the UK and Turkey to provide a cross-national study of corporate tax practice and ethics, as cross-national studies, rare in themselves anyway have usually concentrated on individuals, not firms. (For more information, please contact: Mehmet Demirbag, University of Sheffield, United Kingdom: m.demirbag@sheffield.ac.uk)

Session: 1.4.12 - Interactive
Track: Track: 3 - IB Theory, FDI, and Entry Mode

Performance of MNE and FDI

Presented On: June 27, 2010 - 15:00-16:15

Chair: Anthony Goerzen, University of Victoria

Performance Effects of International Diversification through Risk Reduction and Exploitation of Operational Flexibility

Jan Hendrik Fisch, University of Augsburg
Miriam Zschoche, University of Augsburg

Previous work argues that multinational corporations (MNCs) benefit from international diversification by risk reduction and operational flexibility and supports this notion by a positive effect of the number of host countries on performance. The number of host countries, however, rather captures the opportunity than the exploitation of risk reduction and operational flexibility. This panel study of 1234 German MNCs suggests that the variance of host country market developments and the adjustment of production capacities due to labor cost changes increase the financial success of international business. As the performance effect of the number of host countries remains stable, this construct seems to include factors that are different from international diversification and need a revision. (For more information, please contact: Jan Hendrik Fisch, University of Augsburg, Germany: fisch@wiwi.uni-augsburg.de)

Performance Consequences of Internationalization Ambidexterity in Entrepreneurial Firms: The Effect of Absorptive Capacity

Nina Rosenbusch, Friedrich-Schiller-Universität Jena
Verena Mueller, Friedrich-Schiller-Universität Jena
Andreas Bausch, Friedrich-Schiller-Universität Jena

The performance effect of internationalization may depend on the type of internationalization process. With respect to the amount and quality of learning we distinguish between exploitation and exploration processes in internationalization. Subsequently, we transfer the concept of ambidexterity, i.e. the ability to balance exploitation and exploration, to internationalization and examine performance effects of international exploitation, exploration and ambidexterity. We argue that due to the high amount of learning and knowledge flows involved in internationalization activities absorptive capacity moderates the relationship between different internationalization processes and firm performance. Hypotheses are tested using a sample of 128 German IPOs. (For more information, please contact: Nina Rosenbusch, Friedrich-Schiller-Universität Jena, Germany: nina.rosenbusch@wiwi.uni-jena.de)
Multinationality and Performance: Extending the Debate
Sidney J. Gray, University of Sydney

This paper examines and extends the debate on the relationship between multinationality and performance, which has been the subject of some controversy for many years (Glaum & Oesterle, 2007). The focus is on a critical evaluation of recent contributions by Hennart (2007), Contractor (2007), and Verbeke/Li/Goerzen (2009), with a view to clarifying and identifying some of the conceptual and measurement issues that warrant further investigation and empirical testing. (For more information, please contact: Sidney J. Gray, University of Sydney, Australia: sid.gray@sydney.edu.au)

The Drivers of Investmenting in China: The Comparison of Perspectives of RPV and MBV
Hsin-Mei Lin, National Chi Nan University
Wen-Chung Hsu, National Chi Nan University
Yi-Tien Shih, National Chi Nan University
I-Fan Yen, National Chi Nan University
Peng-Jung Lin, National Chi Nan University

Under stable environment, a firm’s internal resources and external market power are fundamentally intertwined, as is difficult to distinguish the roles of the resource-based view of the firm (RBV) and market-based view of the firm (MBV) in explaining the internationalization as well as what drives enterprises to go internationalization. However, the re-investment of Taiwan-based firms toward China in the end of 1999 formed a natural experiment to test and compare the predictive ability of the RBV and MBV under the condition of 5-years long recession of investment during 1995-1999 and the firms’ re-investment in the end of 1999. The empirical finding shows that the RBV-driven variables are remarkably better at explaining re-investment behavior, in which underscores the role of firm resources as a primary determinant of firm behavior of internationalization in rapidly changing environment. (For more information, please contact: Yi-Tien Shih, National Chi Nan University, Taiwan: shihyitien@gmail.com)

Firm Origins and Diversification Strategy in the Developing World: Evidence from Emerging Markets Private Equity
Markus D. Taussig, Harvard Business School

This paper examines how industry and geographic diversification strategies relate to performance in the dynamic and uncertain context of emerging markets private equity and how these relationships are moderated by the geographic origins of private equity firms. Results indicate that, for PE firms originating in advanced economies like the US, better performance in emerging markets is correlated with geographic diversification and industry specialization. On the other hand, for PE firms originating in emerging markets themselves, the opposite is true: performance is correlated with geographic specialization and industrial diversification. An interpretation based on the competitive advantages of country origins is presented, along with discussion of potential future research. (For more information, please contact: Markus D. Taussig, Harvard Business School, USA: mtaussig@hbs.edu)

How Does Product Diversification Shape the Multinationality-Performance Link?
Elitsa R. Banalieva, Northeastern University
Charles Dhanaraj, IUPUI

Is the shape of the sigmoid internationalization-performance relationship universal? Despite the diversity of models of the Internationalization-Performance relationship, scholars agree that there seems to be a limit to the performance enhancement effect of multinationality. This Threshold of Internationalization theory suggests that beyond a particular level, increasing internationalization is detrimental to firm performance. We present theory
and evidence to suggest that it may be possible to overcome this limit by readjusting product diversification (PD) levels. We draw on insights from portfolio, strategic management, and international business theories to suggest that PD moderates the sigmoid shape of the internationalization-performance link. We find empirical support for our model analyzing a panel data of 1,038 multinational enterprises (MNEs) from the Triad during 1995-2006. We discuss fresh implications for theory and practice. (For more information, please contact: Elitsa R. Banalieva, Northeastern University, USA: e.banalieva@neu.edu)

**Session: 1.4.13 - Interactive**
**Track: Track: 4 - Global Strategy, Alliances, and Competitiveness**

**Reputation, Social Capital and Localization**

**Presented On:** June 27, 2010 - 15:00-16:15

Chair: Lilach Nachum, Baruch College/CUNY

*An Opportunity-Need Framework of Reputation and Alliance Formation in China’s Venture Capital Industry*

Qian Gu, National University of Singapore
Xiaohui Lu, National University of Singapore

How does reputation affect a firm’s choice of the alliance versus the stand-alone approach? We propose that the effect of reputation on alliance choice depends on the interplay of opportunity and need—when the effect of reputation on the opportunity to form an alliance outweighs its effect on the need to do so, the ultimate effect will be positive, and vice versa. In the context of China’s venture capital (VC) industry, we further propose that such an effect depends on two institutional contingencies—organizational form and institutional development. Analysis of VC syndication in China during 1999-2008 provides support to our propositions. (For more information, please contact: Qian Gu, National University of Singapore, Singapore: guqian@nus.edu.sg)

**Stock Market Reaction on Firms’ Competitive Behavior**

Heng-Yu Chang, National Cheng Kung University
Shao-Chi Chang, National Cheng Kung University

An important question that has been extensively studied is how the action/response features dynamically influence inter-firms’ competition. This study examines stock market reaction on firms’ competitive behavior in the U.S. airline industry. The results show that the market reaction on rival firms’ response to initial moves is positively associated with the market reaction on initiators’ moves. In addition, we found that the delayed response negatively moderates the relationship between market reactions to initiators and responders. We further found the market reactions are weaker on rival firms’ response to strategic moves relatively to tactical ones. Our findings add to the understanding of the specific determinants of the initial move, that is, value-enhancing or value-reducing effects on which have drawn forth to management practice and corporate strategic initiatives. (For more information, please contact: Heng-Yu Chang, National Cheng Kung University, Taiwan: r6897102@mail.ncku.edu.tw)

**Auspicious and Adverse Effects of Alliance Social Capital on the Firm’s Performance in International Business Context**

Tariq Malik, University of London
Hamidah Salleh, National University of Singapore

A multidimensional perspective on inter-firm alliance social capital (Koka & Prescott, 2002) predicts that information volume, information diversity and information richness contribute to the alliance social capital of a
firm. In turn, these three dimensions positively contribute to the firm’s performance. Our study tests this link between the multidimensional alliance social capital and the firm’s performance. We draw our evidence on 252 incumbent pharmaceutical firms. Our findings partially support the role of multidimensional model in the firm’s performance. Consistent with some prior research, the evidence indicates that information volume is positively linked with the performance, both in number of partners and in number of ties. However, information diversity appears to be adversely linked with the firm’s performance; and information richness appears to have no significant effect on the firm’s performance. The paper offers some explanation and some potential implications. (For more information, please contact: Tariq Malik, University of London, United Kingdom: T.Malik@mbs.bbk.ac.uk)

Local Dominant Strategic Logics and Global Strategy Evolution within MNEs
Ali Taleb, HEC Montreal

In this conceptual paper, we examine the applicability of the emergent strategy concept in the pluralistic context of Multinational Enterprises (MNEs) which is characterized by conflicting yet legitimate objectives and interests. We argue that corporate global strategy is predominantly economic whereas local strategy is primarily institutional. This paper makes three key contributions. First, it offers an extensive literature review on subsidiary-corporate relationships and local-global dynamics within MNEs. Second, it proposes a typology of four dominant logics underlying the strategies of subsidiaries depending on efficiency and legitimacy requirements. Finally, while the dynamics underlying the proposed model are consistent with the existing typologies of different subsidiaries roles, the implication of our model go beyond the subsidiary role. Indeed, local-global tensions are more critical than the actual global role of a subsidiary under certain conditions. Overall, this paper contributes to our understanding of how local-global dynamics foster or hinder a subsidiary’s ability to influence the global strategy of its parent company. Our findings in general and the proposed model in particular have important theoretical and practical implications. (For more information, please contact: Ali Taleb, HEC Montreal, Canada: ali.taleb@hec.ca)

Local Embeddedness and Cooperative Governance: Theorizing from the Rice Industry in Taiwan
I Han, National Taiwan University
Cheng-Min Chuang, National Taiwan University

We propose local embeddedness (LE) in the geographic dimension for an overall understanding of the social embeddedness. We theorize LE on the basis of the field study of farmer-processor activities in the Taiwanese rice industry. By excluding those economic environment (EE) attributes from the rice industry activities, it is more social and institutional oriented among the major LE components. They are: (1) the strong foundation of traditional heritage in cooperative spirit, (2) strong local institutions of township-FAs and/ or township offices, (3) cross-generational linkages of farming and processing tasks by succession, (4) committed identity with region in terms of reluctance-to-move mentality and sharing glories with homeland communities, and (5) strong motivations of collective learning and sharing of the location-based routines and resources. Based on the LE-EE dimensionalization, we map the twenty interviewees into each of the four LE-EE typologies. We make contributions to the following three aspects. First, we theorize the LE concept by which inter-regional differences can be explained. Second, we dimensionalize the farmer-processor groups into LE-EE typologies to re-enforce our arguments of LE in an independent manner from economic rationales. Finally, we propose that it is the LE-EE typology to set the selection criteria to distinguish predominant adoptions of socialization, authority, or market of LE functions in the farmer-processor cooperative arrangements. And the match of LE-EE typologies with high- or low-context mode explains the efficiency of coordination costs in the LE context of rice farming and processing activities. (For more information, please contact: I Han, National Taiwan University, Taiwan: yvohan@ms3.hinet.net)
Philanthropic Behavior Associated with Multinational Enterprises: Strategic and Moral Philosophy Influences
Sashi Sekhar, University of Wisconsin-Milwaukee

Our paper addresses two understudied topics in the MNE literature; corporate philanthropy and dominant moral philosophy. Prior research identifies that primary motivations for corporate philanthropy include economic gain, legitimacy management, uncertainty reduction, and behavioral satisfaction. We apply New Institutional Theory to argue that in satisfying these motivations, MNEs exhibit philanthropic behavior that reflects their overall strategic orientation (i.e. Bartlett & Ghoshal, 1989) and the dominant moral philosophy(s) (Robertson & Crittenden, 2003) they are influenced by. In addition, we propose that isomorphic pressures moderate the relationship between MNE strategy and moral philosophy and philanthropic behavior such that when isomorphic pressures increase, similarities exist in philanthropic behavior between MNEs within an organizational field. A conceptual model is developed and propositions are offered. Theoretical and practical implications are included as are directions for future work. (For more information, please contact: Sashi Sekhar, University of Wisconsin-Milwaukee, USA: scsekhar@uwm.edu)

Corporate Environmentalism and Business Performance: An Empirical Analysis Examining the Role of Geographic Diversification as a Mediating Factor
Hadi Alhorr, Saint Louis University
Kevin Lehnert, Grand Valley State University

This paper analyzes the connection between environmental management and business performance for multinational organizations by examining the mediating effects of international diversification. Building on the existing research that suggests a disaggregation of the corporate environmentalism and business performance relationship, questions remain about whether multinational strategies involving geographic diversification driven by environmental motivations benefit and improve business performance. Empirically, we test how the firm's environmental corporate strategy is related to the firm's performance while assessing the role of geographic diversification. Our results suggest business performance is affected by the corporate environmental management of the multinational firm. Further, international diversification mediating effects depend on the nature of the environmental proactivity that the firm adopts. (For more information, please contact: Hadi Alhorr, Saint Louis University, USA: halhorr@hotmail.com)

Session: 1.4.14 - Interactive
Track: Track: 6 - Innovation and Knowledge Management

Dynamic Capabilities in a Global Context

Presented On: June 27, 2010 - 15:00-16:15

Chair: John Child, University of Birmingham

Learning Capabilities, External Social Capital and Foreign Entry Performance
John Francis, San Diego State University
William Baker, San Diego State University
Martina Musteen, San Diego State University

Adjusting to local markets after entry is often a critical aspect for the ultimate success of foreign entry. Firms must have the capability to identify market changes and be able to respond quickly to them. In addition, a firm's network is often a catalyst for learning. Our study investigates the influence of two learning capabilities, commitment to learning and market responsiveness on foreign entry performance. We also examine the impact of external social capital on foreign entry performance and how it interacts with learning capabilities. Our results, based on a study of 274 U.S. firms entering foreign markets, suggest that commitment to learning and
external social capital relate to foreign entry performance. Our research also indicates that by itself, market responsiveness does not seem to impact on foreign entry success, but when combined with high degrees of social capital, has a negative impact on performance. (For more information, please contact: John Francis, San Diego State University, USA: john.francis@sdsu.edu)

Practice Translation: Cognitive Approach to Transfer of Organizational Practices
Edyta B. Kostanek, Helsinki School of Economics

Mainstream of international practice transfer research focuses on the outcomes of transfer, rather than on the process of transfer itself. Furthermore, little is still known on the transformational nature of organizational practices. Hence, I intend to contribute to the understanding of how organizational practices are unfolded at the individual level and how they are recontextualized during the process of translation. Drawing from the existent literature on practice transfer, as well as from cognitive linguistics theory, I investigate the relations between individual cognition and language, and relate these to the transfer of organizational practices. Firstly, I discuss the relations between individual cognition and language. Secondly, I discuss the current state of research on language issues within the field of international business. Thirdly, I suggest that the process of practice transfer should be perceived as a process of practice translation. Finally, I suggest that: further study on the relationship between cognition and language and their relation to practice transfer should be conducted, and that focus on the cognitive perspective may further exploit the practice transfer phenomenon. (For more information, please contact: Edyta B. Kostanek, Helsinki School of Economics, Finland: kostanek.edyta@hanken.fi)

Learning to Collaborate for Technology Development: Longitudinal Evidence for Patenting Firms in Denmark
Christoph Grimpe, ZEW Centre for European Economic Research
Ulrich Kaiser, University of Zurich

Gaining access to essential and valuable resources and technologies not owned by the firm itself has frequently been characterized as a fundamental reason behind strategic technology alliances and research partnerships. In this respect, knowledge leakage is one of the most important concerns. Hence in this paper, we analyze how firms may learn to collaborate in technology development over time. We argue that collaborative experience with domestic and international research partnerships creates knowledge repositories on how to collaborate. We suggest that due to path-dependence and lock-in effects international (domestic) collaborative experience only facilitates the respective type of research partnership. However, knowledge repositories may actually interact, either with each other or with the absorptive capacity of the firm, to become transferable. Based on patent application data of Danish firms at the European Patent Office in the period from 1978 to 2002 we largely find support for our hypotheses. High absorptive capacity, however, decreases the effect that international (domestic) collaborative experience will have on the choice for subsequent international (domestic) research partnerships. (For more information, please contact: Christoph Grimpe, ZEW Centre for European Economic Research, Germany: grimpe@zew.de)

Renewing Dynamic Capabilities by Leveraging Innovation through International Diversification and Building New Innovative Capabilities
Rakesh B Sambharya, Rutgers University
Jooh Lee, Rowan University

The evolutionary and dynamic capability perspectives suggest that firms use existing resources to renew and build new resources. This study empirically tests whether MNCs leverage existing innovative capabilities over future international markets. MNCs then utilize these international diversification strategies to develop future new knowledge resources and skills being increasingly developed around the globe. To test this proposition, this study examined the lagged effects of MNCs’ innovative capabilities on future international diversification strategies which in turn leads to future MNCs’ innovative capabilities on three key indicators of future
innovation: changes in R&D intensity, number of patents, and technological strengths after controlling for product diversification strategies. The analyses used a sample of the largest 210 MNCs’ from Europe, Japan and North America representing nine industries. Results indicate that MNCs’ initial innovative capabilities are positively related to future international diversification. Our analyses showed that international diversification, in turn was positively and significantly related to the MNCs’ future R&D intensity, number of patents, and technological impact index. (For more information, please contact: Rakesh B Sambharya, Rutgers University, USA: sambhary@camden.rutgers.edu)

Are Dynamic Capabilities Influenced by the Geographical Location of Company Headquarters  
Elzotbek Rustambekov, Old Dominion University

This is a conceptual paper, which looks at dynamic capabilities as a specific type of knowledge that is geographically localized. Dynamic capabilities are knowledge-based processes that are developed over time by means of interactions among company’s resource bundles and capabilities. Dynamic capabilities enhance a company’s capacity to leverage resources and organizational processes to increase profitability. Corporate headquarters were selected as a unit of analysis because of their knowledge-intensive nature. Empirical evidence that about five percent of headquarters relocate every year and many relocations take place for reasons other than just tax incentives suggest that headquarter relocations are understudied. It is argued that geographical proximity of headquarters cause spillover of operational knowledge during interactions between managers. That operational knowledge includes various routines and contains dynamic capabilities. This research work links studies on dynamic capabilities and studies on geography of knowledge and headquarter relocations. The information gathered might help to explain why corporate headquarter relocations take place, and how companies may increase profitability by moving their headquarters to a location favorable to building particular dynamic capabilities. (For more information, please contact: Elzotbek Rustambekov, Old Dominion University, USA: erustamb@odu.edu)

Organizational Learning Capability, Innovation Performance and Export Intensity: Evidence from Technological Leaders in the Ceramic Tile Industry  
Joaquin Alegre, University of Valencia  
José Pla-Barber, University of Valencia  
Ricardo Chiva, University of Valencia  
Cristina Villar, University of Valencia

The hypothesis that managerial characteristics which facilitate the organizational learning process can provide firms with a basis for competitive advantage has recently received a great deal of attention. While there is evidence that organizational learning affects export intensity, we argue that intermediate variables, such as innovation, should be used in order to evaluate its impact in organizations. This study shows that firms with a higher organizational learning capability tend to be more innovative, and for this reason, they are more likely to export a higher share of their production. From a longitudinal perspective, we use structural equation modeling on a database from Italian and Spanish ceramic tile producers, worldwide leaders in terms of technology. The database combines primary and secondary data. The results support our theoretical conjectures. Findings improve our understanding of the antecedents of export intensity and are related to previous research. (For more information, please contact: Joaquin Alegre, University of Valencia, Spain: joaquin.alegre@uv.es)

Geographic Proximity and Its Relevance for Exploration and Exploitation in Foreign Subsidiaries: The Moderating Role of Potential Absorptive Capacity  
Rene Olie, Erasmus University  
Elko Klijn, Vrije Universiteit Amsterdam
With the growing emphasis on multinational companies to leverage the knowledge and innovation in their corporate networks, it becomes increasingly important to understand the determinants of subsidiary innovation. This paper examines two central issues in this debate: (1) geographic proximity of foreign subsidiaries to related firms in the host country and its relevance for distinct types of subsidiary innovation; and (2) the capability of subsidiaries to identify and assimilate the knowledge spillovers that are generated by proximate firms. We hypothesize that geographic proximity to related firms is more relevant for exploration than for exploitative types of innovations, and that firms with higher potential absorptive capacity will benefit more from geographic agglomeration when pursuing explorative as well as exploitative innovations. We find general support for both ideas in our empirical research. (For more information, please contact: Rene Olie, Erasmus University, Netherlands: rolie@rsm.nl)

Web Site Quality and Online Trading Influences on Customer Acceptance of Securities Brokers
Te-Tai Feng, Dayeh University
Chengli Tien, National Taiwan Normal University
Pin-Jhen Lai, Dayeh University

The development of information technology has caused Internet and e-commerce applications to gain popularity over the last few years. As a result, more and more companies have begun to sell products and offer services over the Internet. In the financial markets, many securities now provide online trading services for their customers to improve the efficiency of the trading process. This study explores the quality of securities brokers’ online trading system Web sites and their relationship with the acceptance intentions of users in Mainland China and Taiwan. This study uses 207 and 236 samples from Internet and paper questionnaires in Mainland China and Taiwan, respectively. Of those, 151 and 204 samples, respectively, were valid. The results show that Web site quality has a significant effect on perceived usefulness and perceived ease of use, which are key factors in predicting users' attitudes toward using and users' behavioral intention to use broker Web sites in Mainland China and Taiwan. (For more information, please contact: Chengli Tien, National Taiwan Normal University, Taiwan: citien168@gmail.com)

Session: 1.5.1 - Competitive
Track: 7 - Emerging, Transition, and Developing Economies

Strategies and Performance of Foreign Subsidiaries in Emerging Economies

Presented On: June 27, 2010 - 16:45-18:00

Chair: Charles Dhanaraj, IUPUI

The Effects of Cultural Stereotypes on Decision-making Processes in Western MNCs in Russia
Alexei Koveshnikov, Hanken School of Economics

Based on two Finnish-Russian case organizations, I examine the impact of cultural stereotyping on the decision-making processes in MNCs. The analysis suggests that cultural stereotypes play an important role in invoking and reifying the challenges that Western firms face in Russia. Building on a socio-cognitive view, the analysis indicates that cultural stereotypes impact decision-making in MNCs by causing overconfidence, escalation of commitment, and myopic vision; by contributing to the preservation and escalation of social complexity and mistrust; and by increasing the perceived need for screening and control. (For more information, please contact: Alexei Koveshnikov, Hanken School of Economics, Finland: alexei.koveshnikov@hanken.fi)
Institutions and Resources: Impact on Foreign Subsidiary Performance in a Transition Economy
Naoki Ando, Hosei University
Daniel Z Ding, City University of Hong Kong

This study explores how institutions influence the effect of a foreign subsidiary's resources on its performance in transition economies. Using the data collected from the questionnaire survey of 209 foreign subsidiaries of Japanese firms operating in China, the empirical study tests the hypothesis regarding the interaction effect of institutions and resources on the foreign subsidiary performance. The empirical study finds that resources of foreign subsidiaries positively influence their performance and that institutions can work as facilitators of or barriers to business activities. The results for interaction terms of institutions and resources imply that institutions that support economic transactions enhance the value of foreign firms' resources while institutions that impede economic transactions decrease the value. The findings suggest that institutions can enhance or reduce the value of a foreign firm's resources in transition economies and that possession and deployment of rent-generating resources does not necessarily ensure success and firm growth under weak institutions. (For more information, please contact: Naoki Ando, Hosei University, Japan: nando@hosei.ac.jp)

Experience of Canadian and Chinese Acquisitions in Kazakhstan
Dana Minbaeva, Copenhagen Business School
Maral Muratbekova-Touron, Institut Supérieur de Gestion

Our intention is to explore and describe the nature and the role of social integration mechanisms that moderate relationships between cultural distance and social integration. We followed one company, currently named KazOil, over ten years and during two consecutive acquisitions by very different MNCs (Hurricane and CNPC) from two different national cultures (Canada and China respectively). We found differences in the levels of post-acquisition social integration of the two acquisitions: interestingly, a more culturally distant MNC from a national culture perspective was more successful in achieving post-acquisition social integration than a culturally close one. We ascribe this to the fact that although both acquirers made extensive use of both formal and informal social integration mechanisms, they favored different types. We also specify other contextual variables which may explain the above findings. (For more information, please contact: Dana Minbaeva, Copenhagen Business School, Denmark: dm.smg@cbs.dk)

Foreign Subsidiary Strategic Evolution in China
Filip De Beule, Lessius University College

This article is about multinational enterprises (MNEs) and their subsidiaries' strategies in China. The specific focus of the research is on a variable referred to as subsidiary strategy, defined as the foreign subsidiary's local responsiveness, global integration and multinational network embeddedness. As this strategy varies among subsidiaries and across time, the focal interest of this study is the processes of subsidiary strategic evolution. On the basis of a survey of subsidiaries in China, the results show that most subsidiaries in China are a quiescent-type of firm, which is clearly a stepping stone towards other more strategic roles as quiescent subsidiaries move out this category towards autonomous-type or receptive-type firms and eventually active-type subsidiaries. The most prevalent trajectory of strategic evolution by multinational subsidiaries in China is by increasing the integration in the multinational network before gaining more local embeddedness towards a more active role within the multinational network. (For more information, please contact: Filip De Beule, Lessius University College, Belgium: filip.debeule@lessius.eu)
Emerging Economy MNEs Create and Acquire Resources Worldwide

Presented On: June 27, 2010 - 16:45-18:00

Chair: Xiaohua Yang, University of San Francisco

The Impact of Institutional and Foreign Ownership on the OFDI Decision of Emerging-Economy Firms: Evidence from Chinese Publicly Listed Companies
Lin Cui, Australian National University
Helen Wei Hu, University of Melbourne

This study is motivated by a lack of understanding between shareholders’ governance role and their inclination toward emerging-economy (EE) firm’s internationalization decision. Given the dominant influence of controlling shareholders in EE firms, we examine the ownership effects of secondary shareholders, namely institutional investors and foreign shareholders, on EE firms’ outward foreign direct investment (OFDI) propensity. Using data of 224 Chinese publicly listed companies, we have found that secondary shareholders increase EE firms’ OFDI propensity when their ownership is high. Our findings suggest that secondary shareholders improve institutional legitimacy of EE firms as a result of their monitoring as well as resource contributions. (For more information, please contact: Lin Cui, Australian National University, Australia: lin.cui@anu.edu.au)

Deciding to Go Global: A Multi-Level Investigation of Outward FDI by Emerging Economy Enterprises
Yadong Luo, University of Miami
Stephanie C. Lu, University of Miami

Nested within multiple lenses and aiming at rendering a holistic picture of underlying factors, this study combines resource-, institution- and industry-based perspectives to advance our knowledge about the determinants of outward foreign direct investment (OFDI) by emerging economy enterprises. Using the World Bank’s data, we analyze 4004 firms in 14 countries from the Commonwealth of Independent States and Southeastern Europe, and find a strong support for the existence of multilevel determinants. The results suggest that a firm’s engagement in OFDI is a joint outcome of unique organizational resources (export experience, diversification capability, and production capability), institutional constraints at home (public corruption, financing impediment, regulatory uncertainty, and taxation evasion), and industrial threats and opportunities (competition from import, overdue payment in the industry and industrial membership). These results provide both confirmative and explorative implications to theory development and business practice concerning OFDI by emerging economy enterprises. (For more information, please contact: Stephanie C. Lu, University of Miami, USA: slu@exchange.sba.miami.edu)

Towards a More Comprehensive Taxonomy for Analyzing the Strategic Motivations of MNEs from the Developed and Emerging Economies
Deepak Sethi, Old Dominion University
Kaveh Moghaddam, Old Dominion University
Jun Wu, Old Dominion University

FDI from the emerging economies and prominent mergers and acquisitions (M&As) by their MNEs have increased sharply in recent years despite the current global economic slowdown. Emerging economy MNEs have made most such acquisitions in the developed economies, whose erstwhile dominance is now under challenge. The strategic motivation for FDI and acquisitions by emerging economy MNEs are often quite different from MNEs from the developed economies, which the extant taxonomy cannot explain. Using an approach akin to
grounded theory research this study analyzed 18,471 M&As undertaken by the five leading developed economies and five leading emerging economies during the period 2000-2009 to develop a more comprehensive strategic motivations taxonomy. The M&As were differentiated under six industry sectors, which enables more fine-grained analyses of all the variations in strategic motivations. (For more information, please contact: Deepak Sethi, Old Dominion University, USA: dsethi@odu.edu)

Technology Seeking Exporting cum FDI
Roberto Gamarra, Lewis University

Technology seeking exporting cum FDI refers to exporting strategies that seek to acquire technological knowledge through the combination of exporting and FDI. These strategies play a critical role in the international expansion of emerging multinationals (EMNCs) in industries in which technological innovation is an important vehicle for international competition. Yet the important issue of the identification of strategies for technology seeking exporting in general, and strategies for technology seeking exporting cum FDI in particular, remains unresolved. The chief aim of this study is to uncover the strategies that EMNCs in the steel industry use to acquire technological knowledge through their exports to technologically sophisticated markets, and identify strategies for technology seeking exporting cum FDI. Thus, this paper intends to offer the following theoretical contributions to the exporting and FDI literatures: a new concept of international markets and development of the technologically sophisticated markets construct, and identification of strategies for technology seeking exporting cum FDI. This study demonstrates that the complementarities between exporting and FDI demand more attention by IB theorist. (For more information, please contact: Roberto Gamarra, Lewis University, USA: gamarra@lewisu.edu)

Session: 1.5.3 - Competitive
Track: Track: 12 - Methods in International Business Research

Qualitative Research in International Business

Presented On: June 27, 2010 - 16:45-18:00

Chair: Mary Yoko Brannen, INSEAD
Chair: Julian Birkinshaw, London Business School
Chair: Rosalie L. Tung, Simon Fraser University

Qualitative Research for International Business
Yves Doz, INSEAD

The Casual Ethnography of the Executive Suite: A Dialogue
Eleanor Westney, York University
John Van Maanen, MIT
Session: 1.5.4 - Competitive  
Track: Track: 4 - Global Strategy, Alliances, and Competitiveness  

Distances and Strategy  

Presented On: June 27, 2010 - 16:45-18:00  
Chair: George Yip, Erasmus University  

Regional Integration, Home Region Focus, and Operational Efficiency of Multinational Enterprises  
Elitsa R. Banalieva, Northeastern University  
Ruihua Joy Jiang, Oakland University  
Michael D. Santoro, Lehigh University  

In this study we examine the way in which the type and degree of regional integration affect the degree of home regional focus (HRF) of multinational enterprises (MNEs), as well as the relationship between HRF and operational efficiency. We advance a conceptual model grounded in Transaction Costs Economics in which we propose that type and degree of regional integration increase MNEs' home regional focus and modify the relationship between HRF and firms' operational efficiency. Using data on 644 Triad MNEs during the years 2000-2006, we tested our framework with the time-varying stochastic cost frontier model and found overall support for our treatise. We conclude by discussing implications of our findings for international business theory, policy, and management practice. (For more information, please contact: Ruihua Joy Jiang, Oakland University, USA: jiang@oakland.edu)  

Psychic Distance and Foreign Subsidiary Survival: A Paradox or a Contingent Relationship?  
Douglas Dow, University of Melbourne  
Jorma Larimo, University of Vaasa  

This paper uses a large scale sample for outward Nordic FDI over the period of 1993 to 1999 to investigate the relationship between psychic distance and subsidiary survival. We do not find any support for a direct relationship in either direction, but rather find a strong moderating relationship between psychic distance and international experience. As a firm gains international experience, its chances of survival in psychically distant markets improves significantly. A similar but much weaker moderating relationship is observed between establishment mode and psychic distance. (For more information, please contact: Douglas Dow, University of Melbourne, Australia: d.dow@mbs.edu)  

Location Asymmetry versus Knowledge Asymmetry: Governance Determinants for International Alliances of Emerging Economies  
Sonya H. Wen, Tamkang University  
Cheng-Min Chuang, National Taiwan University  

How do location and knowledge factors interactively impact the alliance strategies between international partners? To approach such an inquiry, this paper blends the perspectives of knowledge-based view (KBV) and transaction-costs economics (TCE) in a hypothesized governance model. Theoretically, we develop a governance driver, incentives-to-teach of knowledge owners, and then incorporate it in a hypothesized model explaining why international partners to choose equity-based or contractual mode governing their alliance. Empirically, seven hypotheses are devised and then tested by a sample of 7,030 international alliances participated by at least a partner from China and South Korea. This sample is intentionally selected to further demonstrate the strategic importance of location asymmetry and knowledge asymmetry, two key constructs derived from our theoretical elaboration of incentives-to-teach. Our test results support three governance determinants toward equity-based mode, including co-emerging partners from the dimension of partner-
location-symmetry, foreign diversification from the dimension of partner-location-asymmetry, and emerging-learning alliances from the dimension of alliance-knowledge-asymmetry. We also found three boundary conditions of knowledge determinants, whose governance effect on equity-based mode becomes more significant for the international alliances located in the host country of an emerging partner, consisting of non-competing partners, and formed in the more recent period than their counter-alliances. (For more information, please contact: Sonya H. Wen, Tamkang University, Taiwan: sonya.wen@gmail.com)

**Domestic Competitor Bias**
Ron Anderson, American University
Keith Brouthers, North Carolina State University
David Reeb, Temple University
Wanli Zhao, WPI

Academics, investors, and business analysts commonly view effective strategic decision-making as requiring managers to monitor and scrutinize their corporate rivals. We develop a theory of domestic competitor bias based on the notion that organizational routines affect the recognition or identification of corporate competitors. Specifically, we theorize that competitor identification routines result in firms exhibiting a bias toward recognizing domestic competitors rather than foreign rivals. Using a sample comprised of the largest, U.S. publicly-traded firms, we test this theory of a domestic competitor bias. The results indicate significant variation in the patterns of foreign and domestic competitor recognition and suggest that managers systematically recognize domestic rivals over foreign rivals. We also find that domestic competitor bias is related to various proxies of executive ability and heterogeneity, hierarchical structures and firm age. The analysis further indicates that emphasizing domestic competition and discounting foreign rivals appears to be suboptimal; specifically, those firms with a strong focus on domestic competitors experience poorer firm performance. Overall, our analysis suggests that managerial identification and benchmarking of rivals plays an important and significant role in decision-making and consequently, firm performance. (For more information, please contact: David Reeb, Temple University, USA: dreeb@temple.edu)

**Session: 1.5.5 - Competitive**
**Track: Track: 10 - SMEs, Entrepreneurship, and Born Global**

**Performance of Internationalizing SMEs**

Presented On: June 27, 2010 - 16:45-18:00

Chair: Angela Da Rocha, Pontifical Catholic University of Rio de Janeiro (PUC-Rio)

Towards SMEs Sustainable Exports with Relational Governance in Cross-Border Channels
Claude Obadia, Advancia-Negocia, Paris
Irena Vida, University of Ljubljana

The internationalization literature focuses on the factors that facilitate or hamper the initiation of exporting by SMEs. However, there is a lack of studies providing insights on the sustainability of exporting for SMEs. Yet, many SMEs discontinue exporting because of insufficient resources.

This research investigates lower resource consuming processes that facilitate the sustainability of exporting activities for smaller firms. It focuses on the effectiveness of relational governance mechanisms such as bilateral norms that SMEs can use to govern their business relationships with overseas intermediaries.

The analysis is conducted with PLS path modeling using longitudinal data from a sample of French exporting SMEs.
Our results show that norms do mitigate importers' opportunism, which in turn, helps improve importers' role performance. (For more information, please contact: Claude Obadia, Advancia-Negocia, Paris, France: claude@obadia.org)

Geographic Diversification and Export Performance of SMEs
Jerzy Cieslik, Kozminski University
Eugene Kaciak, Brock University

Two alternative diversification strategies, geographic diversification of export sales and concentration on key markets, have been extensively discussed in the extant literature, but the literature has offered no conclusive evidence as to how either of these strategies affects the growth of international sales. The key objective of this paper is to contribute to a better understanding of geographic diversification as a key dimension of the internationalization process of small and medium-sized firms (SMEs) by means of an exploration of geographic diversification patterns through cluster analysis of a population of 1,917 exporters in the Polish manufacturing sector during 2003-2006. Based on the analysis, we formulate five propositions regarding the observed patterns. We also identify a “balanced” strategy as a viable alternative to the “spreading” and “concentration” strategies. (For more information, please contact: Eugene Kaciak, Brock University, Canada: ekaciak@brocku.ca)

Establishing a Production Unit Abroad: A Continuous Radical Change for Manufacturing SMEs Going Global
Igor Kalinic, University of Padova
Cipriano Forza, University of Padova

In the last years, several Small-Medium Enterprises (SMEs) internationalized rapidly production in psychic distant countries with limited previous international experience. We focus on organizational change(s) in manufacturing SMEs during the internationalization of production. By analyzing five-case firms from Italy, it emerges that these SMEs were forced to perform a relevant number of adaptations that affected different organizational elements. We argue that these adaptations, spread in time, accumulated into a continuous radical change for the company. Although it is a complicated process, the companies are potentially able to develop capabilities throughout the entire organization and, consequently, improve their global competitiveness. (For more information, please contact: Igor Kalinic, University of Padova, Italy: igor.kalinic@unipd.it)

SME Evolutionary Trajectories: A Dynamic Comparison between International and Domestic Expansion
Lei Li, Nottingham University Business School China
Weilei (Stone) Shi, City University of New York, Baruch
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, Nottingham University Business School China, China: lileic2003@yahoo.com)
**Home Countries and MNEs Strategies Overseas**

**Presented On:** June 27, 2010 - 16:45-18:00

**Chair:** Changqi Wu, Peking University

*Effects of Cross-Border Acquisitions on Acquirer’s Home-Market Competitiveness: Resource Augmentation versus Resource Drain*

Olivier Bertrand, St. Petersburg State University  
Laurence Capron, INSEAD

The past two decades have seen a significant increase in cross-border acquisitions, raising many issues about their antecedents and effects. Recent research suggests that two opposing forces, resource augmentation and resource drain, are at play. Cross-border acquisitions bring scale, learning, and resource complementarity benefits — that is, resource augmentation. They also bring managerial complexity and higher resource requirements — resource drain — which most often leads to resource trade-offs across target and domestic markets. However we know little about the net effect of these opposing forces or about which factors influence their magnitude. Drawing on a sample of 193 cross-border acquisitions made by French firms during the period 1992–2001, we find that, on average, cross-border acquisitions significantly increase the competitiveness of acquiring firms in their home market when compared with non-acquiring domestic rivals. However, the positive effects are stronger for those less efficient firms that need to catch up in their home market. The net positive effect of cross-border acquisitions on acquirers’ domestic competitiveness disappears when acquirers take over foreign firms from less competitive countries. The effect becomes (non-significantly) negative, which suggests that cross-border acquisitions may generate not only resource augmentation but also resource drain. *(For more information, please contact: Olivier Bertrand, St. Petersburg State University, Russia: olivier.bertrand@som.pu.ru)*

*Home Market-Oriented Reforms and the Birth of Multinationals: International Expansion in the Electricity Sector*

Sinziana Dorobantu, Duke University

Why do some firms internationalize in response to home-country institutional reforms, while others continue to refrain from competing in the global arena? Although this question is of clear interest for scholars studying globalization and international business strategy, existing research has remained largely silent on how changes in a firm’s home-market environment influence choices about whether to engage in foreign direct investment. I propose to fill this gap by examining the firm- and country-level factors influencing outward FDI decisions in the electric utility industry. I argue that cross-national institutional differences and the level of domestic competition explain why some countries are more likely to foster the development of multinational companies, while firms’ history and their market positions further explain why firms from the same home market have different propensities to invest abroad. I investigate home-country and firm-level influences on the decision to internationalize using a new dataset of domestic and cross-border investments in the global electric power industry. *(For more information, please contact: Sinziana Dorobantu, Duke University, USA: spp7@duke.edu)*

*Home Country Measures for Outward FDI: An Analysis at the Regional Level*

Celeste Amorim Varum, University of Aveiro  
Mariasole Bannò, University of Brescia  
Lucia Piscitello, Politecnico di Milano
Governments may provide home country measures (HCMs) in the attempt to encourage investment activity and hence induce business growth. Nevertheless, public intervention can limit competition and give rise to market inefficiencies. The relative scarcity of empirical studies of the impacts of these FDI-specific policies is surprising in light of the strong policy interest in the issue and the active role towards FDI that government policy in most countries has taken.

Within this context, this study investigates the effectiveness of Italian HCMs by developing an empirical model that uses information, aggregated at the regional level, on the population of Italian firms that received incentives from 2000-2006. The objective is to identify the effectiveness of investment support by measuring the impact of different HCMs on regional levels of internationalisation. The analysis suggests that not all the provided measures generate intended effects. In particular financial incentives (i.e. equity and venture capital funds) and regional service encourage investment activity and hence can induce business growth and competitiveness and reduce regional disparities. On the contrary, feasibility studies and other public services seem to be ineffective, as they do not generate an increase in the level of internationalisation. (For more information, please contact: Mariasole Bannò, University of Brescia, Italy: mariasole.banno@unibs.it)

Shifting Firm Boundaries in Global Services Sourcing: Transaction Costs, Capabilities and Experience-Based Learning

Arie Y. Lewin, Duke University
Stephan Manning, University of Massachusetts Boston
Silvia Massini, University of Manchester
Carine Peeters, Université Libre de Bruxelles

Recent trends towards sourcing business services globally - either through captive or outsourced delivery models - have drastically changed the vertical scope of multinational enterprises. Extant research builds mainly on transaction cost economics and the capabilities view of the firm arguments to explain global sourcing decisions. Based on longitudinal project-level data from the Offshoring Research Network, this paper tests the explanatory scope of these theories and explores alternative explanations as well as the role of time. Findings suggest that outsourcing decisions are barely influenced by task and transaction characteristics. Rather, governance model choices can be explained by national origin of the firm when they start offshoring, and later on, as the extent of offshoring increases, by firm-specific sourcing experience and learning effects, prior experiments with captive and outsourced models and the increasing industry availability of specialized service providers over time. Findings support recent dynamic conceptualizations of transaction costs and firm-level capabilities and call for an integration of the geographic dimension into theories of firm boundaries. (For more information, please contact: Stephan Manning, University of Massachusetts Boston, USA: stephan.manning@umb.edu)
The purpose of our proposal is to suggest methods to develop an International Business Curriculum for colleges and universities that do not have a robust International Business program. Specifically, we discuss creative ways to increase the cultural, language, and International Business competence of our student population from a foundation of just one International Business course. (For more information, please contact: John A. Martin, United States Air Force Academy, USA: john.martin@usafa.edu)

**The Creation of a New Undergraduate Major in International Business  (From Soup To Nuts)**
Clifford Wymbs, Baruch College, CUNY

The creation of a new major in a large, 250,000 student, University is both an exciting and challenging proposition. As one would expect, there were extensive policies and procedures to follow; however, at the end of the day, following them allowed us to better understand our students, the role our program would have in the college and university and our delivery capabilities. I will share only selected highlights of the 112 page application; however, if anyone desires a complete version to use as a guide for their curriculum development, I would be more than willing to share it with them.

I hope this report can serve as a road map for any institution thinking of creating a new undergraduate major in International Business. (For more information, please contact: Clifford Wymbs, Baruch College, CUNY, USA: clifford.wymbs@baruch.cuny.edu)

**Combining Theory with Real-World Experience in the Classroom: An Introduction to International Business Course Approach**
John L. Becker, Indiana University
P. Roberto Garcia, Indiana University

The current proposal outlines a unique approach currently implemented at Indiana University's Kelley School of Business. In an Introductory Course (D301-The Environments of International Business), two very different types of instructors are teaming to provide their students a valuable perspective, which combines traditional instruction with a heavy dose of practical experience, in an ongoing and integrated basis. A Clinical Associate Professor and an Adjunct Lecturer (recently retired and with over 36 years of International Business experience) describe a process, which combines a theoretical treatment of IB with substantial real-world experience in every class session. This presentation will offer faculty experiences and several recommendations for other universities and instructors to consider applying a similar approach. Impact results from a comprehensive student survey will be part of the presentation. (For more information, please contact: John L. Becker, Indiana University, USA: johnbeck@indiana.edu)

**Session: 1.5.8 - Panel**
**Track: 6 - Innovation and Knowledge Management**

**How to Find Co-Authors, Building Your Research Network  (Panel Sponsored by WAIB, Women in the Academy of International Business)**

Presented On: June 27, 2010 - 16:45-18:00

Chair: Janet Y. Murray, University of Missouri St. Louis
Chair: Susan Forquer Gupta, Monmouth University

Finding Co-Authors
Paul W. Beamish, University of Western Ontario
Involvement of Local Collaborators in Cross-cultural Research Design
Susan P. Douglas, New York University

Co-Authorship with Your Students
Masaaki "Mike" Kotabe, Temple University

Developing a Global Research Network
Marjorie Lyles, Indiana University

Research Networking While Being a Lone Wolf
Joan P Mileski, Texas A & M University at Galveston

Developing Upstream and Downstream Collaboration in the Academic Network
Ronaldo Couto Parente, Rutgers University

The Impact of Terrorism and Uncertainty on MNEs (ANZI BA Special Session)

Presented On: June 27, 2010 - 16:45-18:00

Chair: Elizabeth L Rose, Aalto University

Uncertainty, Business Systems and Appropriate Governance: Lessons from Recent Cases
Peter Enderwick, Auckland University of Technology

Setting an Agenda for Research on Terrorism in International Business: Impacts and Preparedness
Peter Liesch, University of Queensland

Emerging Challenges for the Corporate HR Function in MNEs: Terrorism, Asymmetric Threats and Uncertainty
Peter J. Dowling, La Trobe University

Session: 1.5.11 - Interactive
Track: Track: 1 - Institutions, Governance, and CSR

Governance in Emerging Markets

Presented On: June 27, 2010 - 16:45-18:00

Chair: Michael A. Witt, INSEAD

Institutions and Firm Strategy at the Bottom of the Pyramid: The Case of Business Formalization in Vietnam
Markus D. Taussig, Harvard Business School
Edmund Malesky, University of California, San Diego

We test a series of hypotheses about how institutions shape a strategic decision of significant importance to the evolution of inclusive markets: registration as companies by previously informal businesses at the bottom of the pyramid. We concentrate on the role of three specific types of institutions: contract enforcement, property rights, and entry regulation. Our results indicate that better property protection and lower entry regulations do
reduce time spent in the informal economy, although the positive effect of property rights is limited to the period before reform of entry regulations. We find no evidence that contract enforcement influences the formalization process.  (For more information, please contact: Markus D. Taussig, Harvard Business School, USA: mtaussig@hbs.edu)

A Cross-Sector Social Partnership Model from a Developing Country: Effects and Implications in a Developing Country, Tanzania
Aloysius Marcus Newenham-Kahindi, University of Saskatchewan

This case study examines two multinational companies (MNCs) from the developing economy of South Africa and the way they impact cross-sector social partnerships (CSSPs) in another developing country, Tanzania. The paper begins by discussing the role of corporate responsibility in addressing social issues as presented by extant management literature. Next, the paper describes some characteristics of MNCs from developing economies and how they strike a balance between globalization and localization in dealing with social challenges. A qualitative research study conducted in a gold mining company and a bank - reveals the way the two companies interact in CSSPs with various public institutions and local stakeholders to address social problems. Two emerging institutional systems that incorporate traditional models of collective consensus (Ubuntu) and team leadership (Indaba) are identified during the CSSPs implementation. An inter-cultural dimension in international CSSPs between an MNC and its various stakeholders operating in a locale is proposed. (For more information, please contact: Aloysius Marcus Newenham-Kahindi, University of Saskatchewan, Canada: newenham-kahindi@edwards.usask.ca)

Institutional Influences on the Global CSR Actions of Brazilian Mining Company Vale
Dayse A. Gomes, Ibmec Business School
Luiz Alberto Campos Filho, Ibmec Business School

Based on integration of the principles of Kostova, Roth and Dacin (2008) regarding the management of multinationals, the institutional factors proposed by Campbell (2007), and the ideas of Porter & Kramer (1999, 2006) on the interrelationship of companies and society, this case study examines the institutional influences on the global CSR actions of Brazilian mining company Vale. The results obtained from secondary data and interviews with people involved in the company's CSR actions show that Vale has a formal policy, integrated with its strategy, based on international standards, but does not have a global governance model, and its activities are legitimized by coercive isomorphism. (For more information, please contact: Dayse A. Gomes, Ibmec Business School, Brazil: dayse_gomes@hotmail.com)

Corporate Governance in the Brazilian Banking Sector: A Study of Practices Adopted by the Boards
Lindenberg Araujo Aragao, Universidade de Fortaleza
Marcelle Colares Oliveira, Universidade de Fortaleza
Vera Maria Rodrigues Ponte, Universidade Federal do Ceará
Marcia Martins Mendes De Luca, Universidade Federal do Ceará

The past few years has witnessed a booming interest among enterprises around the world in the implementation of best practices of corporate governance (BPCG). BPCG may be applied to five major aspects of the board, namely a) size, b) composition and diversity, c) segregation of functions, d) independence, and d) remuneration. The present study is an analysis of the practices adopted by the boards of Brazilian banking institutions. The sample consisted of banks traded on the “New Market” and “Differentiated Level of Corporate Governance 1 and 2” segments of the BM&FBovespa stock market. The findings show that most banks adhere to the latest Brazilian Institute of Corporate Governance guidelines with regard to board size. The sampled banks rise above the standards required by BM&FBovespa in terms of independence, are rigorous with regard to audits and control in the process of corporate governance and most have a diversified board with the positions
of chief executive officer and chairman occupied by different individuals. Practices regarding disclosure of board member remuneration are still at an early stage of development with banks restricting disclosure to what is required by law. (For more information, please contact: Marcelle Colares Oliveira, Universidade de Fortaleza, Brazil: marcellecolares@unifor.br)

**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)

**Corporate Governance and Performance of Listed Commercial Banks during Financial Crisis: Evidence from China's Banking Industry**  
Jie Zhang, Renmin University of China and George Washington University

This paper provides an empirical analysis of bank governance and performance in China. The primary purpose of this study is to investigate how corporate governance practices affect the performance of China's listed commercial banks during financial crisis. Our dataset includes governance and performance data for all listed commercial banks in China for a two-year: Jun.2007-Jun.2009. Our study yields a number of interesting findings. First, there exists a significant negative relationship between bank performance and the proportion of executive directors. Second, the more independent directors in a board is the better the bank's performance. Third, there is also a significant negative relationship between ownership concentration and bank performance in China. Fourth, executive compensation incentives have significant positive impact on bank performance. (For more information, please contact: Jiawen Yang, George Washington University, USA: jwyang@gwu.edu)

**Early Adapters and Radical Regulatory Reform in India: First in Line for Trade Protection**  
Susan E. Feinberg, Rutgers University  
Catherine L. Magelssen, Rutgers University  
Matthew G. Smith, Rutgers University

This research examines firm responses to radical regulatory change. In the 1990s, India implemented fundamental changes to its international trade policy, cutting tariffs by more than 75 percent and shifting the policy focus from a tariff-based system to a government-administered system of Antidumping (AD) and safeguards. To obtain trade protection under the new system, firms had to petition the government for relief and could no longer rely on receiving it automatically in the form of tariffs. Firms had little knowledge of the new policy rules, making the transaction costs of filing AD petitions very high.
Using firm-level data on Indian firms and antidumping cases, we examine characteristics of firms that adapted early to the new trade regime by filing AD petitions in the years following the policy change. We predicted that “early adapters” would be motivated by economic need and would possess relevant capabilities. We find that financially constrained firms are more active AD petitioners, as are firms with political, international trade and collective action experience. We also find the importance of collective action experience diminishes with the passage of time as knowledge about the new policy rules spreads. (For more information, please contact: Susan E. Feinberg, Rutgers University, USA: feinberg@business.rutgers.edu)

Session: 1.5.12 - Interactive
Track: Track: 2 - International Marketing Management and Supply Chain

Product Issues in Global Markets

Presented On: June 27, 2010 - 16:45-18:00

Chair: Deli Yang, Trinity University

MNC Marketing Innovation in New Product Development: A Study in Brazilian Subsidiaries
Thelma Valeria Rocha, ESPM
Felipe Mendes Borini, ESPM
Eduardo Eugenio Spers, ESPM

This study analyses the process of new product development in multinational corporations. The objective is to examine how their Global Integration strategies and Local Responsiveness influence marketing innovation in their Brazilian subsidiaries. The subject is reviewed considering three topics: 1. Decisions about the development of a new product; 2. Decisions about autonomy and strategy in MNCs; 3. Decisions about marketing innovation. These topics were analyzed during the quantitative field research. We used the survey method to interview 104 managers in Brazilian subsidiaries, where 87.5% were medium and large companies, with over 101 employees. The results show that, for almost half the cases (47.4%), the innovation of Marketing to develop new product is high. Furthermore, the figure is smaller for the generation of ideas (36%) than for the elaboration of communication strategies (59%). Moreover, there is a negative correlation between the level of Global Integration of the multinational and the Marketing Innovation in a new product. On the other hand, there is a positive correlation between Local Responsiveness and Marketing Innovation. Finally, this study provided the opportunity for insights into new product development and marketing in the Brazilian context. (For more information, please contact: Thelma Valeria Rocha, ESPM, Brazil: tvrocha@espm.br)

What Is a Brand Worth in Exporting? Explorations on the OEM versus OBM Strategies of Chinese Exporting Firms
Xi Chen, Tsinghua University
Yi Qian, Northwestern University
Zuohao Hu, Tsinghua University

China has one of the fastest growing economies in the entire world. China’s exports, in large part, have been a major driving horse of economic growth for the country. For a Chinese exporter to start a business overseas, he or she often faces a critical choice between deciding to go OEM or OBM. However, the choice between OEM and OBM has always provoked controversial debates among academics and practitioners alike. We examine what influences firms’ choices between OEM versus OBM strategies and their subsequent performances. Findings of the first model show that Chinese exporters’ pursuit of OEM/OBM strategy is affected by both institutional factors and organizational factors, with institutional factors including firms’ relative position in industry and export intensity, and organizational level factors including motivation to exploit foreign market. Investigation of exporters’ subsequent performance after implementing an OEM/OBM strategy is conducted in the second
model. The model uses a unique dataset on a set of OEM and OBM firms across many industries during two time periods. The impact of an exporting strategy on a firm's sales growth and self evaluation outcome is tested in the context of both economic booming and recession periods, depicting a comparative approach. The results reflect a contingency effect that, in prosperous times, the employment of OEM strategy brings strong growth engine to Chinese exporters as compared to that of OBM strategy, whereas in times of economic downturns, OEM firms suffer more than OBM firms with comparable characteristics. OBM is shown to be more immune to global recession shocks, and it appears to be a more sustainable strategic choice in the long run (For more information, please contact: Zuohao Hu, Tsinghua University, China: huzh@sem.tsinghua.edu.cn)

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

Hugh M Cannon, Wayne State University
Attila Yaprak, Wayne State University

Most of the literature on strategic alliances grows out of what we might call the product-differentiation paradigm, where the purpose of the alliance is to give companies a competitive market advantage over the competition. We suggest that marketers are now beginning to adopt an alternative, relationship marketing paradigm. In the relationship-marketing paradigm, companies seek profits by selling more to existing customers. Hence, they seek alliances that are designed to help the company deliver customer value rather than market superiority. Since market superiority can be achieved by withholding capabilities from competitors as well as delivering greater value to one's customers, firms operating from the product-differentiation paradigm often seek exclusive alliances and engage in other practices that decrease the value delivered to customers and, ultimately, decrease overall market efficiency. In contrast, marketers who adopt the relationship-marketing paradigm develop alliances that are much more likely to involve collaboration with potentially competing firms. In this paper, we explore how these two paradigms might be applied in collaborative arrangements in international marketing and offer suggestions for future research on this topic. (For more information, please contact: Hugh M Cannon, Wayne State University, USA: hugh.cannon@wayne.edu)

Standardizing Corporate Brand Management Internationally - Consumers' Brand Perception and Product Response Across Five Countries

Markus Meierer, University of Zurich
Margot Löwenberg, University of Trier
Bernhard Swoboda, University of Trier

Internationally standardized corporate brands are increasingly used to shape the positioning of product brands. Despite the relevance of standardizing corporate brands in an international context, little attention has been given to cross-national effects. From a managerial point of view, the question is, whether consumers refer to specific corporate associations, e.g. social and environmental responsibility, when deciding to repurchase a product, or if they primarily consider corporate image as an overall picture of the organization. Analyzing a consumer sample from Germany, France, Romania, Russia, and the USA, results illustrate that specific corporate associations impact corporate image cross-nationally in the same way. However, their direct impact on consumer product response varies between countries, as does the impact of corporate image on consumer product response. We conclude that standardization of the companies' external portrayal works, but marketers must consider its varying relevance to consumer behavior and evaluate the positioning of the corporate brand as well as the effectiveness of their corporate branding activities across countries. (For more information, please contact: Markus Meierer, University of Zurich, Switzerland: markus.meierer@isu.uzh.ch)
Open Source Strategy Against Software Piracy  
Timo Pykäläinen, University of Joensuu  
Deli Yang, Trinity University  
Tony Fang, Stockholm University

This paper advances the existing knowledge of anti-piracy strategies by proposing an open source strategy (OS strategy) to alleviate software piracy based on a qualitative, case-based, exploratory study of eight software firms operating in China. The paper shows that the OS strategy is conditionally adoptable, depending on how users are willing to pay for services (market conditions); how critical and complex software is required for upgrading and modifications (software conditions); and how firms can avoid resources overloading and/or shortage (firm conditions). The paper also identifies several new indicators to assess the effectiveness of the OS strategy against piracy. Managerial implications about how to improve business in piracy-ridden environment are discussed. (For more information, please contact: Deli Yang, Trinity University, USA: dyang@trinity.edu)

Brand Management in Times of Terror  
Melodena Stephens Balakrishnan, University of Wollongong in Dubai

This paper evaluates the mechanisms implemented to address brand management during times of crisis resolution specific to terrorism. The focus of research is on brand architecture and brand components during crisis resolution. The findings provide information on how the hospitality industry can manage its brand during times of crisis or disaster. This research adds theory to the limited research on brand management especially as measures for terrorism are often prescriptive rather than preventive. This paper also summarizes the effects that terrorism had on the brand and offers practical steps and strategic tips for preparing for and managing crises. (For more information, please contact: Melodena Stephens Balakrishnan, University of Wollongong in Dubai, United Arab Emirates: melodenabalakrishnan@uowdubai.ac.ae)

Session: 1.5.13 - Interactive  
Track: Track: 4 - Global Strategy, Alliances, and Competitiveness

International Joint Venture Strategies

Presented On: June 27, 2010 - 16:45-18:00

Chair: Anoop Madhok, York University

Hemant Merchant, Florida Atlantic University

In a well-known study of joint venture (JV) characteristics, Beamish (1985) compared the attributes and performance of JVs located in developed and developing countries. This study advances Beamish's (1985) work by circumventing some of its key limitations. It compares the structure and capital market performance of two-party equity JVs across three host-country groups: i) developed countries, ii) newly industrialized countries, and iii) developing countries. Based on a cross-sectional sample of more than 700 JVs involving American firms and non-American partners, this study finds that JV characteristics diverge as well as converge vis-à-vis host-country groups. Interestingly—unlike Beamish (1985)—differences in JV configurations across these groups do not consistently manifest in performance differentials, at least in the view of capital markets. However, some JV characteristics consistently influence firms' shareholder value (albeit sometimes in opposite directions) whereas the impact of other characteristics depends upon a particular host-country group. (For more information, please contact: Hemant Merchant, Florida Atlantic University, USA: merchant@fau.edu)
Shareholder Value of International Joint Ventures, Industrial Diversification and Partner Relatedness
Lanyue Zhou, University of International Business and Economics
Kin-Yip Ho, Australian National University

This paper investigates the shareholder value of 1042 international joint venture announcements made by US firms from 1999-2008. In general, shareholders of US partners announcing IJV investments in foreign countries realize positive and significant abnormal returns. Further analysis shows that IJVs invested outside of the core businesses of both US and foreign partners and formed by partners with different core businesses are most value-increasing for US shareholders. Results suggest that industrial diversification through IJV investments increases shareholder value of US partners, and partner business unrelatedness enhances value creation from diversification. The diversification premium found in this paper also suggests that the international joint venture may be a preferred mode over international acquisition and Greenfield FDI when US firms engage in foreign direct investments outside of their core businesses. (For more information, please contact: Lanyue Zhou, University of International Business and Economics, China: lz55@cornell.edu)

Equity Ownership as Means of Incentive and Control: A Study of Cross-Border Knowledge Collaboration in the Chinese Automotive Industry
Zheng Jane Zhao, University of Kansas
Tailan Chi, University of Kansas

This study applies the property rights paradigm, transaction costs economics and resource-based view to gain deeper insights into the effect of equity ownership on cross-border knowledge collaboration and protection. We focus on two outcome variables that are theoretically related to the MNE's equity ownership and the absorptive capacity of its local affiliate: the MNE's effort in sharing its knowledge and the scope of knowledge creation activities at the affiliate. Our theoretical framework predicts that the cash flow rights embodied in equity ownership (incentive function) increases the MNE's effort of knowledge sharing, while the control rights embodied in equity ownership (control function) decreases the scope of the affiliate's knowledge creation activities that may pose competitive threats to the MNE. We also predict that the control effect of the equity ownership is weakened by the absorptive capacity of the affiliate. The hypotheses are corroborated by the empirical results from a survey of 161 engineering units in the Chinese automotive industry. (For more information, please contact: Tailan Chi, University of Kansas, USA: chi@ku.edu)

Impacts of External Sources of Knowledge on the Performance of IT Services Providers in India
Doren Chadee, University of Southern Queensland
Revti Raman, Victoria University of Wellington

This study fills assesses the direct and indirect impacts of external sources of knowledge on the competitiveness of offshore information technology services providers (OSPs) in India. Using a sample of 68 OSPs, we find that external source of knowledge contribute significantly to the competitiveness of OSPs but such effects are significantly mediated by the human resource orientation of the firms. (For more information, please contact: Doren Chadee, University of Southern Queensland, Australia: chadee@usq.edu.au)

Equity Joint Ventures and Share Distribution Between the Partners
Shih-Fen S. Chen, University of Western Ontario

Joint ventures have been widely used to organize inter-firm cooperation, and yet previous studies are inconclusive as to the nature of this governance device. Some see it as a hybrid of market and hierarchy (e.g., Williamson 1991), while others treat it as a hierarchy mode with joint ownership (e.g., Hennart 2009). Furthermore, prior research often lumps all joint ventures into one category in contrast to wholly owned
subsidiaries and as a result does not confront the issue of how equity shares are distributed between the partners. In this study, we bridge the two literature gaps by (1) decoding the nature of equity joint ventures as a governance device of inter-firm cooperation and (2) proposing a set of rules on share distribution between the partners. The study offers insightful implications for scholars and practitioners to study and manage equity joint ventures. (For more information, please contact: Shih-Fen S. Chen, University of Western Ontario, Canada: sfchen@ivey.uwo.ca)

Overcoming Trust Failure in the Post-formation Stage of International Joint Ventures: The Role of Ex Post Governance Mechanisms

Linda Hsiu-Yun Hsieh, University of Birmingham
Suzana Braga Rodrigues, Erasmus University

This study aims to understand the sources of trust barriers and failures, and if ex post governance mechanisms can be used to deal with violation of competence-based and integrity-based trust between partners. When trust failure is great enough to jeopardize the performance of an international joint venture (IJV), it becomes essential to reduce uncertainties related to trustee’s behavior to a tolerable level by increasing control. Based on in-depth interviews conducted in eight IJVs in Taiwan, the findings suggest that the presence of managerial agency problem may not be a sufficient condition that fosters intensification and scope of post-formation governance mechanisms. The likelihood of deteriorating performance perceived by partners may encourage them to resort to ex post governance mechanisms to repair trust or simply to preserve IJVs. The relationship between distrust and deployment of post-formation governance mechanisms is moderated by the level of trustor’s dependence on trustee. Partners should dedicate more resources and attention to the IJVs which are strategically relevant to their parent firms. In less strategically relevant IJVs, when trust failures occur, exiting from IJVs may be a less expensive option. (For more information, please contact: Linda Hsiu-Yun Hsieh, University of Birmingham, United Kingdom: h.hsieh@bham.ac.uk)

Academic Linkages Worldwide: A Strategic Cross-Border Intellectual Capital Allocation

Harvey Arbelaez, Monterey Institute of International Studies

This research study reports results of a survey on perception of cooperative linkages among organizations and institutions devoted to the creation, diffusion and use of knowledge, science, technology, research and development. In particular, it addresses issues pertinent to partner selection and administrative expectations from such academic partnerships, and also potential difficulties involved in developing inter-organizational alliances. The survey, conducted among academic institutions worldwide, shows that international strategic alliances are considered as a value-added approach to academia to continue developing programs leading to accomplish teaching, joint research, human resources exchange, and academic exchange at-large while completing a mix of products and services that have a certain width, length, depth, and consistency shaped by the new economic realities of the markets and the human preferences for technology-driven academic tools. In addition, the study will provide key characteristics of the institutions being surveyed, the academic sectors to lead to the formation of linkages, experiences with cooperative agreements, the expectations of academic institutions, and benefits sought from such alliances. Importantly, as an implication, this research study seeks to contribute to the understanding of the capabilities and options open to the future of a scholar embedded in a demanding world of online global education, pressed by the role of languages, internationalization forces, high speed mobility of participants in the academic endeavor, and the unfolding results of accords and agreements. Therefore, this study suggests also that a number of barriers need to be overcome to attain a strategic allocation of intellectual capital resources. Finally, with the background provided by the survey results, a conceptual framework will be developed to serve as a guiding blueprint of interrelated dimensions sought to convert academic linkages into a strategic initiative of cross-border impact. (For more information, please contact: Harvey Arbelaez, Monterey Institute of International Studies, USA: harvey.arbelaez@miis.edu)
**Session: 1.5.14 - Interactive**  
**Track: Track: 8 - Cross-cultural Management and International HRM**

**New Perspective on Performance and Multicultural Teams**

**Presented On:** June 27, 2010 - 16:45-18:00

Chair: Hugh Scullion, National University of Ireland

**Reflections of a Virtual Global Research Team: A Two-Phase Introspective Study**

Suzy Fox, Loyola University Chicago  
Jo Ann Duffy, Sam Houston State University  
Terri Lituchy, Concordia University  
Neusa Maria Bastos F. Santos, Pontifícia Universidade Católica de São Paulo

A two-phase introspective study examines processes of global research collaboration carried out by a self-consciously democratic virtual team over a seven-year period. Key challenges included leadership, trust, communication technology and strategy, research methodology and rigor, and conflict resolution. Over and above issues inherent in cross-cultural and virtual teamwork, additional layers of complexity included the voluntary nature of the association; self-conscious preference for leaderless collaboration; gendered dynamics (based on demographics of team members, individual feminist self-identification, and the content and perspective of the project itself); and the deep if conflicted emotional bonds that developed over time. *(For more information, please contact: Suzy Fox, Loyola University Chicago, USA: sfox1@luc.edu)*

**Workgroup Cultural Composition, Communication Networks, and Performance**

Davina Vora, SUNY New Paltz  
Sigrid Khorram, German University of Cairo  
Mourad Dakhli, American University of Kuwait

In this conceptual paper, we draw upon research on cultural values and network theory to develop a model of how group cultural diversity and members' cultural orientations influence communication networks in workgroups. Specifically, we suggest that the cultural composition of workgroups in terms of horizontal and vertical individualism and collectivism relates to group members' tendency to cluster into subgroups and to serve as bridges. These subgroups and bridges, in turn, are likely to influence group performance. We argue that a networks approach provides a useful alternative conceptualization of group diversity and discuss the implications of our model. *(For more information, please contact: Davina Vora, SUNY New Paltz, USA: vorad@newpaltz.edu)*

**Building Status as an Outsider: A Model of Cross-Cultural Impression Management**

Anna-Katherine Ward, University of South Carolina  
Elizabeth C. Ravlin, University of South Carolina

We explore the process by which a culturally-different newcomer may alter others' perceptions of his or her status in the workplace based on self-monitoring and cultural intelligence theories. A schematic model of Cross-Cultural Impression Management is presented to enhance understanding of how the negative link between cultural distance and perceived status may be changed. This model makes theoretical additions to the diversity and international management literatures and potentially contributes to diversity-building tactics in organizations. *(For more information, please contact: Anna-Katherine Ward, University of South Carolina, USA: annakward@hotmail.com)*
Differences between TMT and Board International Experience
Jose Luis Rivas, ITAM

We test the variables international experience and CEO Multinationality both at the board and at the TMT level. We find a positive effect on internationalization for international experience of both boards and TMTs. However, the importance of board international experience becomes marginally significant in the presence of TMT international experience. We also find a positive relationship between CEO Multinationality of TMTs and firm internationalization. (For more information, please contact: Jose Luis Rivas, ITAM, Mexico: jose.rivas@itam.mx)

Adverse Effect of TMT Loss on the Performance of the Incumbent Firm in Pharmaceutical Industry
Tariq Malik, University of London
Hamidah Salleh, National University of Singapore

The importance of managerial resource and inter-firm competition is fairly well understood in management and organization literature. The loss of senior executives and the resulting effects on the firm’s performance is relatively under researched. This article is a probe in this direction. Using managerial human capital perspective and managerial symbolic capital perspective, we empirically tested the effects of the loss of 1485 TMT executives on the performance of 168 large pharmaceutical firms over 10 years. Our evidence indicates that the number of TMT loss, managerial ranking hierarchy, and international experience of the executives are inversely related to the performance of the firm in the year subsequent to the loss. We conclude that the loss of managerial human resource can predict negative performance in the short-run. (For more information, please contact: Tariq Malik, University of London, United Kingdom: T.Malik@mbs.bbk.ac.uk)

Understanding the Use of Variable Pay Practices across Cultures and Its Effect on Firm Performance
Maya K. Kroumova, New York Institute of Technology
Mila B. Lazarova, Simon Fraser University

The purpose of this study is to explore if national culture is reflected in the choices local and multinational organizations make with respect to variable compensation, and the effect these choices have on organizational performance. Using data for 25 countries, we address two questions: is culture reflected in the choices that local and multinational organizations make to implement individual and group incentives; and what, if any, is the effect of culturally “incongruent” incentives on organizational performance. (For more information, please contact: Maya K. Kroumova, New York Institute of Technology, USA: mkroumov@nyit.edu)

Emotional Labor in the International Service Industry
Watcharaphong Leartsurawat, Florida International University

This article examines the effect of firm’s degree of internationalization on service employee emotional labor. Building upon the emotional labor, diversity and culture difference and internationalization literatures, a proposed integrative conceptual framework is presented. The article then introduces a series of propositions as well as potential future avenue for empirical research. (For more information, please contact: Watcharaphong Leartsurawat, Florida International University, USA: wlear001@fiu.edu)
ABSTRACTS FOR MONDAY, JUNE 28, 2010

Session: 2.1.1 - Competitive
Track: Track: 4 - Global Strategy, Alliances, and Competitiveness

Offshoring and Outsourcing Strategies (State-of-the-Art Session)

Presented On: June 28, 2010 - 09:00-10:15

Chair: Tarun Khanna, Harvard Business School

Creating Value from Global Offshoring Network: Insights from a Software Giant
Debmalya Mukherjee, University of Akron
Ajay Bhalla, City University of London

Multinational enterprises (MNEs) are increasingly offshoring their high-value added activities, including research and development (R&D), giving rise to geographically dispersed organizational activities. Extracting optimal value from globally distributed R&D centers poses significant challenge to the organizations. This paper distinguishes between three types of advantages associated with the globalization of focal firm's R&D activities and discusses how they relate to the offshoring phenomenon and create value for the focal firm. The paper also explicates how these advantages coevolve with a broader set of environmental factors. A longitudinal case study of a major European software firm demonstrates that the optimal value creation from a global innovation network depends on three sets of interrelated advantages—disintegration-location-externalization advantages, that interact and co-evolve with environmental factors. It also illustrates the gradual evolution of the firms' strategic path as manifested by the level of disintegration, location choices, and externalized partnering activities made by the firm. (For more information, please contact: Debmalya Mukherjee, University of Akron, USA: dmukher@uakron.edu)

Does Offshoring Intensity Impact Firm Performance? The Moderating Effect of Firm Strategy
Shirish C Srivastava, HEC Paris

Despite the growing importance of offshoring, there is limited research devoted to its impact on firm performance. Using the resource-based view and resource dependence theory, we conceptualize offshoring as a strategic resource sourcing decision for enhancing firm performance. Specifically, using data from 164 US firms, we assess the impact offshoring intensity (OI) on financial performance metrics of the firm, which include revenue performance, cost performance, profitability performance, productivity performance, and market performance. Further, we also assess the moderating effect of firm strategy on the relationship between OI and firm performance. Results indicate positive relationship of OI with parameters of firm performance, suggesting offshoring as a viable strategic option for firms. Results also show that the impact of offshoring on certain performance parameters is moderated by firm level strategies, thereby reiterating the importance of aligning the firm strategy with offshoring strategy for effective results. Through this research, we make some important contributions and offer implications for research and practice. (For more information, please contact: Shirish C Srivastava, HEC Paris, France: srivastava@hec.fr)

The Impact of Management Capability on the Firm Resource-Performance Relationship: Evidence from Indian Offshore Outsourcing Service Providers
Somnath Lahiri, Illinois State University
Ben L. Kedia, University of Memphis
Debmalya Mukherjee, University of Akron
The increase in offshore outsourcing of information technology enabled business processes has renewed scholarly attention to better understand the dynamics of service provider firms. In this study we examine how offshore outsourcing service providers' internal and relational resources and capabilities jointly predict their economic performance. Analysis of data collected from a sample of 105 Indian service providers suggest that rent generation from firm-specific, idiosyncratic resources is positively moderated by the level of management capability possessed by such firms. Theoretical and practical implications of the findings are discussed and avenues of future research are offered. (For more information, please contact: Somnath Lahiri, Illinois State University, USA: slahiri@ilstu.edu)

Hybrid Competitive Strategies for Achieving Superior Performance during Global Expansion: Empirical Evidence of ICT Firms from Small and Open Economies
Mika Gabrielsson, Aalto University
Tomi Seppälä, Aalto University
Peter Gabrielsson, University of Vaasa

Globalization has become one of the most central forces shaping the business environment of Information and Communication Technology (ICT) firms. These firms have faced an ever increasing industry level globalization pressure, driven by the reductions of government and other trade restrictions, emergence of global market segments, increased cost efficiencies related to scale, and intensifying global competition. Under these pressures, the firms respond by expanding globally and seeking ways to enhance their competitiveness. The earlier research is, however, indecisive on whether a pure ‘single’ cost or differentiation based strategy or a ‘hybrid’ competitive strategy should be selected. The study examines the Finnish and Swedish ICT-firms using a statistical survey methodology. The results based on a total of 261 firms indicate that increased use of ‘hybrid’ competitive strategies is influenced by global expansion phase and resources of the firms. Moreover, an important finding was that ‘hybrid’ strategy lead to higher strategic and financial performance than the use of single strategy. (For more information, please contact: Mika Gabrielsson, Aalto University, Finland: mika.gabrielsson@hse.fi)

Session: 2.1.2 - Panel
Track: 9 - International Economics, Finance and Accounting

The Past, Present and Future of International Business and Management (State-of-the-Art Session)

Presented On: June 28, 2010 - 09:00-10:15

Chair: Timothy Michael Devinney, University of Technology, Sydney
Co-Chair: Laszlo Tihanyi, Texas A&M University
Discussant: Torben Pedersen, Copenhagen Business School

The Past, Present and Future of International Business and Management
Timothy Michael Devinney, University of Technology, Sydney
Torben Pedersen, Copenhagen Business School
Laszlo Tihanyi, Texas A&M University
Yair Aharoni, Tel Aviv University
Greg Bell, University of Dallas
Julian Birkinshaw, London Business School
Masud Chand, Wichita State University
Susan P. Douglas, New York University
Rian Drogendijk, Tilburg University and Uppsala University
Igor Filatotchev, City University London
This highly interactive panel focuses on the questions of theory and methodology that have characterized IB/IM research in the past and what the potential is for the future as the field is faced by new and more complex phenomena. Using a series of “roundtables” led by leading and rising IB/IM scholars of various generations the goal of the session is to bring to the fore the hard questions that we have avoided and those that will define the field going forward. The session is organized around papers in the forthcoming volume of the Advances in International Management series (Emerald) of the same title and presents a great opportunity for informed debate about the field. The session will be structured around 7 themes: (1) Emerging Markets, (2) People, Systems and Organizations, (3) Culture, (5) Foreignness/Distance, (5) Civil Society, (6) Knowledge/Innovation and (7) Internationalization. (For more information, please contact: Timothy Michael Devinney, University of Technology, Sydney, Australia: timothy.devinney@uts.edu.au)

Session: 2.1.3 - Competitive
Track: Track: 8 - Cross-cultural Management and International HRM

Managing Multicultural Teams

Presented On: June 28, 2010 - 09:00-10:15

Chair: Chris Markus Baumann, Macquarie University

Development of Transactive Memory Systems in Multicultural Teams
Aycan Kara, Florida Atlantic University

Examining the development of Transactive Memory Systems (TMS), the “who knows what” aspect of interpersonal knowledge in teams, in Multicultural teams has the potential to fill gaps both in TMS literature and in the theory of multicultural teams in organizations. Analyses of the processes, dimensions, and development of TMS suggest that team effectiveness increases as team members learn more and more about one another’s skills, knowledge, resources, and external networks. Air travel and communication technology advances have encouraged Multinational Organizations to rely on multicultural and virtual teams, but do not in themselves automatically create optimal conditions for TMS development. The present analysis first considers the environmental and other factors that affect the development of TMS in multicultural teams. In addition, this manuscript encourages the extension of the field by studying different types of TMS, such as external, in order to accomplish tasks that involve innovation, idea creation, or creative problem solving. (For more information, please contact: Aycan Kara, Florida Atlantic University, USA: akara@fau.edu)
Dynamics of Cross-Cultural Interactions in Multinational Teams: Studying Multinational Teams beyond the Comparison of Cultural Value Dimensions

Aida Hajro, Brunel University
Markus Pudelko, Tübingen University

This paper investigates the functioning of multinational teams (MNTs). It is based on 87 interviews with MNT members from Austria and Central and Eastern Europe across six MNCs. Instead of following the dominant quantitative research paradigm of comparing (static) cultural value dimensions, this qualitative study focuses on (dynamic) cross-cultural team interactions. While MNTs from all companies struggle initially with national cultural differences, MNTs from some companies manage over time to negotiate a cooperative, hybrid team culture. We argue that two factors are crucial for creating a hybrid team culture: the dynamics of internal team interactions and the organizational culture. (For more information, please contact: Markus Pudelko, Tübingen University, Germany: markus.pudelko@uni-tuebingen.de)

Cultural Differences and Similarities between Canadian and U.S. Managers

Tomasz Lenartowicz, Florida Atlantic University
Mark F. Peterson, Florida Atlantic University
Maria Petrescu, Florida Atlantic University

We investigate reasons why IB studies comparing behavior, attitudes and values of managers from Canada and the U.S. show such conflicting outcomes about cultural differences and similarities between these two countries. Employing the Lenartowicz and Roth (1999) framework for culture assessment and data from the Work Value Survey (WVS), we conclude that these conflicting outcomes are due to the existence of large within-country cultural variability in both nations as well as cultural proximity of some regions of Canada and the U.S. We present recommendations to the researchers undertaking cross-cultural comparative studies involving these two countries. (For more information, please contact: Tomasz Lenartowicz, Florida Atlantic University, USA: lenartow@fau.edu)

Session: 2.1.4 - Competitive
Track: 6 - Innovation and Knowledge Management

Internationalization of R&D

Presented On: June 28, 2010 · 09:00-10:15

Chair: Annique Un, University of South Carolina

How Global is R&D? Determinants of the Home Country Bias in R&D Investments
Rene Belderbos, K.U. Leuven
Bart Leten, K.U. Leuven
Shinya Suzuki, K.U. Leuven

Despite an increasing importance of international R&D activities by multinational firms, a major portion of corporate R&D still tends to be concentrated in firms’ home countries. This paper assesses and analyzes the degree of the home country bias in global R&D investments by 162 European, US and Japanese multinational firms during 1995-2002. We assess the extent of home country bias by examining the difference between actual home country R&D and the R&D level to be ‘expected’ given the home country’s attractiveness for R&D activities. Second, we formulate hypotheses concerning the firm-level determinants of the home country bias. Empirical results confirm the existence of a home bias in R&D activities and show that this home bias increases with the degree of scale economies in firms’ technologies, firms’ technological diversification (economies of scope), and the embeddedness of firms’ R&D in the home country’s innovation system, while eexperience in
operating R&D facilities abroad reduces home bias. Technological leadership of firms strengthens home bias in case the home country provides a more favorable regime of intellectual property rights protection than foreign countries. (For more information, please contact: Shinya Suzuki, K.U. Leuven, Belgium: shinya.suzuki@econ.kuleuven.be)

**Institutional Influences on the Choice of Export Markets for International Licensing and R&D Outsourcing**
Suma Athreye, Brunel University  
Tomasz Mickiewicz, University College London  
Yong Yang, Brunel University & Queen Mary, University of London

The last decade saw an enormous growth in exports of R&D and in cross-border licensing of intangible assets. We use a unique dataset to explore the firm-level characteristics and country-level institutional and cultural factors that influenced the size of these exports by domestic and foreign firms located in the UK to 97 different destination countries from 1997-2005. For both International licensing and R&D outsourcing similarity in the level of the intellectual property protection increases exports to the destination country. Moreover, this institutional similarity is more important when trading with nations with higher technology capability. We also find evidence that cultural norms of individualism, similar to UK, may act as an additional guarantee of appropriability in the case of the R&D services exports which are less protected against intellectual property infringement. Thus, we argue that different types of institutions matter for the different types of transactions. Lastly, we found that smaller firms earn proportionally larger revenues from international licensing while larger firms export relatively more in the form of R&D services. The results are consistent with our priors based on both institutional theory and resource-based view of the firm. (For more information, please contact: Suma Athreye, Brunel University, United Kingdom: suma.athreye@brunel.ac.uk)

**Exploiting Knowledge Externalities in the Global Economy: The Role of International Depth and Breadth**
Mario I. Kafouros, University of Leeds  
L. Jeremy Clegg, University of Leeds

The current study examines how multinational firms increase their productivity by exploiting knowledge externalities arising from knowledge reservoirs that are tied to particular countries. Through the analysis of firm- and industry-level data for 18 countries, we demonstrate that a firm's ability to benefit from such externalities is endogenously determined by (a) its internationalization decisions and location choices in the global landscape, (b) the breadth and depth of its international network and (c) the interaction of these factors with absorptive capacity. Interestingly, we find that when research intensive firms spread their operations across many countries, they benefit from knowledge reservoirs more than when they concentrate their activities in a few geographical markets. We further demonstrate that differences in spillover effects stem not only from firm specific idiosyncrasies, but also from exogenous forces associated with inter-industry variation in technological opportunities. (For more information, please contact: Mario I. Kafouros, University of Leeds, United Kingdom: mk@lubs.leeds.ac.uk)

**How Openness of the Local System Impacts on the MNC Sub-unit Exploratory Activity**
John Cantwell, Rutgers University  
Lucia Piscitello, Politecnico di Milano

Local embeddedness and the access to local knowledge in a host country have been recognized as a crucial factor in explaining the capacity of MNC sub-units for locally exploratory activity. Yet the notion of embeddedness in local industrial systems has typically been supposed to be inherently geographically confined. This paper relies instead on a concept of embeddedness in a wider perspective, as the local system is not necessarily geographically bounded. Namely, we claim that the more open is the local system in which the MNC sub-unit is embedded, and the more that system facilitates access to non-localized knowledge, the more likely it
is that the sub-unit will evolve towards greater local creativity. Using data on the innovative activities of the world's largest industrial firms over the period 1930-95, we find that the local host system's international openness/competitiveness and proximity to world knowledge positively influence the relative extent of subsidiary competence creating (CC) activities. (For more information, please contact: Lucia Piscitello, Politecnico di Milano, Italy: lucia.piscitello@polimi.it)

**Session: 2.1.5 - Competitive**  
**Track: 10 - SMEs, Entrepreneurship, and Born Global**

*Internationalization and the Small Firm*

**Presented On:** June 28, 2010 - 09:00-10:15

Chair: Erkko Autio, Imperial College London

*Revealing Internationalisation Practices of the Small Firm*
   - Peter Lamb, La Trobe University
   - Jorgen Sandberg, University of Queensland
   - Peter Liesch, University of Queensland

This study investigates how owner-managers practise firm internationalisation. It is explored through an empirical study of small Australian wineries’ internationalisation. The results advance existing theory by revealing that small firm internationalisation is not defined by knowledge acquisition, relationship development or owner-manager characteristics as existing theories propose. The findings show that small firm internationalisation is constituted by an on-going internationalisation activity cycle consisting of a set of interrelated activities: assessing and knowing markets, prospecting and attracting agents, assessing agent compatibility, supporting and sustaining agent relationships, and termination or failure of agent relationships. (For more information, please contact: Peter Lamb, La Trobe University, Australia: p.lamb@latrobe.edu.au)

*Relationship between Speed of Internationalization and International Performance*
   - Sylvie Chetty, Massey University
   - Jan Johanson, Uppsala University
   - Martin Johanson, Uppsala University
   - Oscar Martín Martín, Public University of Navarre

We develop a measure of speed of internationalization and validate it in a model on the relationship between speed of internationalization and international performance. We integrated the incremental internationalization and born global approach to internationalization to provide a framework for our paper. From the former, we relied on the two critical concepts of the mechanism for internationalization, i.e., market knowledge and market commitment. From the born global literature we used the time to internationalization concept which we extend to develop our speed of internationalization construct. Our data is based on a sample of 170 small and medium sized enterprises (SMEs) and we used Partial Least Squares (PLS) as our data analysis technique. Our main finding is that the higher the firms’ speed of internationalization, the better their international performance. In addition, our results provide more importance for speed of international learning than to speed of committing internationally. Speed of learning from diversity of activities is more relevant for speed of international learning than learning from repetition of activities. (For more information, please contact: Oscar Martín Martín, Public University of Navarre, Spain: oscar.martin@unavarra.es)

*SME Networks for Internationalization: A Systematic Review of Evidence from the Software Sector*
   - Loren M. Stangl, Massey University
Findings from multiple fields of study indicate that industry structure matters to SMEs when considering internationalization. However, previous reviews on the process of internationalization take a multiple industry approach to consolidating the literature. As such, the industry effects on network influences on SME internationalization are not isolated. The aim of this paper is to review, synthesize, and assess extant literature on the internationalization process of SMEs within the computer software sector to assess the role of network influences on motivations, market selection, and mode of entry decisions. The originality of this study lies in the use of a single sector lens to consolidate literature. The review covers 32 empirical studies published between 1994 and 2008 and represents researchers from 13 countries. Themes relating to network influences on client-followership and market-seeking activities as well as domestic market size, top management team and growth hurdles are discussed. (For more information, please contact: Loren M. Stangl, Massey University, New Zealand: l.stangl@massey.ac.nz)

**Giving Meaning to Internationalization: Purposes, Interpretation and Choice in the International Involvement of Brazilian Small Business Entrepreneurs**  
Rene Seifert Jr., University of Birmingham  
John Child, University of Birmingham  
Suzana Braga Rodrigues, Erasmus University

This study reports an investigation of the meanings that decision-makers in SMEs attach to the purposes of internationalization, and how these might influence their action choices. It draws on 58 interviews with the leaders of SMEs located in the clothing industry of Parana State in Brazil. The findings indicate that the purposes of internationalization can be interpreted in different ways: 1. increasing sales; 2. increasing the profitability of sales; 3. reducing production costs; 4. diversification; 5. achieving differentiation in the domestic market; 6. business development; and 7. securing international recognition. Each of them inform strategic choices in internationalization and can be used both to reject as well as to justify commitment to it. The study presents evidence sufficient to show that the criteria and parameters informing internationalization choices vary with decision makers' interpretations. It demonstrates that, under certain purposes, internationalization can be part of the strategic orientation of the firm without it actually engaging in foreign trade and investment. Furthermore, it indicates that different logics given to internationalization do not always accord with available theorization. The study supports the acknowledgement that internationalization entails understanding and interpretation, over and above purely rational calculation, and offers relevant insights for theory development. (For more information, please contact: John Child, University of Birmingham, United Kingdom: j.child@bham.ac.uk)

**Session: 2.1.6 - Competitive**  
**Track: Track: 3 - IB Theory, FDI, and Entry Mode**

**Geography of FDI**

**Presented On:** June 28, 2010 - 09:00-10:15

Chair: Alan M. Rugman, University of Reading

**ICT Development and the Regional vs. Global Strategies of Multinational Enterprises**  
Linghui Tang, College of New Jersey  
Len Trevino, Loyola University New Orleans

This paper investigates the impact of advances in information and communication technology (ICT) on the spatial dispersion of FDI. We argue that the implication for ICT development is different for source and host countries. Additionally, we hypothesize that ICT has a greater impact on FDI between developed countries than
between developed and developing countries. A gravity equation is used to test these hypotheses. We find that ICT advances in source countries have no statistically significant impact on outward FDI activities. Conversely, ICT development in host countries has increased their ability to attract FDI from long distances. (For more information, please contact: Linghui Tang, College of New Jersey, USA: tang@tcnj.edu)

Can Country Continuously Compete on Cheap Labor Cost? A System Dynamics Approach to FDI Policy Analysis
Massood Samii, Southern New Hampshire University
Pard Teekasap, Southern New Hampshire University

This paper studies the interaction of FDI and wages and employment of workers in countries that use cheap labor cost strategy such as Thailand under different policies by using system dynamics modeling. The simulation shows that FDI drives the salary up when the demand of workers reaches the limit of working population. Higher salary, in turn, causes low labor cost seeking FDI to withdraw their investment. Government policies aim to sustain cheap labor cost seeking FDI are examined. The policy to subsidize foreign operation such as providing tax break and reducing the time to set up a new firm can stimulate FDI in the short term but in the long term the foreign firms still withdraw their investment due to a high salary. Increasing the number of working population or reducing the hiring process for the firm, on the other hand, does not affect the volume of FDI. Thus, the country cannot rely on low labor cost strategy for a long term. (For more information, please contact: Pard Teekasap, Southern New Hampshire University, USA: pard.teekasap@snhu.edu)

Global Cities: Beachheads, Supply Points, and Multinational Enterprise Location Decisions
Anthony Goerzen, University of Victoria
Christian Asmussen, Copenhagen Business School

Nation states are the most common geographic unit of analysis in international business research. Yet, it is becoming increasingly acknowledged that sub-national units (e.g., regions, industrial clusters, and cities) are perhaps more relevant to managers and scholars interested in the behavior and performance of multinational enterprises (MNEs). Although the “global city” concept has become an important topic in several diverse fields of study, the influence of global cities on MNE location decisions has not been examined. This research, therefore, is designed to combine the literature on global cities with process theories of MNE internationalization in order to provide new insights into MNEs’ international location strategies on a sub-country level. The main argument of our paper is that global cities are distinct in terms of their location-specific advantages which, in turn, influence the liability of foreignness that internationalizing firms face when investing in them. This suggests that MNEs’ foreign subsidiaries not only gravitate towards global cities but also that the degree to which they do so is determined by a nuanced interaction of subsidiary, firm, and country-level factors. (For more information, please contact: Anthony Goerzen, University of Victoria, Canada: agoerzen@uvic.ca)

Leaders Follow the Followers: Multinationality and Domestic Competitive Position among Japanese Firms
Kiyohiko Ito, University of Hawaii at Manoa
Elizabeth L Rose, Aalto University
Eun-Bum Cho, University of Hawaii at Manoa

We investigate the relationship between a firm’s domestic competitive position and its multinationality, based on the notions of ownership, first-mover’s advantages, and economies of scale. Theoretical frameworks suggest that, because larger MNCs have more resources available to support foreign operations, they will tend to display higher degrees of multinationality, relative to smaller competitors. However, many MNCs from Japan provide counter-examples to this assumption. Using Japanese firms’ data from 1975 to 2004, we investigate the relationship between multinationality and both size and domestic competitive position. Our empirical evidence suggests that multinationality, measured as the numbers of both foreign subsidiaries and countries in which Japanese MNCs operate, is positively related to firm size. However, firms that are leaders in the Japanese
domestic market tend to have lower degrees of multinationality, after controlling for size and experience, relative to their non-dominant competitors. Our findings suggest that, in terms of multinationality, the leaders are following the followers (For more information, please contact: Kiyohiko Ito, University of Hawaii at Manoa, USA: k.ito@hawaii.edu)

Session: 2.1.7 - Competitive
Track: Track: 1 - Institutions, Governance, and CSR

Government and Politics

Presented On: June 28, 2010 - 09:00-10:15

Chair: Richard W. Carney, Nanyang Technological University

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, Universidad de los Andes

What political strategies do MNCs from recently developed countries follow when investing in an emerging economy? We analyze the case of Spanish MNCs investing in politically sensitive industries in Chile when a center-left party that distrusted foreign control over socially sensitive sectors ruled the country. Chile also had a private sector dominated by the opposition political right. We find that the Spanish MNCs turned their liability of newness and foreignness into advantages by appointing in their boards directors of Chile's political center-left. This strategy legitimized their operations and decreased the risks of confrontation with the state. (For more information, please contact: Marcelo Bucheli, University of Illinois at Urbana-Champaign, USA: mbucheli@illinois.edu)

Politically Shaped IPOs: The Case of Privatization
Narjess Boubakri, HEC Montreal
Walid Saffar, American University of Beirut

Using a large multinational sample of 3,266 observations from 100 countries over the period 1977-2006, we test a series of hypotheses related to the choice of privatization method and its political underpinnings based on five categories of political institutions as identified by Beck et al. (2001). After controlling for firm-level characteristics and cross-country legal institutions, we find that the political system, tenure, stability, ideology and cohesion explain the choice between privatizing with a share issue or an asset sale. Our results are robust to a serial of sensitivity tests and suggest that the political institutions are a major determinant of the choice of the method of privatization by the government. (For more information, please contact: Walid Saffar, American University of Beirut, Lebanon: walid.saffar@aub.edu.lb)

Jun Wu, Old Dominion University
Shaomin Li, Old Dominion University
Darryl Samsell, Guilford College

We examine the effect of a country’s governance environment on its propensity to trade. Using an updated framework, we classify countries based on the dominant mode of governance into three types: rule-based, relation-based, and neither-based. We then examine trade patterns among 44 countries representing 89 per
cent of world trade. We find that overall, rule-based and relation-based countries trade more than neither-based countries. Any trade relationship involving a neither-based country negatively affects trade flows. Our study contributes to the trade literature by examining the effects of different types of governance environment on trade flows and more successfully explaining why some countries still trade almost nothing even after freer trade leads to higher welfare for a country have been convincingly proved. (For more information, please contact: Jun Wu, Old Dominion University, USA: jwuxx007@odu.edu)

Session: 2.1.8 - Competitive
Track: Track: 2 - International Marketing Management and Supply Chain

Strategic Marketing Decisions

Presented On: June 28, 2010 - 09:00-10:15

Chair: David Griffith, Michigan State University

Simos Chari, University of Leeds

Nearly after forty years of vigorous attention and robust research, the concept of strategy making process and its effect on organizational performance remains vague, imprecise, and complicated. This pragmatism is even more acute in marketing organizations. Studies on the marketing strategy making process represent an “incomplete, multi-dimensional jigsaw puzzle” with some of its areas more comprehensive than others. This paper following the recent pleas for further investigation on the ill-research matter of marketing strategy making process aims through the empirical analysis of ‘mass marketer’ strategy type to explicate and elucidate the relationship of intended (deliberate) and realised (emergent) marketing strategies. (For more information, please contact: Simos Chari, University of Leeds, United Kingdom: s.chari@leeds.ac.uk)

Strategic Choices and Global Chains from an Operations-based Perspective: A Multiple Cases Study
Ely Laureano Paiva, EAESP - FGV
Luciana Marques Vieira, UNISINOS PPG ADM

Global chains have a key role in a globally integrated economy. Studies in global chains usually have focused on the governance and strategies within the supply chain. This study seeks to analyze how operations strategy and strategic choices are developed in global value chains with change in the competitive context. It presents multiple case studies from the Brazilian footwear industry. Those companies have developed operations strategies that are not based on the traditional cost-based approach. The results suggest that this strategic choice requires a clear adaptation between companies’ competitive priorities and operations decisions. Moreover, strategic changes imply the development of new operational capabilities and affect companies’ value chain. (For more information, please contact: Luciana Marques Vieira, UNISINOS PPG ADM, Brazil: lmvieira@unisinos.br)

Outsourcing Strategies of Emerging Country Firms : Are they Different from Developed Country Multinationals?
Afonso Fleury, University of Sao Paulo
Rebecca Arkader, Federal University of Rio de Janeiro
Andreas Groessler, Radboud University Nijmegen
Bjorge Laugen, University of Stavanger

The purpose of the paper is to analyze differences in the sourcing strategies of manufacturing firms from emerging and from developed markets. More specifically, we test whether manufacturers from emerging
markets have other objectives when sourcing from within their countries or from international sources, as compared to firms in developed markets. Contingency effects of the business strategy followed are taken into account. The key findings are that companies that source globally try to achieve cost benefits; companies that source nationally try to achieve capacity flexibility. However, firms do not differ dependent on whether they are located in emerging or in developed markets. Within the group of firms from emerging markets, there is a substantial difference depending on whether firms originate from an emerging market and subsidiaries of companies from developed markets. The discussion is based on a statistical analysis of data from 569 firms collected in the fourth round of the International Manufacturing Strategy Survey (IMSS) (For more information, please contact: Afonso Fleury, University of Sao Paulo, Brazil: acfleury@usp.br)

Market Withdrawal, International Orientation and Marketing Resources: Effects on SME International Performance

Pavlos Dimitratos, Athens University of Economics and Business
Panagiota Sapouna, Athens University of Economics and Business
Jorma Larimo, University of Vaasa
Ralph Lehmann, HTW Chur
Antonella Zucchella, University of Pavia

Withdrawal of a firm from a foreign market is likely to affect the level and nature of marketing-related resources and influence its international orientation. We conducted a study that investigates the effects of market withdrawal, marketing-related resources and capabilities, and international orientation on performance of the internationalized small and medium-sized enterprise (SME). We also investigate the combinatory effects of market withdrawal with these variables. The evidence from a large scale four-country European study suggests that withdrawal from a market negatively affects international performance; international orientation positively affects international performance; whereas, marketing resources and capabilities are weakly associated with international performance. In addition, no significant combinatory effects are identified. This is the seemingly first study that establishes a direct link between withdrawal and international performance; and, offers suggestions to firm managers on improving their performance in foreign markets. (For more information, please contact: Pavlos Dimitratos, Athens University of Economics and Business, Greece: pdimitr@aueb.gr)

Session: 2.1.9 - Competitive
Track: 4 - Global Strategy, Alliances, and Competitiveness

Joint Ventures and Networks

Presented On: June 28, 2010 - 09:00-10:15

Chair: Hemant Merchant, Florida Atlantic University

Accumulation of Rare International Experience and the Evolution of Domestic Network Structure in German Board Interlocks

Exequiel Hernandez, University of Minnesota
Wm. Gerard Sanders, Rice University
Anja Tuschke, University of Munich

We develop a theory of the evolution of network structure as firms accumulate knowledge stemming from valuable and rare international experiences. We argue that the competing motives to exploit or protect strategic knowledge lead firms to either seek out ties with new partners or to eliminate competitively threatening ties, respectively, which in turn affect the evolution of their networks towards structural holes or closure. We track the board of director network of German firms and their accumulated experience operating in the transition economies Eastern Europe from 1990 (immediately after the fall of the communism) until 2003. Since Western
firms had virtually no experience in the region, yet the opportunities for tapping into new markets were highly valuable, accumulating first-hand experience provided valuable social capital in this context. Using a dynamic panel estimator, we found that as firms gained experience their networks evolved towards more closure when threats of unwanted knowledge spillover were high, but moved towards more structural holes when such threats were mitigated. Our study contributes to a better understanding of the interplay between international strategic action and network dynamics. (For more information, please contact: Exequiel Hernandez, University of Minnesota, USA: herna136@umn.edu)

Partner Resource Asymmetry, Ownership Asymmetry and IJV Survival
Jane Lu, National University of Singapore

Drawing on resource-based view and learning perspective in the context of IJVs, we attend to equivocal results regarding the relationship between partner resource asymmetry and IJV performance by examining different types of resource asymmetry (tangible vs. intangible) and by considering the interplay between resource asymmetry and ownership strategy. In a sample of 905 Japanese IJVs worldwide, we found that IJV partners’ intangible resource asymmetry 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: Jane Lu, National University of Singapore, Singapore: janelu@nus.edu.sg)

Assets Characteristics and Cultural Influences on Share Ownership by Foreign Partners in Cross-Border Joint Ventures
Sougand Golesorkhi, Manchester Metropolitan University
Mike Bowe, University of Manchester
Mo Yamin, University of Manchester

Applying insights from the measurement branch of property rights theory of the firm, this paper propose that the assets characteristics contributed by foreign partners in cross-border joint ventures (IJV) is significantly related to their equity share ownership. More specifically this paper investigates the interaction between assets characteristics contributed by the foreign partner and cultural distance in determining the ownership structure of IJVs. We empirically test to determine weather the impact of cultural distance is to enhance or decrease the effect of assets characteristics on share ownership of the foreign partners. In particular, we empirically test the interaction between assets characteristics and liability of the foreigners in the specific context of “home-foreign” joint ventures where the joint venture is ‘located’ in the home market of one the partners. Our results show a positive relationship between the (relative) specificity of assets contributed to the IJV by foreign partners and the likelihood of their owning a larger share of the IJV equity. Importantly, we also find that cultural distance between the ‘home’ and foreign partner negatively affects this relationship. (For more information, please contact: Sougand Golesorkhi, Manchester Metropolitan University, United Kingdom: s.golesorkhi@mmu.ac.uk)

Performance benefits of cross border transfers of explicit and tacit knowledge to international joint ventures (IJVs): The moderating effects of age
Chan-Soo Park, University of British Columbia
Ilan Vertinsky, University of British Columbia
Chol Lee, Sogang University

An important success factor in the performance of international joint ventures is the effective transfer of knowledge and capabilities from parents. In this study we articulate a theoretical framework which examines the relational antecedents of both explicit and tacit knowledge transfers from foreign parents and the impacts of such transfers on IJV performance as a function of its age. We tested the theoretical framework estimating a
structural equation model based on data from a survey of a random sample of 334 IJV managers in Korea. The results show that the transfer of explicit knowledge has a significant positive impact on the performance of more mature IJVs but no impact on the youngest ones. The impact of tacit knowledge transfer from foreign parents on IJVs performance is significant and positive. It is stronger on younger IJVs. (For more information, please contact: Chan-Soo Park, University of British Columbia, Canada: chansoo.park@ubc.ca)

**Session: 2.1.10 - Competitive**
**Track: 6 - Innovation and Knowledge Management**

**Knowledge Sharing in Business Networks**

**Presented On:** June 28, 2010 - 09:00-10:15

Chair: Susan M. Mudambi, Temple University

*An Empirical Study of the Fit Between Knowledge Sharing Routines of International Supply Chain Partners and Relational Performance*

Marcel Zondag, University of Tennessee  
Matthew Myers, University of Tennessee  
Mee-Shew Cheung, Xavier University

The sharing of knowledge between buyers and suppliers is considered antecedent to superior relationship performance. This empirical study of 132 cross-border buyer-supplier dyads investigates the effects of the partners’ knowledge sharing routines on relationship performance. The authors develop a dynamic, multi-dimensional theoretical framework, combining knowledge-based theories and a Schumpeterian view on performance. Using polynomial regression and response surface methodology in the analysis of the data, the authors find support for their assertion that relational performance benefits from dimension-specific knowledge sharing routines, contrary to the more static view of knowledge sharing often found in normative alliance literature. (For more information, please contact: Marcel Zondag, University of Tennessee, USA: mzondag@utk.edu)

**Brokerage-Based Strategy for Enhancing Value from the MNE's Knowledge Exchange Network: A Social Network Analysis**

Yvonne Ho, Tamkang University

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)

**The Impact of Hierarchical and Network Level Mechanisms on Knowledge Transfer Effectiveness**

Ulf Andersson, Copenhagen Business School  
Peter J. Buckley, University of Leeds  
Henrik Dellestrand, Uppsala University
This paper explores knowledge transfer effectiveness between sending and receiving subsidiaries within multinational enterprises. A model based on knowledge governance mechanisms is tested on a sample of 169 specific knowledge transfer projects. The findings indicate the importance of both these levels and highlight different effects of, and the interplay between, hierarchy and networks, thereby contributing to the understanding of knowledge management and governance. The role of headquarters and its hierarchical position is tested in terms of its involvement in subsidiary level activities. The results indicate that headquarters involvement during the development of knowledge does not have any impact on subsequent transfer effectiveness whereas more classical hierarchical forms of governance have a negative impact on transfer effectiveness. This adds to the understanding of different forms of governance mechanisms in the MNE. From a subsidiary network perspective, the results indicate that subsidiaries that previously cooperated and interacted with each other as well as the similarity between subsidiaries in the transfer dyad have significant and positive effects on transfer effectiveness. (For more information, please contact: Ulf Andersson, Copenhagen Business School, Denmark: ua.sm@CBS.dk)

Are Social Networks Overrated in Explaining Knowledge Search across Borders?
James Nebus, University of North Carolina Charlotte
Kendall Roth, University of South Carolina

The problems that employees face in searching for knowledge can be particularly acute in large MNEs. The research questions are: when faced with the need for knowledge, why does a person cross subsidiary borders to contact a person for knowledge? why does a knowledge searcher contact one person, instead of another? Our theory examines both the searcher’s perceptions of contacts’ individual attributes, and the searcher’s tendency to contact people from different pools of MNE experts. The potential contact’s attributes include expertise, willingness to help the searcher, cost of time, and accessibility. The pools of potential contacts include management, one’s informal networks, and reaching out to authors or speakers on the topic. The theory is tested by a field study within an MNE’s European subsidiaries. The results support that perceived expertise and willingness to help the searcher are antecedents of contacting a person, in general. The supported antecedents of a knowledge searcher contacting a person across a subsidiary border are willingness to help, cost of time, management, and reach. No support was found for the searcher’s informal network. One important conclusion is that the antecedents for search, in general, differ from those that predict a person will search across subsidiary borders. (For more information, please contact: James Nebus, University of North Carolina Charlotte, USA: jfnebus@uncc.edu)
many which look at the causes or antecedents of recalls. This is a research proposal to examine the antecedents of recalls using inputs from institutional and knowledge theories. It is argued that greater the institutional differences between the selling country and the sourcing country for products of a MNE lower will be the applicability and transferability of resources in the production value chain leading to product recalls. This will be moderated by the MNE’s presence in the production value chain. Sustainable advantage will therefore depend on the MNE’s ability to manage the institutional context of its resource decisions. (For more information, please contact: Etayankara (Murli) Muralidharan, University of Manitoba, Canada: ummurale@cc.umanitoba.ca)

Strategizing in Pluralistic Settings of Multinational Enterprises: Strategizing Practices as Dynamic Capabilities
Ali Taleb, HEC Montreal

Strategy formation within distributed and pluralistic organizations is of particular interest because their sub-units are subject to conflicting priorities and expectations. This conceptual paper uses Multinational Corporations (MNCs) to illustrate the underlying challenges. More specifically, we explore how strategizing practices emerge and institutionalize to become organizational capabilities and sustainable competitive advantages at the subsidiary level. Recognizing the link between strategy contents and processes, we discuss these practices as strategic capabilities that need to be dynamic and adaptable. We propose a dynamization framework that balances the need for stability to achieve performance and for change and adjustment to ever changing environments. (For more information, please contact: Ali Taleb, HEC Montreal, Canada: ali.taleb@hec.ca)

Can we learn from CEE? Diffusion of People Management Practices from Central and Eastern Europe.
Michal Lemanski, WU Vienna

Using exploratory research design this study aims at extending our understanding of phenomenon of reverse diffusion of people management practices in multinational corporations. It is innovative in its focus on diffusion from and within turbulent environments - emerging markets in Central and Eastern Europe, and adds to the literature by exploring new types of diffusion, enriching previous categorizations. The focus on diffusion from organizational units in emerging markets allows for a better understanding of how companies in developed nations can benefit from the new wave of globalization, in which emerging market organizations are increasingly active.

This paper is based on 38 semi-structured interviews with headquarters managers in Austria, Germany and Switzerland. To avoid single respondent bias, for each analyzed case of diffusion we conducted interviews with respective subsidiary personnel, but since this phase of the project is not closed yet, we do not report it in this paper, and - if accepted- plan to report both phases in the full version by the end of June. Thus, this paper should be considered still as a work in progress, and thus we aim for participation in an interactive session. (For more information, please contact: Michal Lemanski, WU Vienna, Austria: michal.lemanski@wu.ac.at)

A Focus on a Stakeholder View of the Firm to Compete Globally
O.C. Ferrell, University of New Mexico
Linda Ferrell, University of New Mexico

An abstract was not available for this presentation. (For more information, please contact: O.C. Ferrell, University of New Mexico, USA: OCFerrell@mgt.unm.edu)
Outward FDI from Emerging Economies

Presented On: June 28, 2010 - 09:00-10:15

Chair: Denise R. Dunlap-Hinkler, Northeastern University

Chinese Firms’ Outward FDI Mode Choices: The Effects Of Joint Venture Experience in Inward FDI
Qunyong Xie, University of Agder

Based on the resource based theory, especially organizational learning literature, this study intends to examine the effects of joint venture experience in inward FDI on Chinese firms’ choices between greenfield and acquisition, and between full and partial ownership modes. Using secondary data of a sample of 202 firms with 605 entries, we find that greater prior joint venture experience in inward FDI may lead Chinese firms to prefer acquisition over greenfield and prefer partial ownership over full ownership. Our findings provide strong supports to the arguments of the latecomers’ accelerated internationalization, and the linkages between inward and outward FDI. (For more information, please contact: Qunyong Xie, University of Agder, Norway: ffwmb@hotmail.com)

Global Players from Brazil: Drivers and Challenges of Internationalization of Brazilian Firms
Flavia Carvalho, UNU-MERIT, The Netherlands and Fundação Dom Cabral
Alvaro Bruno Cyrino, Fundacao Dom Cabral

This paper presents general characteristics of Brazilian firms that are going under the internationalization process, in different stages. It highlights the main determinants for internationalization, the main destinations, as well as the modes of entry of Brazilian firms overseas. The paper also describes some aspects related to the technological capabilities of Brazilian firms that are related to the internationalization strategies, both the exploitation of such advantages and the search for technological assets abroad. We finalize addressing some obstacles faced by firms in the internationalization process, in order to recommend strategies, at the micro and macro level, that might enhance the internationalization of Brazilian firms as a whole. (For more information, please contact: Flavia Carvalho, UNU-MERIT, The Netherlands and Fundação Dom Cabral, Brazil: carvalho@merit.unu.edu)

Determinants of the FDI from Developing Countries: A Panel Data Analysis
Mohamed Amal, Blumenau Regional University
Henrique Raboch, Blumenau Regional University

This paper seeks to investigate what are the determinants of the outward foreign direct investment from developing countries at the country of origin level, due to the growing importance of the Multinational Companies from these markets in the current global economy. Through the use of a theoretical framework that gathers both economic and institutional variables, a model with 75 developing countries is built to better understand how such variables work on promoting the international expansion from local firms. Also four regional models are drawn to highlight the differences from Multinational Companies across different continents. The statistical tool used for result analysis is the panel data. Results unveil that the presence of foreign Multinational Companies in these markets is the most relevant factor to boost the internationalization of local firms. Trade indicators point out that Asian and European firms prefer market-seeking projects, whilst Latin American and African firms are more prone to perform efficiency-seeking projects. The institutional scenario in the home market of such firms may promote their foreign investments in two ways: through improving business practices and also through the institutional escapism effect. Regional differences do exist and they are relevant. (For more information, please contact: Henrique Raboch, Blumenau Regional University, Brazil: hraboch@gmail.com)
**Trends, Advantages and Disadvantages: The Location Key-Concept in the Internationalization Process of Brazilian Northeastern Companies**

Erica Piros Kovacs, Universidade Federal Rural de Pernambuco - UFRPE  
Walter Fernando Araújo de Moraes, Universidade Federal de Pernambuco - UFPE  
Brigitte Renata Bezerra de Oliveira, Universidade Federal do Vale do São Francisco - UNIVASF

This paper aims to investigate to what extent the location influences the internationalization process of companies in Northeastern Brazil. Thus, we locate the concept in the existing body of research on internationalization in order to initially guide us through our qualitative analysis and apply the Adaptive Theory research strategy, which uses the constant comparison method for structuring the analysis. The ATLAS/ti software is used to handle the interviews from in-depth case studies of two Brazilian companies. The results show that the comparative advantages were decisive for the start of the internationalization and boosted trends in the region. *(For more information, please contact: Erica Piros Kovacs, Universidade Federal Rural de Pernambuco - UFRPE, Brazil: ericapk@hotmail.com)*

**The Internationalization of Brazilian Banks**

Sérgio Henrique Arruda Cavalcante Forte, Universidade de Fortaleza  
José Maurício Galli Geleilate, Universidade de Fortaleza

The financial crisis worsened in 2008 brought profound changes in the economic and financial world and has tested the soundness of financial institutions. In Brazil, the banking industry has shown a history of growth and stability. In this context, this paper aims to identify strategic relevant items of internationalization of Brazilian banks in a longitudinal study that describes the major milestones influencing this process as well as their strategies, resources and current performance. We used as basis of theoretical and methodological a longitudinal model that includes the variables Context, Content and Process, and the construct SRCP (Structure, Resource, Conduct and Performance) which addresses a joint strategy in the paradigms SCP (Structure, Conduct and Performance) and RBV (Resource Based View). We conclude that only institutions Banco do Brasil, Itaú Unibanco and Bradesco can be considered in process of internationalization, but classified as moderate compared to the process of international banks. In calculating the degree of internationalization, Itaú Unibanco had the highest rate, followed by Banco do Brasil and Bradesco. We could not find a direct relationship between the degree of internationalization and the total assets of each bank and also between the degree of internationalization and financial performance measures. *(For more information, please contact: Sérgio Henrique Arruda Cavalcante Forte, Universidade de Fortaleza, Brazil: mauriciopunker@gmail.com)*

**Outward FDI as Strategic Flipping: Case Studies of Global Acquisitions by Chinese Machine Tool Companies**

Changhui Zhou, Peking University  
Chunfen Wang, Peking University  
Jing Li, Simon Fraser University

In an attempt to resolve the paradoxes surrounding the issue of outward foreign direct investment (OFDI) by emerging market firms, we adopt a case research method and conduct an in-depth investigation of four global acquisitions by Chinese machine tool companies. The two prominent paradoxes are firms engaged in such OFDI tend to possess weak ownership advantage and the process of “going-abroad” tends to be stage-skipping. We argue there must be certain hidden resources that motivate the firms to go abroad, compensate their weakness and facilitate the implementation process. We find that Chinese firms leverage their home market advantages (such as strong domestic demand, low cost, and sales networks) to attract foreign targets and generate synergies. Comparing with the fact that Chinese firms used to rely on its market and factor conditions for attracting inward FDI (IFDI), we identify several important aspects on which OFDI is similar or different from the case of IFDI and thus conceptualize the notion of strategic flipping to characterize the behavior of going-abroad in the milieu of a long-time process in which emerging market companies endeavor to learn through
internationalization. We further propose a three-stage internationalization model and offer a wider angle for a better understanding of the role of strategic flipping. We conclude with discussions on our contributions to the literature.  (For more information, please contact: Changhui Zhou, Peking University, China: czhou@gsm.pku.edu.cn)

Home Country Macro-Economic Determinants of East Asian Outward Direct Investment
Ling Liu, University of Edinburgh
Won Kyung Min, University of Edinburgh

This paper examines home country macro-economic determinants of the outward direct investment of Japan, Korea and China by conducting the Ordinary Least Squares estimation with the time-series data from 1960, 1970 and 1982 to 2007 for Japan, Korea and China, respectively. The three countries show the positive relationship between national income and the level of outward direct investment outflows. They also show the sensitivity to production cost at home, rising labor costs in the cases of Japan and Korea, and high interest rate in the cases of Korea and China, respectively. It is a significant finding that Korea’s ODI and China’s ODI converge to the equivalent relationships with the same macroeconomic variables - foreign exchange reserve and exchange rate - while Japan does not exhibit the same behavior. Trade was significantly and positively related to China’s ODI, but its effect was insignificant for Japan and Korea. (For more information, please contact: Ling Liu, University of Edinburgh, United Kingdom: ling.liu@ed.ac.uk)

Session: 2.1.13 - Interactive
Track: Track: 9 - International Economics, Finance and Accounting

Structure, Institutions and Organizations

Presented On: June 28, 2010 - 09:00-10:15

Chair: David Reeb, Temple University

Legal Regime, Size, and Liquidity Factors in Asset Pricing
Bruce Hearn, University of Leicester
Jenifer Piesse, King's College London

This study introduces a new legal regime factor into the international valuation literature which exploits the differences between civil and common law origin countries. This builds directly on the concept that institutions both build and shape culture and economic outcomes and takes account of the pervasive differences between civil and common law countries worldwide La Porta et al (1998, 2002). This study contrasts the abilities of three prominent liquidity constructs, namely Amihud (2002) price-impact, Liu (2006) trading speed and volume-based turnover, in explaining the total trading costs in a sample of 62 equity markets spanning developed and developing countries as well as aggregated worldwide civil and common law universes. The evidence reveals that differences in legal origin of markets exert a pervasive effect on the liquidity generating process that transcends institutions across markets. Furthermore a world market universe is created from the constituent stocks of the top tier equity market indices from 60 countries worldwide leading to the construction of size and liquidity returns-based factors and a new legal regime factor. The results indicate that the four-factor legal regime CAPM outperform both other pricing models (For more information, please contact: Bruce Hearn, University of Leicester, United Kingdom: bruce.hearn@kcl.ac.uk)

Culture, Institutions, and National Accounting: Evaluating Gray’s Cultural Framework
Joshua K. Cieslewicz, University of Hawaii at Manoa
This study provides empirical evidence that culture has institutional consequences, which in turn influence accounting in each nation. These relationships were theorized by Gray (1988). Using structural equation modeling, relationships are modeled using measures of national culture from Culture, Leadership, and Organizations: The Globe study of 62 Societies; measures of national institutions from the World Bank; and a measure of national accounting from the Financial Standards Foundation. Institutions were found to perform an intermediary role between culture and accounting. These findings have implications for efforts to improve aspects of national accounting, including financial accounting and auditing standards. Changes to accounting in a nation are more likely to be successful if orchestrated with adequate consideration of underlying institutions and culture. (For more information, please contact: Joshua K. Cieslewicz, University of Hawaii at Manoa, USA: joshua7@hawaii.edu)

Tunneling, Dividends, and Business Groups: Evidence from Japan
Sandra Dow, Monterey Institute of International Studies
Raj Aggarwal, University of Akron

We examine dividend policy in Japan as a mechanism for tunneling cashflow within business groups (keiretsu). We find that dividends in Japan are positively related to firm size, profitability, and investment opportunities, and are negatively associated with firm risk and the ratio of short-term debt to long-term debt. This latter negative association means that the main bank's contractual claimant position takes precedence over their residual claimant role through cross-shareholding. We show that the probability of dividend payment by firms in Japanese business groups declines as the affiliation to the business group strengthens which is consistent with the tunneling hypothesis. (For more information, please contact: Sandra Dow, Monterey Institute of International Studies, USA: smdow@exchange.miis.edu)

Measurement of National Culture: A Multiple Source Latent Variable Approach
Joshua Devin Shackman, TUI University

There has been much debate about the relative merits of each of these measures of national culture, both in terms of the methodological approach and the conceptual support for the specific dimensions measured. In this paper we propose a multiple indicator approach using latent variable path modeling that incorporates measures from both GLOBE and Hofstede. A multiple indicator, latent variable approach allows us to use information from both GLOBE and Hofstede in measuring national culture while attenuating for measurement error inherent in both sets of measures. This approach also allows us to assess the convergent, discriminant, and criterion validity of both sets of measures. We find strong convergent and criterion validity for GLOBE and Hofstede's measures of power distance and individualism/collectivism. However, we also find a lack of discriminant validity between these two dimensions. We find little or no convergent validity between the GLOBE and Hofstede measures of uncertainty avoidance and masculinity/femininity related dimensions. (For more information, please contact: Joshua Devin Shackman, TUI University, USA: jshackman@tuiu.edu)

Factors Influencing Responses towards Adoption of the Fair Value Accounting Option; a Survey of CFOs of US-based Companies
Hamid Pourjalali, University of Hawaii at Manoa
Eric Wen, University of Hawaii at Manoa
Shirley J. Daniel, University of Hawaii at Manoa
Boo chun Jung, University of Hawaii at Manoa

Some have blamed the financial crisis on fair value accounting for reporting the reduction in value of (financial) assets. A recent SEC study recommended that existing fair value and mark-to-market requirements should not be suspended. This paper reports on how CFOs of public companies in the United States intended to use the
fair value option for non-financial assets and long-term liabilities based on FAS 157 and FAS 159. We found that
the majority of CFOs are resistant to fair value measurement for non-financial assets and long-term liabilities.
We suggest and find that CFOs of firms with lower return-on-equity are more supportive of fair value option.
Our analysis also shows strong (weak) results suggesting that those with higher debt-to-equity ratios are more
resistant to choosing the fair value option for (long-term liabilities) assets. Additional sensitivity analysis did not
reveal any new information or show that the respondents, when controlled for industry and firm size, were
significantly different from non-respondents with respect to variables included in this study.  (For more
information, please contact: Hamid Pourjalali, University of Hawaii at Manoa, USA: hamid@hawaii.edu)

Session: 2.1.14 - Interactive
Track: Track: 8 - Cross-cultural Management and International HRM

New Insights on Culture and Cultural Understanding

Presented On: June 28, 2010 - 09:00-10:15

Chair: Vas Taras, University of North Carolina at Greensboro

Giving Feedback in Multicultural Organizations: The Moderating Role of Regulatory Focus, Feedback Sign, and
Framing

Yuan Liao, Simon Fraser University

In this paper, I discuss the role of culture in feedback giving and receiving. I argue that the impact of culture
works through the mechanism of regulatory focus. One’s cultural background determines whether he or she
develops a promotion or prevention focus, which in turn has an impact on the feedback structure and reactions
to feedback. Feedback giver’s regulatory focus affects how the feedback is framed, either in an eagerness or
vigilance way. Feedback receiver’s regulatory focus interacts with feedback sign and framing to influence future
job performance. When the feedback is positive, and there is a match between the feedback framing and
receiver’s regulatory focus, the future performance will be improved. When the feedback is negative, and there
is a mismatch between the feedback framing and receiver’s regulatory focus, the damage of failure to one’s
future job performance will be decreased. (For more information, please contact: Yuan Liao, Simon Fraser
University, Canada: yla79@sfu.ca)

The Path toward Greater Polycontextual Sensitivity in International Business Studies: A Road Not (Yet) Well-
Traveled

Moriah Aurora Meyskens, Florida International University
Linda D. Clarke, University of Florida
Debra L. Shapiro, University of Maryland
Mary Ann Von Glinow, Florida International University

Although international business (IB) scholars often describe the “context“ in which their research takes place,
do they capture the "polycontextuality," or multiple embedded contexts, that are an inherent part of cultural
phenomena? To determine this, we examined 536 empirical articles in the Journal of International Business
Studies (JIBS) from 1970 to 2007 and coded each article by various categories of context according to the
manner in which the variables were operationalized within each study. Taken together, our findings lead us to
conclude that most IB empirical studies do not take into account the multiply embedded layers of context,
including those of the macro-environment, cultural, or temporal-spatial considerations. Nevertheless, the use of
multiple polycontextual variables has increased over time. The implications for scholars in maximizing their
sensitivity to cross-cultural dynamics are discussed. (For more information, please contact: Moriah Aurora
Meyskens, Florida International University, USA: moriah.meyskens@fiu.edu)
Convergence and Divergence Can Be Two Faces of the Same Coin: The Emergence of a Global Managerial Culture and Its Impact on Managerial Dynamics in Developing Countries

Arif Nazir Butt, Lahore University of Management Sciences
Alfred M. Jaeger, McGill University
Sung Soo Kim, McGill University

Contributing to the debate about divergence, convergence or crossvergence of managerial values globally and specifically in developing countries, this paper posits the existence of subcultures of managers in developing countries who hold global (convergent) values. We labeled these subcultures “global clusters”, in contrast to “local clusters” of managers who hold local (divergent) values. The phenomenon resulting in global clusters is called “groupvergence”. Propositions about the causes of global clusters, e.g. taking an MBA program and extensive use of the internet, are presented. The paper explores the appearance of faultlines in organizations in developing countries due to the coexistence of global and local clusters in groups as well as suggesting the emergence of networks of global clusters which can have a positive impact on the functioning of international business. The analysis identifies several organizational implications of global clusters as well as suggesting a further examination of the dual (local/global) identities of members of global clusters and the mediating role members of global clusters may play between global and local subgroups, groups and organizations. (For more information, please contact: Alfred M. Jaeger, McGill University, Canada: alfred.jaeger@mcgill.ca)

Employment of Returnees in Multinational Subsidiaries in China

Huanglin Wang, University of Western Ontario
Jean-Louis Schaan, University of Western Ontario

Returnees, those who went overseas for higher education and then returned to their home countries, represent a unique group of employees for multinational enterprises (MNEs). However, they have been ignored in the MNE staffing literature, which has developed a staffing typology based on nationality, specifically parent country nationals (PCNs), host country nationals (HCNs), and third country nationals (TCNs). We propose that cultural understanding is a more appropriate criterion than nationality in categorizing staff in MNEs and compare returnees with the existing categorizations of MNE staff. From an organizational learning perspective, we hypothesized that a subsidiary’s degree of geocentrism, ownership status, top executive background, and subsidiary age may have an impact on the employment of returnees.

A survey of top executives in multinational subsidiaries in mainland China was used to collect the primary data for hypothesis testing. We found that returnee and expatriate top executives are more likely to hire returnees than local top executives. Furthermore, the relationship between subsidiary age and employment of returnees takes a downward sloping U-shape, which is similar to the relationship between subsidiary age and employment of expatriates in the literature. We also found that employment of expatriates negatively impacts employment of returnees. (For more information, please contact: Huanglin Wang, University of Western Ontario, Canada: hwang@ivey.uwo.ca)

An Interdisciplinary Review of ‘Cultural Encounters’ to Expand the Research on International Assignment and Intercultural Competencies

Guilherme Azevedo, McGill University

This paper review many different usages of “cultural encounter” in organizational studies, social psychology, anthropology, and history. The motivation for this review is a better understanding of the concept to expand the research on of international assignments and of the development of intercultural competencies. The review produces five “broad perspectives” on cultural encounters, namely: (1) as cultural shocks and acculturations at the individual level, (2) as clashes and negotiations of organizational cultures, (3) as a methodological paradigm (the case of ethnography), (4) as exogenously driven changes to local culture, and (5)
as world history and sedimentation of past encounters. These broad perspectives are contrast and compared these in terms of the nature of the encounter, the discipline and typical theoretical or methodological venues, the encounter purpose or function, the observed transformation, and the presence of issues of power or domination.

As a conclusion, this paper uses the review to frame and to propose some extensions on the study of the experience of international assignments and the development of intercultural competencies. *(For more information, please contact: Guilherme Azevedo, McGill University, Canada: guilherme.azevedo@mail.mcgill.ca)*

**'Glocal' Ba Management Theory**
Motofusa Murayama, Seattle University

International Management is based upon the dualistic monism consisting of surface culture and root culture. The former surface culture is simply regarded as management styles or behavioral patterns in management. The latter is generally classified as management values or management thoughts in terms of corporate philosophies. The style-value linkage via dualistic monism is quite similar to the reality that the body and mind are one. The simplest truth is that any Core Culture can not be separable between its Core Culture Style and its Core Culture Value like inseparable relations between visible behaviors and invisible thoughts. However, in reality within international business and management it is quite hard to perceive the core culture styles and core culture values in accordance with different ba or places where international businessmen and academicians usually encounter either at variable times or with different persons. This practical phenomenon encourages us to study the process theory along with the achievement theory in management. Therefore, we should analyze the MNE’s Corporate Core Culture with separate focus on surface movement or styles of X – zation of Core Cultural Styles and on inner philosophy or values of Y-ism of Core Cultural Values. *(For more information, please contact: Motofusa Murayama, Seattle University, USA: murayamm@seattleu.edu)*

**Understanding Propensity to Initiate Negotiations: An Examination of the Effects of Culture and Personality**
Roger James Volkema, American University and IAG PUC-Rio
Denise Fleck, Federal University of Rio de Janeiro

Like many decisional processes, the early stages of negotiation play a critical role in determining how an encounter will unfold and, ultimately, the nature of the outcome. Yet for many individuals, initiating a negotiation is a difficult undertaking, frequently aborted if not avoided altogether. This paper tests a model of the initiation process, focusing specifically on those aspects of culture (individualism-collectivism, uncertainty avoidance, masculinity-femininity, power distance) and personality (risk propensity, locus of control, self-efficacy, Machiavellianism) that have been proposed to influence assertiveness and propensity to initiate. The study draws participants from diverse country cultures, and examines assertiveness/initiation propensity through multiple measures. The results of these analyses for negotiators and future research are reported. *(For more information, please contact: Roger James Volkema, American University and IAG PUC-Rio, USA: volkema@american.edu)*
Session: 2.2 - Plenary

*Corporate Brazil’s Lessons for the World*

Presented On: June 28, 2010 - 10:45-12:15

Chair: Tarun Khanna, Harvard Business School

Presenters:
- Andre Bier Gerdau Johannpeter, CEO, Gerdau SA
- Pedro Parente, President and CEO, Bunge
- Decio da Silva, Chairman of the Board, Weg SA

Much of International Business thinking related to the business-government links have anchored on Vernon’s (1961) framing of obsolescing bargain, developed further by Jenkins (196) and Kobrin (1987). We suggest that what Vernon had in mind as he wrote of the obsolescing bargain was the multinational company coming from a rich foreign country trying to work with a poor national government of a developing country. What we observe in the emerging markets may very well relate to Vernon’s model, but whose study can shed some profound insights for the ongoing growth of emerging markets and their home grown multinational firms. In the Brazilian context and instead of thinking just about MNCs being expropriated, we should mention the temptation to “expropriate” or control recently privatized companies. Now that those companies have made big investments and have become global leaders, the government may be tempted to consider them again for developmental objectives.

How will the emerging giants and the new-found State coexist and cooperate in the future? This is an important question that we need to ask, given the new post-crisis thinking that is gaining momentum even in the US and Europe. This is an important question for most of the emerging markets. We need to expand our understanding of business-government links to understand the interplay between the sovereign state and the multinational corporation in a post-crisis world?

The panel brings together the Chief Executive Officers of two Brazilian multinationals along with a representative (state actor) from the Brazilian government to bring together their perspectives on the business government interplay during and post crisis, and also a prospective picture of how these relations will develop in the future. What are the fundamental paradigm shifts that have taken place that will forever alter the business-government relations in the future? How does this impact international business and multinational corporations? *(For more information, please contact: Tarun Khanna, Harvard Business School, USA: tkhanna@hbs.edu)*

Session: 2.3.1 - Competitive
Track: 12 - Methods in International Business Research

*Conducting High Quality Interdisciplinary Research in International Business: Conceptual and Methodological Considerations*

Presented On: June 28, 2010 - 13:30-14:45

Chair: Joseph L. C. Cheng, University of Illinois at Urbana-Champaign
Chair: Yves Doz, INSEAD

An Interdisciplinary View of Context in International Business Research
John Child, University of Birmingham

Missing Relations: Lessons from a Psychologist’s Collaborations with Sociologists
Michael W. Morris, Columbia Business School
Session: 2.3.2 - Panel
Track: Track: 7 - Emerging, Transition, and Developing Economies

Developing-Country Multinational Companies: How Can They Help Develop New Theory? (State-of-the-Art Session)

Presented On: June 28, 2010 - 13:30-14:45

Chair: Alvaro Cuervo-Cazurra, University of South Carolina

Developing-Country Multinational Companies: How Can They Help Develop New Theory?
Preet S. Aulakh, York University
Jean-François Hennart, Tilburg University
Tarun Khanna, Harvard Business School
Klaus E. Meyer, University of Bath
Ravi Ramamurti, Northeastern University
Alvaro Cuervo-Cazurra, University of South Carolina

The recent emergence of some developing-country multinational companies (DMNCs) as leaders in their industries has given preeminence to these firms. This emergence has been discussed and analyzed by a growing academic literature, which has entered into a heated debate about the merits of analyzing these firms. Some authors argue that DMNCs are a new phenomenon that requires new models and theories. In contrast, other authors argue that one can use insights and theoretical arguments developed from the analysis of advanced economy multinational companies to explain the behavior of DMNCs. Yet a third set of researchers argue that whereas some of the behaviors of DMNCs can be explained within existing theoretical frameworks, other behaviors require new explanations. Thus there is need for an in-depth reflection of what DMNCs represent for the theory of international business in particular and management in general. This panel will assess what we know about this topic and reflect on what and how it can contribute to the development of theory in international business. Some of the presenters will argue that there is little we can learn from the analysis of DMNCs and others will argue that in fact we can substantially advance theory by analyzing these firms. (For more information, please contact: Alvaro Cuervo-Cazurra, University of South Carolina, USA: acuervo@moore.sc.edu)

Session: 2.3.3 - Competitive
Track: Track: 5 - MNC Management and Organization

Is it Institutions, Information or Incentives?

Presented On: June 28, 2010 - 13:30-14:45

Chair: Sea Jin Chang, National University of Singapore

The Effect of Institutional Factors on M&As: Evidence from the European Market
Caterina Moschieri, Universidade Católica Portuguesa
Jose Manuel Campa, IESE

This paper evaluates the characteristics of M&As in Europe and, more broadly, the extent at which the development of a homogeneous institutional framework for acquisitions facilitates their execution and completion. The setting is the European Union M&A market from 1995 to 2007 to analyze cross-border and domestic deals, especially before and after the 2001 regulatory and economic changes. Our analysis underscores some idiosyncrasies of M&As in Europe. Results also show that institutional factors can foment the
creation of a common, homogeneous market for corporate control, where the importance of country effects and biases diminishes. (For more information, please contact: Caterina Moschieri, Universidade Católica Portuguesa, Portugal: cmoschieri@fcee.ucp.pt)

**Firm- and Country-level Determinants of Individual Corporate Reputation Assessments**

M Abraham Soleimani, Florida International University  
William Newburry, Florida International University  
Sebastian Taciak, Reputation Institute  
Leonard Ponzi, Reputation Institute

This study uses signaling theory to investigate firm- and country-level determinants of individual-level corporate reputation assessments. Using data from the Reputation Institute's 2009 RepTrak Pulse study, in a hierarchical linear model, we test our theory using 111,819 individual evaluations of 878 firms operating in 33 countries. Results show that while both financial and social performances have positive effects on reputation assessments, firm size has a negative effect. In addition, manufacturing firms have significantly higher reputations than service firms. At the country level, people in more developed countries evaluate the reputations of their focal companies less positively. (For more information, please contact: William Newburry, Florida International University, USA: newburry@fiu.edu)

**Characteristics of Overseas R&D Centers in Charge of Exploratory Research: Evidence from Japanese Multinationals**

Kazuhiro Asakawa, Keio University

This paper identifies the determinants of the exploratory research role assigned to overseas R&D subsidiaries of multinational firms. Analyzing the sample of 99 overseas R&D subsidiaries of Japanese multinational firms, we test the embeddedness and absorptive capacity theories by utilizing the binomial logistic regression method. The result shows that local subsidiary's absorptive capacity is indispensable for conducting the exploratory research role; that external collaborations with local universities contribute to the exploratory research role of a particular R&D subsidiary. The external collaborations with universities located in other countries may not necessarily contribute to the exploratory research role of an overseas R&D subsidiary; but its interaction effect with absorptive capacity is positive and significant, meaning that only those capable R&D subsidiaries engaged in cross-border external collaborations are likely to play the exploratory research role. While firms are tightening the control of exploratory research abroad under the economic recession, our findings imply that firms should commit themselves to enhance the technological competency of their overseas R&D centers and to foster their external collaborations with local and overseas R&D communities. (For more information, please contact: Kazuhiro Asakawa, Keio University, Japan: asakawa@kbs.keio.ac.jp)
Session: 2.3.4 - Panel
Track: Track: 10 - SMEs, Entrepreneurship, and Born Global

Women in Business: Challenges and Opportunities (Panel Sponsored by WAIB, Women in the Academy of International Business)

Presented On: June 28, 2010 - 13:30-14:45

Chair: Betania Tanure, Pontifical Catholic University of Minas Gerais
Chair: Janet Y. Murray, University of Missouri St. Louis

Women in Business: Challenges and Opportunities (Panel Sponsored by WAIB, Women in the Academy of International Business)

Chieko Aoki, Blue Tree Hotels
Eduardo Bom Angelo, LAZAM MDS
Françoise Trapenard, Telefonica
Antônio Carvalho Neto, Pontifical Catholic University of Minas Gerais

This panel provides professional guidance on the challenges and opportunities faced by women in business. One researcher and three business executives in Brazil will bring their unique perspectives to discussing critical issues faced by women in the business world. These issues will be covered by both male and female panelists. Further, cross-cultural comparisons will be made between Brazil and others regions—Asia, North America, and Europe. (For more information, please contact: Janet Y. Murray, University of Missouri St. Louis, USA: murrayjan@umsl.edu)

Session: 2.3.5 - Competitive
Track: Track: 10 - SMEs, Entrepreneurship, and Born Global

Role of International Entrepreneurship

Presented On: June 28, 2010 - 13:30-14:45

Chair: Gary Knight, Florida State University

An Institutional Perspective on Macro-Level Entrepreneurship Activity across 35 Countries
Michael E. Valdez, Seton Hall University
James E. Richardson, University of Hawaii at Manoa

This research empirically explores the institutional determinants of macro-level entrepreneurship. Specific attention is given to opportunistic and necessity entrepreneurship due to their relationship to economic development. Findings from 35 countries suggest that societies' normative, cultural-cognitive, and regulative components are related to entrepreneurial activity. (For more information, please contact: Michael E. Valdez, Seton Hall University, USA: valdezmi@shu.edu)

Linking Actual and Normative Cross-National Cultural Values with Entrepreneurship
Miri Lerner, Academic College of Tel Aviv-Jaffa
Amir Shoham, College of Management Academic Studies
Ilan Alon, Rollins College

This article investigates the links between cultural values and entrepreneurial activity in different countries, which are disputed in the current literature. The current study differentiates between normative and actual
culture, and tests hypothesis on the relationship between them and entrepreneurship in 20 countries represented in the Global Entrepreneurship Monitor and Global Leadership and Organizational Behavior Effectiveness databases. We found that normative culture is more important than actual culture for determining entrepreneurship, and the significant dimensions of normative culture are future-orientation, collectivism and assertiveness. Societies that believe they should be less future-oriented, more collectivistic and more assertive exhibit more entrepreneurship. *(For more information, please contact: Amir Shoham, College of Management Academic Studies, Israel: amir1s@colman.ac.il)*

**Knowledge Exploration and Exploitation, and International Entry Strategies of Small Emerging Economy High-tech Firms**

Xufei Ma, Chinese University of Hong Kong
Huan Zou, Loughborough University

Drawing on the extant entry mode research and incorporating the strategic perspective and knowledge-based view, we develop a new framework on entry mode strategies of high-tech firms from emerging economy. The new model highlights the relationship between strategic intent on knowledge learning and the entry strategies of small and young latecomers. The moderating effects of proprietary knowledge (firm’s absorptive capacity and TMT international experience) on such relationships are also examined. Our analysis of survey data from a sample consisting of 203 high-tech firms in China validates the central premise: low and high knowledge-access entry modes are influenced by both strategic motivations (knowledge exploration vs. knowledge exploitation) and firm proprietary knowledge assets (absorptive capacity and TMT international experience). Implications for academic research and managerial practice are also discussed. *(For more information, please contact: Huan Zou, Loughborough University, United Kingdom: h.zou@lboro.ac.uk)*

**The Entry of SMEs in Complex Markets**

Antonella Zucchella, University of Pavia
Roger Strange, University of Sussex

This contribution focuses on the process related to the decision of entry in a complex market, as a relevant expression of international entrepreneurial attitude from a small firm. The paper is grounded on two conceptual pillars: on one side we consider the firm, its bundle of resources and capabilities, how it accumulates international knowledge through learning processes, how it approaches new markets; on the other side we build on the construct of complex markets, which represents a relatively unexplored field of research. This contribution starts from a conceptualisation of market complexity and related firm behaviour in approaching it, then proposes an exploratory analysis through case studies, in order to better test constructs, provide some theoretical modelling and hypotheses for future developments and quantitative analyses. According to case studies findings, the entry in complex markets represents a discontinuity in the international growth of firms, which involves uncertainty taking and resources commitment. Market complexity has a subjective dimension and also refers to firm orientations and to its entrepreneurial posture: international growth orientation and willingness to trade higher risks (uncertainty) for higher opportunities characterise the entrepreneurs and top managers of the interviewed companies when approaching complex markets. Relevant organisational capabilities are also needed to manage the process effectively, from internalising information to operations management. *(For more information, please contact: Antonella Zucchella, University of Pavia, Italy: antzuc04@unipv.it)*
Session: 2.3.6 - Competitive
Track: Track: 3 - IB Theory, FDI, and Entry Mode

Institutional Distance and the Strategies of Foreign Entry

Presented On: June 28, 2010 - 13:30-14:45

Chair: Vikas Kumar, University of Sydney

Institutions, International Experience, and Ownership Structure for Foreign Subsidiaries
Naoki Ando, Hosei University
Nobuya Fukugawa, Tohoku University

This study investigates how institutional distance between a home country and a host country affects the level of ownership share in foreign subsidiaries possessed by a parent firm. Hypotheses regarding the effect of institutional distance on ownership structure for foreign subsidiaries are developed, taking into consideration the two moderators: international experience and host-country experience. Using a sample consisting of 5,081 foreign subsidiaries of Japanese firms, the hypotheses are empirically tested. The empirical study reveals that Japanese firms reduce their equity share in foreign subsidiaries when facing greater institutional distance. The study also shows that internationally experienced firms tend to have a large portion of equity ownership in institutionally distant countries. Further, the study reveals that firms with substantial host-country experience tend to reduce the equity ownership level in foreign subsidiaries operating in institutionally distant countries. This study finds that Japanese firms have a lower portion of equity ownership under greater institutional distance and that international experience and host-country experience have a distinct effect on ownership structure for foreign subsidiaries under greater institutional distance. (For more information, please contact: Naoki Ando, Hosei University, Japan: nando@hosei.ac.jp)

Distance, Subsidiary Autonomy, and the Moderating Effect of Ownership Mode: A Transaction-Cost Perspective on Foreign Subsidiaries in China
Jonas F. Puck, WU Vienna
Markus K. Hödl, WU Vienna
Hans-Georg Wolff, University of Erlangen-Nuremberg

Previous studies produced conflicting findings on the relationship between distance and subsidiary autonomy: One stream of research argues that parent firms increase subsidiary autonomy with increasing distance between the subsidiary and the parent firm; the other stream suggests that greater distance is associated with reduced subsidiary autonomy. Applying transaction cost reasoning, we argue that the effect of distance on subsidiary autonomy depends on the ownership mode of the subsidiary. We test our hypotheses against data from a sample of 156 foreign subsidiaries in the People’s Republic of China (PRC) and find strong support for our argument. Our findings show that greater cultural distance reduces the subsidiary autonomy of international joint ventures (IJVs), but has a positive effect on the autonomy of wholly owned subsidiaries (WoS). Our findings have strong implications for both theory and practice. From a theoretical viewpoint, they may in fact contribute to explain the “cultural distance paradox”. (For more information, please contact: Jonas F. Puck, WU Vienna, Austria: jonas.puck@wu.ac.at)

Organizational Learning and Performance of International Acquisitions: The Moderating Role of Institutional Distance
Desislava Dikova, University of Groningen
Paul Bakker, University of Groningen
Literature has offered diverse explanations of the relationship between organizational learning and acquisition performance, pointing to a variety of linear and non-linear effects. We build on these findings by introducing an environmental conditionality; we suggest that the applicability of acquisition-related organizational knowledge is conditional on the differences in the national institutional frameworks of the acquirer and the target firm which in turn affects post-acquisition performance. We test our hypotheses with a database on 289 cross-border acquisitions launched by European firms between 1999 and 2002. We use interaction terms to examine whether the non-linear relationship between acquisition experience and acquisition performance is conditional on cross-country formal and informal institutional differences. The results show that differences in national regulations, power distance and uncertainty avoidance moderate the relationship between organizational learning and acquisition performance. (For more information, please contact: Desislava Dikova, University of Groningen, Netherlands: d.dikova@rug.nl)

Institutional Distance in the Emerging Market Entry Process - A Study of Managerial Perceptions
Susanne Sandberg, Linnaeus University
Mikael Hilmersson, Linnaeus University

Distance is an inevitable concept in research on internationalization of firms. Beside well-known distance measures such as psychic, cultural and geographical distance, institutional distance has emerged as a promising concept in advancing our understanding of market differences. The purpose of this paper is to develop the concept of Perceived Institutional Distance, being the distance between home and host market business networks as perceived by managers of entrant firms, as a major construct in internationalization process theory. We do this by (1) developing institutional distance as a firmly anchored theoretical construct, (2) developing the concept empirically by extracting theoretically founded dimensions of institutional distance central for research on business networks, and (3) establishing a hierarchy of institutional distance dimensions. An on-site survey method with a standardized questionnaire as measurement instrument is conducted. We deductively derive indicators on institutional distances and evaluate them through analyzing 203 SMEs from Southern Sweden with experience of entering the emerging markets in the Baltic States, Poland, Russia and China. Through exploratory factor analysis, five distinct latent dimensions are extracted, discussed and anchored in theory. (For more information, please contact: Susanne Sandberg, Linnaeus University, Sweden: susanne.sandberg@lnu.se)

Session: 2.3.7 - Competitive
Track: Track: 1 - Institutions, Governance, and CSR

Rethinking Traditional IB Concepts and Constructs

Presented On: June 28, 2010 - 13:30-14:45

Chair: Jose R. de la Torre, Florida International University

Cross-border Nonmarket Environments: Conceptualization and Strategic Implications
Rafel Lucea, George Washington University

During the last twenty years, the nonmarket environment (NME) of multinational corporations (MNCs) has not only increased in relevance and complexity, but has also become a truly cross-border phenomenon. Yet, the international business (IB) literature has remained largely silent on how changes in NMEs faced by firms impact their strategies, organizational structures and, ultimately, their performance. As a result, it is ill prepared to offer practitioners pragmatic guiding principles of how to engage their firms’ now cross-border NMEs constructively.
The current paper proposes a characterization of NMEs that, while taking stock of previous studies in the IB and Business and Society literatures, emphasizes the cross-border nature of NMEs that MNCs are facing today. Conceptualizing a firm's NME as the network of stakeholders that mobilize around specific issues, the proposed framework evaluates it along four dimensions: Complexity, International Spread, Cross-border Connectedness, and Potential Impact. Implications of different ideal-type configurations of cross-border NMEs are discussed.  

(For more information, please contact: Rafel Lucea, George Washington University, USA: rafel@gwu.edu)

A New Approach to Cross-National Distance
Heather Berry, University of Pennsylvania
Mauro Guillen, University of Pennsylvania
Nan Zhou, University of Pennsylvania

Cross-national distance is a key concept in the field of management. Previous research has conceptualized and measured cross-national differences mostly in terms of dyadic cultural distance and used the Euclidean approach to measuring it. In contrast, our goal is to disaggregate the construct of distance by proposing a set of multidimensional measures, including economic, financial, political, administrative, cultural, demographic, knowledge, and global connectedness as well as geographic distance. We ground our analysis and choice of empirical dimensions on institutional theories of national business, governance, and innovation systems. In order to overcome the limitations of the Euclidean approach, we calculate dyadic distances using the Mahalanobis method, which is scale-invariant and takes into consideration the variance-covariance matrix. We empirically analyze several foreign expansion choices of US companies to illustrate the importance of disaggregating the distance construct and the usefulness of our distance calculations, which we plan to make freely available to managers and scholars.  

(For more information, please contact: Heather Berry, University of Pennsylvania, USA: berryh@wharton.upenn.edu)

International Diversification and Managerial Ownership: Investigating the Incentive Alignment Perspective in the International Context
Todd Alessandri, Northeastern University
Anju Seth, Virginia Tech

International diversification and product diversification represent key strategic behaviors. The relationship between managerial ownership and product diversification has received considerable attention in existing research. However, the link between managerial ownership and international diversification is relatively unexplored. This study seeks to address this gap. We explore whether the incentive alignment perspective from agency theory, which has received support in the case of product diversification, holds true in the context of international diversification. However, we argue the nature of the incentive alignment arguments differ for international diversification. We contend that international diversification is associated with both increased returns and increased levels of firm risk, relative to product diversification. This is due to the greater opportunities that exist in foreign markets, but also the significant challenges posed by expanding into these markets. We investigate the international diversification—managerial ownership relationship in both directions. In addition, we examine whether product diversification plays a moderating role in the relationship between international diversification and managerial ownership. Our analysis involves a sample of 1,047 firms from the S&P 1500 over a period of 4 years (1998-2001). Our findings suggest that international diversification is negatively associated with subsequent managerial ownership. Product diversification moderates this relationship, reducing the negative effects of international diversification. Furthermore, managerial ownership is positively associated with subsequent international diversification. Together these results support an incentive alignment perspective for the relationship between international diversification and managerial ownership.  

(For more information, please contact: Todd Alessandri, Northeastern University, USA: t.alessandri@neu.edu)
This study comprises a two-stage model. It first focuses on the misalignment of R&D investment and technological performance to explain European paradox, and propose under what circumstance a nation is likely to have better return on R&D investment. Then, it constructs the relationship between technological performance and economic growth. In particular, the research question here considers how much economic growth would improve after solving European paradox. In the first stage, we propose a moderating factor that is likely to increase a nation’s return on R&D investment. R&D investment conducted by a developed nation is likely to have better technological performance. In the second stage, we propose a curvilinear relationship between return on R&D investment and GDP growth that the effect of technological performance on economic growth is likely to be more substantial when a nation’s innovation activities are high. We sample 44 nations’ data from World Development Indicators database. Two hypotheses receive statistical support. *(For more information, please contact: I-Chen K. Wang, University of Illinois at Urbana-Champaign, USA: iwang5@uiuc.edu)*

**Session: 2.3.8 - Competitive**  
**Track: Track: 8 - Cross-cultural Management and International HRM**

**Cross-Cultural Adjustment**

**Presented On:** June 28, 2010 - 13:30-14:45

Chair: Dan V. Caprar, University of New South Wales

* Cultural Intelligence, Self-Monitoring, and Cultural Distance as Predictors of Expatriate Adjustment  
  Anna-Katherine Ward, University of South Carolina

The purpose of this study was to examine individual and contextual factors that may enhance expatriate adjustment. I hypothesized that cultural intelligence predicts expatriate adjustment but that this relationship depends on an individual’s level of self-monitoring and the cultural distance between home and host environments. Analyses of survey responses from 66 expatriates showed that the combination of self-monitoring and cultural intelligence can be used to predict expatriate adjustment. Specifically, cultural intelligence has a negative impact on expatriate adjustment for low self-monitors but has a positive impact for high self-monitors. *(For more information, please contact: Anna-Katherine Ward, University of South Carolina, USA: annakward@hotmail.com)*

* Cultural Bumps on the Side of the Head: A Longitudinal Panel Study of Expatriate Cognitive Changes  
  Anthony Fee, University of Sydney  
  Steven Lu, University of Sydney  
  Sidney J. Gray, University of Sydney

This paper presents results of a pretest-posttest longitudinal panel study that measured cognitive changes in a sample of Australian and New Zealand expatriates working in 18 different countries. The findings show that the expatriates developed significantly higher levels of cognitive complexity during the 12-month study period than a control group of non-expatriates. Expatriates whose cognitive complexity increase the most were those who interacted most frequently with host culture nationals. *(For more information, please contact: Anthony Fee, University of Sydney, Australia: a.fee@sydney.edu.au)*
Cultural Intelligence and Self-deception
Valerie Rosenblatt, University of Hawaii at Manoa

Cultural intelligence and self-deception have been previously argued to associate with individuals’ adjustment in different contexts. This work conceptually explores the relationships between self-deception and the four facets of cultural intelligence: cognitive CQ, metacognitive CQ, motivational CQ and behavioral CQ. I argue that there is an inverted U-shaped relationship between an individual’s levels of self-deception and cultural intelligence, such that moderate levels of self-deception are associated with higher levels of the four aspects of cultural intelligence. This paper aims to extend current conceptual work and to prepare the ground for further empirical investigation of factors related to attainment of higher levels of cultural intelligence, which in turn positively contributes to individuals’ adjustment and performance in intercultural and multicultural contexts. Further, this work seeks to augment the ongoing debate about positive and negative influences of self-deception on human attitudes and behaviors. (For more information, please contact: Valerie Rosenblatt, University of Hawaii at Manoa, USA: valerie6@hawaii.edu)

Effects of Expatriate Social Network Composition: A Multi-Level Model Based on Empirical Investigations of the Moderating Role of Country-Level Culture Distance
AAHad Osman-Gani, IIUM University
Thomas Rockstuhl, Nanyang Technological University

Responding to calls for a shift in emphasis of expatriate research towards the social context of expatriates, we develop a multilevel model of expatriate social network composition and effectiveness that incorporates the influence of country-level cultural distance. Analyses of multisource and multilevel data collected from 226 expatriates of 11 different countries working in Singapore indicated that overall network size was positively related to work adjustment when cultural distance was high whereas the number of local contacts was positively related to work adjustment when cultural distance was low. Work adjustment further mediated the effects of social network composition on supervisor-rated job performance. (For more information, please contact: AAHad Osman-Gani, IIUM University, Malaysia: aosmangani@gmail.com)

Session: 2.3.9 - Competitive
Track: Track: 9 - International Economics, Finance and Accounting
Cross Border Financial and Macroeconomic Impact

Presented On: June 28, 2010 - 13:30-14:45

Chair: Raj Aggarwal, University of Akron

Learning-by-Exporting and Firm Productivity: Do Macroeconomic Factors Matter?
Yong Yang, Brunel University & Queen Mary, University of London
Sushanta Mallick, Queen Mary, University of London

Using 33 papers that study learning-by-exporting covering 34 countries, we undertake a Meta-analysis to explain whether country-specific macroeconomic factors account for the variation in the estimated firm-specific learning effects on firm productivity across different studies. Our main finding, robust to different weights for each observation, is that the effect of exporting on firm productivity is lower in the periods of financial crisis, and tends to be lower in the high inflation countries (relative to low-inflation countries), whereas the effect is higher in the case of developing countries and with higher level of financial reform. (For more information, please contact: Yong Yang, Brunel University & Queen Mary, University of London, United Kingdom: yong.yang@brunel.ac.uk)
Dealing with Information Asymmetry in Cross-border Acquisitions
Protiti Dastidar, Temple University
Srilata Zaheer, University of Minnesota

It is well known that cross-border acquisitions are challenging as acquiring firms lack knowledge both of the target and of the host environment. We examine the strategic choices acquirers can make prior to the acquisition to mitigate the information asymmetry they face as a result of differences in institutional environments between the acquirer and target and the level of deal complexity. Acquiring firms can choose to use knowledge acquisition mechanisms, such as equity toeholds and alliances with the target or hire investment banks, as well as use contractual mechanisms such as contingent earnouts. We test our hypotheses on a sample of 1,435 US cross-border acquisitions completed during 1985-2004. Our results suggest that managers are smart in that they take into account the complexities involved in cross-border acquisitions as they make selective strategic choices to alleviate the problem of information asymmetry. More knowledge is costly to acquire and is not always better -- not every cross-border acquisitions needs ex ante investments in learning about the environment or the target. (For more information, please contact: Protiti Dastidar, Temple University, USA: dastidar@temple.edu)

Spillover effect of U.S. Monetary Policy on Banks Outside the United States
Haiyan Yin, Indiana University - South Bend
Jiawen Yang, George Washington University

This paper investigates the international spillover effect of U.S. monetary policy surprises on bank stock returns outside the United States. Our dataset covers 592 banks in 59 countries for the period 1994-2007. We find that there exists an inverse relationship between non-U.S. bank stock returns and unexpected changes in the U.S. federal funds rate target. Our study provides strong evidence that the spillover effect varies with regard to the nature and context of monetary policy changes, different bank characteristics, and country-level institutional factors. Our findings have important implications on international financial stability, trading and hedging strategies, and banking management and regulation. (For more information, please contact: Haiyan Yin, Indiana University - South Bend, USA: haiyin@iusb.edu)

Is Cross-Listing a Commitment Mechanism? Evidence from Cross-Listings around the World
Hyejin Cho, Korea University
Jaiho Chung, Korea University
Woojin Kim, Korea University

This paper examines the firms' foreign listing location decision, using cross-listings data from 28 origin countries to 9 destinations during 1994-2008. Our main finding is that firms are more likely to choose cross-listing destinations that are less strict on regulating self-dealing or exhibit higher block premiums relative to the origin country. This finding is in contrast to “bonding” hypothesis that firms choose to cross-list to voluntarily commit themselves to higher disclosure standards. (For more information, please contact: Jaiho Chung, Korea University, Korea, South: jhochang@korea.ac.kr)
Economic Effects of Knowledge Diffusion

Presented On: June 28, 2010 - 13:30-14:45

Chair: Rene Belderbos, K.U. Leuven

International Trade, Technology Diffusion, and the Role of Diffusion Barriers
Yao Li, University of Western Ontario

This paper assesses the welfare impact of international technology diffusion and international trade as well as the change in the cross-country distribution of GDP due to removal of diffusion barriers and trade costs. The model extends the multi-country Ricardian trade model of Alvarez and Lucas (2007) to include technology diffusion with diffusion barriers. A key feature of the model is that some countries export goods produced by foreign technology via diffusion. The model is calibrated to match the world GDP distribution, the merchandise trade and technology diffusion shares of GDP, and real GDP per capita for a sample of 31 countries. Data on international trade in royalties, license fees, and information intensive services are used as proxies for international technology diffusion. There are three key findings. First, the welfare gains from removing diffusion barriers are 4-60% across countries, generally larger than the gains from removing trade costs (8-40%). Second, removing trade costs and diffusion barriers has little impact on reducing the dispersion of real GDP per capita (measured by Gini index) across countries. Third, removing diffusion barriers increases trade, which indicates that diffusion may enhance trade. (For more information, please contact: Yao Li, University of Western Ontario, Canada: yli267@uwo.ca)

The Influence of International Dispersed and Home-Based R&D on Innovation Performance
Anja Schmiele, ZEW-Centre for European Economic Research
Bettina Peters, ZEW-Centre for European Economic Research

The internationalisation of corporate R&D increases the chances to participate in international knowledge sharing. In this paper we analyse the effects of firms' international R&D on two output measures: the firms' innovation outcome and firms' sales growth with innovative products. We also observe how different degrees of R&D internationalisation impact on the two measures. We compare the effects of firms performing research only at their home base and firms having research centres abroad. We employ a large data set from the Mannheim Innovation Panel which represents the German part of the Community Innovation Survey and we retain about 2100 observations. The results show that firms with both domestic R&D and foreign R&D activities are more likely to have new products (firm and market novelties) and that their sales growth due to the new products and firm novelties is about 3% higher than for firms with R&D capacities at home only. The degree of R&D internationalisation has no linear effect on both output measures. A moderate number of R&D locations abroad have the strongest influence on innovation outcome and sales growth with new products while sales growth with firm novelties benefits from a high number of R&D locations. (For more information, please contact: Anja Schmiele, ZEW-Centre for European Economic Research, Germany: schmiele@zew.de)

Tacit Knowledge Perspective: Relationship between Internationalization and Top Executive’s Job Prospect
Rimi Zakaria, Florida International University
Paul Tanyi, Florida International University

This study examines the repercussions of knowledge-based theory of the firm by underscoring the appropriability, portability, and transferability aspects of tacit knowledge that is attributable to top-level organizational members, particularly considering the phenomenon of executive migration. Acknowledging that
firms appropriate rent from the managerial human capital, i.e., knowledge, skills, abilities, and experience of their corporate elites, this paper argues that the level of a firm's internationalization is an essential determinant of their bargaining capacity with regards to their future employment. More specifically, the issue of interest is whether the knowledge gained from internationalization positively contributes to an executive's job prospect. Results analyzed from a sample of 356 top executives, who migrated from one U.S. multinational to another within the period of 1999 to 2007, generally support this perspective that knowledge gained from internationalization relates to executives' negotiation power with regards to future employment prospect. Considering the theoretical, empirical, and managerial implications of the current study, the directions for further research are discussed. (For more information, please contact: Rimi Zakaria, Florida International University, USA: rimi_zakaria@yahoo.com)

Innovation’s Causal Ambiguity, Competitive Advantage and Transfer Worthiness
Francesco Ciabuschi, Uppsala University
Oscar Martín Martín, Public University of Navarre

In this study we explore the effects of tacitness, complexity and specificity on subsidiary innovation-related performance. First we identify which of these three key components of causal ambiguity contributes the most to competitive advantage. Second, we shed further light on the causal ambiguity paradox and identify which specific types of causally ambiguous innovations could be worth transfer to other subsidiaries within the MNC. We build a model and test a set of hypotheses on a sample of 85 innovation projects developed by 63 different subsidiaries. Results suggest that tacitness, complexity, and specificity have different impact on subsidiary innovation-based competitive advantage and, in particular, that innovations characterized by tacitness are detrimental to market performance and, therefore, should not be considered for internal transfer. (For more information, please contact: Francesco Ciabuschi, Uppsala University, Sweden: francesco.ciabuschi@fek.uu.se)

Session: 2.3.11 - Interactive
Track: Track: 1 - Institutions, Governance, and CSR

Institutions and the Multinational Firm

Presented On: June 28, 2010 - 13:30-14:45

Chair: Daniel Van den Bulcke, University of Antwerp

Institutional Dissimilarity of Prior Experience and MNC Subsidiary Performance
Sungjin J. Hong, University of Texas at Dallas

How will institutional environments across countries matter in determining foreign direct investment performance? In particular, what types of prior experience will provide multinational firms with capabilities to mitigate the costs of doing business in host countries with dissimilar national political governance to the home country?

In this paper, we argue that a multinational firm would mitigate the costs arising from political governance dissimilarity between home country and the host country by leveraging prior experience gained in institutionally similar countries with the focal host country. In addition, we argue that both own experience and member firms’ experience affiliated to the same business group gained in the focal host country can help a multinational firm can survive and grow in the country. By testing the proposed hypotheses, this research can contributes to the institutional economics literature and experiential learning literature. (For more information, please contact: Sungjin J. Hong, University of Texas at Dallas, USA: sxh085000@utdallas.edu)
Multinational Corporations, Technology Spillovers and Human Rights’ Impacts on Developing Countries
Elisa Giuliani, University of Pisa

This paper stems from the recognition that, in the current globalized world, the achievement of economic development goals is not necessarily accompanied by improved social conditions, or respect of people's human rights more generally. Through their internal resources and capabilities, which often exceed those of many developing countries, Multinational Corporations (MNCs) can either positively or negatively condition their route towards development. While there are reported cases of positive economic effects generated by MNCs operations in developing countries, there is also plenty of evidence about MNCs involvement in human rights' abuses in these countries. To date, however, no scholarly research has analysed the factors that favour a positive (negative) MNC effect on host developing countries, by looking jointly at economic and human rights’ impacts. This paper is a first attempt to take into account and integrate empirical evidence of MNCs' economic (via technology spillovers) and human rights’ impact on host developing countries. Based on the review of the literature, the paper calls for a new inter-disciplinary research agenda in this area and speculates on the implications that this research could have on policy-making and corporate managers. (For more information, please contact: Elisa Giuliani, University of Pisa, Italy: giulel@ec.unipi.it)

Trust, Reliance on Control Mechanisms and Performance of Subordinates
Samson Ekanayake, Deakin University

Many organizational scholars claim that trust between managers and subordinates bring about a number of positive organizational outcomes including enhanced job performance in subordinates. Recent management control literature implies that the trust’s positive effect on performance is achieved by using trust-based controls such as social control. While the organizational scholars' claim a direct positive relationship between trust and performance, the management control literature indicates an indirect positive relationship between trust and performance through trust-based controls. Whether the trust's relationship with performance is direct or indirect is an important issue because of the possible implications of it for the design and exercise of management controls in organizations. For example, if the relationship is indirect it shows that appropriate controls need be adopted to reap the performance benefits of interpersonal trust.

In order to shed light on the above issue, this paper explores the effects of managers’ trust and controls on the performance of subordinates. The paper uses quantitative data collected from a questionnaire survey conducted among a cohort of managers from the Peoples Republic of China. Data were analyzed using Partial Least Squares Modeling (PLS).
(For more information, please contact: Samson Ekanayake, Deakin University, Australia: samson@deakin.edu.au)

The Private Benefit of Control and the Sub-Location Decision by Firms Entering China
Ming-Sung Kao, Fu Jen Catholic University
Yi-Chieh Chang, St. John’s University
Chih-Fang Chiu, National Taiwan University

Past literatures related with the firms' FDI location choice most focused on the country-level and firm-level determinants, like market scale, firm size, FDI experience... etc. This paper explores the firms' location decision from the micro-level viewpoint. We propose that the private benefit of the firm’s controlling shareholders highly affects the firm’s FDI location choice. High private control benefit leads the controlling shareholders tend to choose the region with weak institutions for fewer constraints to consume the private benefit. Using several proxies for private benefit related to the control and cash flow ownership rights of controlling shareholders, we find support for this hypothesis with a sample of firms deciding which region to locate when entering China, a transition economics in which institutional environment in each region are substantially different. (For more information, please contact: Chih-Fang Chiu, National Taiwan University, Taiwan: jujuku@sparqnet.net)
The Influence of Pro-Social Policies & NGOs on FDI in Developing Countries
Candace Agrella Martinez, Saint Louis University
Gayle Allard, IE Business School

Our paper builds on institutional economics theory to examine the relationship between foreign direct investment and pro-social policies and the indirect influence that nongovernmental organizations (NGOs) might have on this relationship. We tested two hypotheses on a sample of 75 developing countries and the findings reveal that while some host government social inclusion policies are statistically significant, their association with FDI stock runs in both directions. We argue that the differentiating factor may be whether or not the policies represent costs for investing multinational enterprises (MNEs). NGO presence influences only the association between FDI and government policies that protect the environment. Despite the mixed results, this empirical study casts light on the interwoven roles of MNEs, NGOs, and social policy in developing countries. (For more information, please contact: Candace Agrella Martinez, Saint Louis University, USA: cmarti58@slu.edu)

Global Supply Chains and Human Rights: A Research Agenda
Lin Lerpold, Stockholm School of Economics
Emma Sjöström, Stockholm School of Economics
Björn Axelsson, Stockholm School of Economics
Sara Nordbrand, Stockholm School of Economics

Contemporary global supply chains are characterized by relationships in a network structure rather than in dyadic relationships. We therefore combine stakeholder theory with industrial network theory in exploring how multinational corporations are re-interpreting their corporate responsibility beyond their own firm and local suppliers, thus also including responsibility for suppliers' operations with respect to human rights. We try to understand the influences from multiple stakeholders in corporate strategies by studying the actions taken by various stakeholders to try and influence the various actors and the supply-net systems. With a basis in the UN Global Compact corporate population, we propose triangulating 3 data sets. Firstly, we use a survey to explore global supplier human rights and stakeholder influence. Secondly, we propose a content analysis on a sample of MNC's “communication of progress” reports. Finally, on the basis of the two previous data collections and analysis, we identify 3 Nordic MNCs for in-depth, comparative case studies using industrial network frameworks. The research contributes to stakeholder theory by taking a value-creation perspective, network approach and by contextualizing in the MNC situation. Furthermore, our study contributes to the literature on supply chain by focusing on the under-researched area of human rights. (For more information, please contact: Lin Lerpold, Stockholm School of Economics, Sweden: lin.lerpold@hhs.se)

Session: 2.3.12 - Interactive
Track: Track: 2 - International Marketing Management and Supply Chain

International Business-to-Business Relationships

Presented On: June 28, 2010 - 13:30-14:45

Chair: Saeed Samiee, University of Tulsa

International Buyer Behaviour-Commitment Relationship: An Investigation of the Empirical Link in Importing
Mohammed Abu Saleh, Rajshahi University
M. Yunus Ali, Monash University Malaysia
Craig Julian, Southern Cross University
This article examines relationships between knowledge and experience, trust, communication, environmental volatility and the relative advantage of importing on importer commitment. The primary data was gathered via a survey of 222 commercial and industrial firms, headquartered in Bangladesh, coming from a wide cross section of industries. Statistical analysis was carried out using Structural Equation Modelling via AMOS. The study's key findings revealed that all exogenous variables had a significant impact on importer commitment. That is, knowledge and experience, trust, communication, environmental volatility and the relative advantage of importing had a significant direct impact on importer commitment. Additionally, cultural similarity, communication, environmental volatility and supplier opportunism all had a significant indirect impact on importer commitment. The interaction effects in the model were also significant. (For more information, please contact: Craig Julian, Southern Cross University, Australia: craig.julian@scu.edu.au)

How Do Firm Capabilities Influence Foreign Market Entry?
Helena Fenikova Allman, University of South Carolina

Firm capabilities influence not only the domestic market financial performance of the firm, but also the firm’s speed of foreign market entry. Due to their different sources of origin, different capabilities have various magnitudes of effects on the speed of foreign market entry. I propose that marketing capability will exhibit greater impact on the speed of foreign market entry than research and development (R&D) capability due to the marketing capability's less imitable source of origin in the firm’s ability to quickly adapt and learn from its marketplace. Furthermore, I hypothesize that domestic financial performance will increase the speed of foreign market entry due to the higher availability of financial resources to the firm wishing to explore new geographical markets. Finally, I propose that cultural distance between the domestic and the foreign market will moderate the relationship between the firm capabilities and the speed of foreign market entry and between the domestic financial performance of the firm and the foreign market entry. (For more information, please contact: Helena Fenikova Allman, University of South Carolina, USA: helena_allman@moore.sc.edu)

Intangible Assets, Dynamic Marketing Capability and the Speed and Success of Export Expansion
Saba Khalid, University of Vaasa
Pervez Ghauri, King's College London

Small and Medium Sized Enterprises may not be successful in internationalization due to lack of knowledge of foreign market and organizational capabilities. The authors explore what resource or knowledge imparts such capabilities and whether these capabilities can be related to the speed and success of international expansion by two research questions. The findings reveal that new product development, alliance management capability and marketing planning & implementation capabilities appear significant at the foreign market entry stage; whereas alliance learning capability was the most significant after foreign market entry. (For more information, please contact: Saba Khalid, University of Vaasa, Finland: sakh@uwasa.fi)

Value Creation and Value Appropriation of Relationship-Specific Investment
Min-Ping Kang, Shih Hsin University

Relationship-specific investments are not only a source of dependency of the investor but also can increase the dependency of the receiving party. By committing relationship-specific investments and value creation activities to increase OEM’s dependency on a supplier, we suggest that suppliers can therefore maintain a reasonable share of value appropriation in OEM-supplier relationships. We find empirical support for case findings and our developed theory in the context of Taiwanese suppliers of original equipment manufacturers. (For more information, please contact: Min-Ping Kang, Shih Hsin University, Taiwan: mpkang19@gmail.com)
**Entry Mode Strategy**

**Presented On:** June 28, 2010 - 13:30-14:45

Chair: Stewart Miller, University of Texas - San Antonio

The Impact of Cultural Distance Framework on Foreign Establishment Mode Decision

Jorma Larimo, University of Vaasa
Douglas Dow, University of Melbourne

The main goal of this study is to analyze the impact of the three most prominent cultural frameworks: Hofstede, Schwartz, and GLOBE on greenfield investment vs. acquisition including the analysis of the individual dimensions of each frameworks. The study is based on a sample of over 3,700 foreign manufacturing investments made by Nordic firms in 39 countries between 1970 and 2007. All three cultural frameworks indicate a similar culture-establishment mode relationship. However, regardless of the chosen framework, there is evidence of substantial variations in the impact of the individual dimensions of culture on the establishment mode decision. (For more information, please contact: Jorma Larimo, University of Vaasa, Finland: jla@uwasa.fi)

Selecting an Appropriate Offshoring Mode: The Effect of Strategic Importance of the Service, Managerial Motives and Concerns

Anand Pore, Emporia State University
Farok Contractor, Rutgers University

Firms can offshore services through a wide spectrum of modes ranging from i) complete internalization (foreign subsidiary), to ii) complete externalization (arms length transactions), or iii) intermediate cooperative modes (such as licensing, joint venture etc). This study explores how the offshoring mode is influenced by the strategic importance of the service, managerial motives and concerns. Underlying factors, such as access to skilled resources in the host country market and its characteristics; concerns regarding security/privacy of data; host country political/economic uncertainty; and availability are also hypothesized to affect the choice of offshoring modes available to the firm in a particular country location. A sample of 481 service projects or functions, offshored by US firms, was used to test the hypotheses. (For more information, please contact: Anand Pore, Emporia State University, USA: andypore@yahoo.com)

Countering the Centripetal Force of Agglomeration: Interclusteral Cross-border Alliances

Anthony Goerzen, University of Victoria

Economic agglomeration theory posits that physical proximity creates net benefits for firms. An alternative point of view is that close relations with geographically proximate firms limits exposure to the wealth of knowledge that circulates outside of the local cluster of firms. Recent research has suggested that interfirm alliances with distant firms can remedy this problem; yet this solution remains beyond the organizational capabilities and resources of most small and medium-sized firms. To remedy this problem, “interclusteral alliances” have emerged as an important phenomenon in which local clusters establish formal alliances with other clusters based in foreign countries. We analyze this emerging phenomenon—that is counter to the centripetal force of agglomeration—by combining theory on economic agglomerations, interorganizational networks, and alliances. Our theory is guided also by a series of semi-structured interviews to create a richer understanding of our primary research question of the conditions under which alliances between clusters develop. (For more information, please contact: Anthony Goerzen, University of Victoria, Canada: agoerzen@uvic.ca)
Exploring Home-Regionalisation: The Case of Cross-Border M&A
Andre Sammartino, University of Melbourne
Thomas Osegowitsch, University of Melbourne

This paper explores the home region bias of multinational corporations. We utilise a new dataset of more than 64,000 merger and acquisition (M&A) transactions from across the globe over a 19-year period. We demonstrate a very strong home country bias on the part of firms, and a substantially weaker, but still important home region bias. Nevertheless, MNCs appear far from home region-bound, and M&As appear an effective and increasingly utilised strategic mechanism for building and complementing firm-specific advantages within and across regions. (For more information, please contact: Thomas Osegowitsch, University of Melbourne, Australia: ot@unimelb.edu.au)

Towards a Composite Theory of Entry Mode Choice: The Case of Service MNCs in China
Hannah Xia Han, University College Dublin
Zengyu Huang, University College Dublin
John Cassidy, University College Dublin

Many studies have examined the choice between different entry modes by service MNCs over the past, in which emphasized strategic issues such as separating ownership and control (Brown et al, 2003), partnership selection (Dev, et al. 2007), etc. There is also a general agreement that entry mode choice research so far focused on firms’ initial investment decisions, previous scholarship largely neglects the impact of modal choice on firm’s performance (Meyer et al, 2009; Huang & Roche, 2006; Brouthers’ & Werner, 2003; Heide & Stump, 1995), and expansion (Kim & Gray, 2008; Beamish 2004; Gielens and Dekimpe, 2001). While the success of foreign entries clearly depends on the appropriateness of the firm’s entry decisions, as they shape the platform from which competitive advantages can be gained, and hopefully sustained, over the firm’s life cycle (Green et al., 1995). The premise of this study claim that post-entry performance of service MNCs depended on common determining factors (intangible assets, firm scale, learning & experience, government regulation, parent control, and speed of expansion) with its initial modal choice. International hotel firms entering China were studied as hotel industry provides an interesting setting in which to study foreign market entry modes (Dev, et al, 2007). (For more information, please contact: Zengyu Huang, University College Dublin, Ireland: hugoinlove@hotmail.com)

A Dyadic Perspective on Determinants of Entry Choices in the Global Hospitality Industry
Kun Yang, Florida International University
John Buschman, Florida International University

This paper discusses the determinants of entry choices for international hotels, contrasting acquisition with management and franchise contracts, based on a resource-dependency perspective, appropriation theory and transaction cost theory. It points out the determinants on both country and firm levels, which are brand equity, relatedness of products and market segmentation, partner-specific knowledge of two hotels, international experience, duration of proprietary knowledge, country risks, and cultural distance. Firm size and host-country policy restrictions are controlled for in this study. Moreover, the paper proposes that there is a sequence of entry choices, that is, acquisition is likely to happen after the contract when the franchisors’ or management companies’ proprietary knowledge attenuates, and contract activity is likely to happen again after acquisition once the management company has established new form or high level of proprietary knowledge. (For more information, please contact: Kun Yang, Florida International University, USA: kyang001@fiu.edu)
FDI and Trade Involving Emerging Economies

Presented On: June 28, 2010 - 13:30-14:45

Chair: Susan E. Feinberg, Rutgers University

The United States' Direct Investment and Intra-Industry Trade with Japan, the Four Tigers, and China
William Xiaojun Wei, Grant MacEwan University
Jin Zhang, University of Alberta

The United States, the world's center for trade, is the most highly developed country and holds the largest foreign direct investment in the world. East Asia, one of the top trade partners with the United States, is the region with the most rapidly growth in the world over the last 30 years. In this paper, we analyze the differences in intra-industry trade patterns between the United States and Japan, China, and the Four Tigers: Korea, Singapore, Hong Kong, and Taiwan. The estimated IIT indices show U.S.–Japan trade with the highest level of IIT, and U.S.–China trade with the most rapid growth in IIT. Moreover, U.S.–Japan and U.S.–China show the highest levels of their intra-industry trade in the chemical industry, but U.S.–Four Tigers trade shares the largest proportion of IIT in the electrical industry. This paper explores the role that United States foreign direct investment plays and its impact on intra-industry trade between the U.S. and the three country groups—Japan, the Four Tigers, and China—from 1989 to 2006. The empirical data shows that U.S. direct investment enhanced its intra-industry trade with the Four Tigers and China, but did not contribute to the growth of its intra-industry trade with Japan. (For more information, please contact: William Xiaojun Wei, Grant MacEwan University, Canada: weix@macewan.ca)

Emmanuel Metais, EDHEC Business School
Philippe Very, EDHEC Business School
Pierre-Guy Hourquet, EDHEC Business School

The Uppsala model posits that firms gradually increase their international expansion. Recent empirical evidence on cross-border M&As have confirmed that firms should privilege this gradual development policy (Ragozzino, 2009). However, this idea does not correlate with the widely accepted geopolitical distribution of the world and, in particular, the fact that very distant countries are traditionally grouped together (e.g., the Triad, the BRIC area or the “emerging countries”). The aim of this article is to explore the rationale behind the internationalization of firms via M&As. We argue that, since geographical proximity is a main driver for M&A decisions, the usual geopolitical areas are not relevant in the case of cross-borders M&As, especially when they group very distant countries. We test our idea on a sample of 175,000 M&A deals concluded between 2000 and 2009. Results support our research propositions: the traditional geopolitical division of the world does not really apply in the case of cross-border M&A activities. More specifically, in cross-border deals involving at least one partner from outside the Triad, geographical proximity is a key factor in the M&A decision. (For more information, please contact: Emmanuel Metais, EDHEC Business School, France: emmanuel.metais@edhec.edu)

Foreign Market Selection by Russian MNEs
Olga E. Annushkina, Bocconi University
Renata Trinca Colonel, Bocconi University

Analysis of 497 international M&A and joint venture (JV) deals completed by Russian MNEs in 1997 - first semester of 2009 shows that, as far as the host country is concerned, geographical closeness to Russia, being
an ex USSR republic or a tax haven have positive effect on the country's probability to attract an M&A or JV deal by a Russian MNE. On the other hand, a similar level of the economic development of a host country with Russia does not have a significant influence on the foreign market selection decisions by Russian MNEs. The patterns of significance among the explanatory variables vary for Russian MNEs operating in the natural resources industries. Our research can be further extended by including other equity deals (greenfield investments) by Russian MNEs and by comparative studies of location selection decisions by MNEs from other emerging markets. (For more information, please contact: Olga E. Annushkina, Bocconi University, Italy: olga.annushkina@sdabocconi.it)

The Geography of Foreign Direct Investment in Africa: Mid-Point for the UN Millennium Goals of 2000
Joel Ian Deichmann, Bentley University
Charles Malgwi, Bentley University

This paper examines the geography and determinants of foreign direct investment (FDI) into Africa since the declaration of the UN Millennium Development Goals (MDGs) in the year 2000 and through their mid-point of 2007. While considerable existing literature sheds light upon the importance of specific macro-level economic, social, and political variables, little of it offers both comprehensiveness and rigor of analysis. Here, we accomplish both by employing a combined methodology of OLS regression and factor analysis. Moreover, because nothing has to date been published relating these factors to the MDGs, we examine FDI in connection to Goal Eight: “Global Partnership”. We find that Africa’s uneven FDI landscape remains largely governed by factors related to the continent’s colonial legacy, especially its established European trade links and agglomeration. Building upon a growing literature on corruption’s impact on FDI, we find also that particularly in landlocked countries, adoption of International Financial Reporting Standards and the presence of telecommunications infrastructure are vital for attracting investment, resulting in suggestions for government policy and international aid. (For more information, please contact: Joel Ian Deichmann, Bentley University, USA: jdeichmann@bentley.edu)

From Blind Spots to Hotspots: How Knowledge Service Clusters Develop and Attract Foreign Investment
Stephan Manning, University of Massachusetts Boston
Joan E. Ricart, University of Navarra
Maria Soledad Rosatti Rique, University of Navarra
Arie Y. Lewin, Duke University

This paper examines the dynamics underlying the development of knowledge service clusters, which we define as geographic concentrations of science and engineering talent and specialized providers offering technical and knowledge-intensive services to regional and global clients. Taking a co-evolutionary perspective on cluster development, based on data of the Offshoring Research Network and the specific example of Latin America, we find that growing attractiveness of particular clusters is a result of intersecting trajectories: the emergence of local talent and capabilities initially serving regional demand, the search for and growing awareness of alternative pockets of talent and expertise by multinational companies, and location choices by international service providers looking to better serve global clients. Thereby, clusters position themselves by providing services to clients with particular service needs and location preferences, e.g. cultural and geographical proximity. Findings also suggest that international and local providers not only compete for clients, but occupy different market segments when serving from particular locations. Results may stimulate future research both on cluster emergence, development, and location choices in the context of global sourcing. (For more information, please contact: Stephan Manning, University of Massachusetts Boston, USA: stephan.manning@umb.edu)
**Choices over Levels of Exports in Two Primary Goods: A Brazil-Argentina Competition Game for USA-Germany Destinations**

Marcos Carvalho Sena, University of Forlaleza  
Núbio Vidal Gomes Filho, University of Fortaleza

The current world scenario of economic integration has challenged many economies, leading to issues related to the implementation of optimal strategies by nations to face competition in the exporting world market. This article seeks to answer the following questions: What are the optimal strategies for Brazil and Argentina regarding levels of exports of leather to USA? And, regarding levels of exports of soya-bean to Germany, what are the optimal choices for the Latin American countries, in terms of getting the highest benefits (payoffs), measured by exports revenues? The main goal is to investigate whether or not choosing different levels of exports of leather to USA and soya-bean to Germany makes a difference in terms of higher payoffs for both Brazil and Argentina. We analyze the two tradable primary goods – leather and soya-bean – due to their high percent figures in USA’s and Germany’s imports originated from the two Latin American countries. The theoretical support comes from game theory, used to help the empirics related to the choices over dominant exporting strategies available to the two players – Brazil and Argentina. For the primary tradable good ‘leather’, results show that it is dominant for Brazil to choose the continuity strategy of exporting the average level to USA, and for Argentina the best is to choose the optimistic strategy of increasing the level of exports of leather to USA. Regarding the soya-bean good, optimal strategy for Brazil is to reduce its exports to Germany, while for Argentina the best choice is to stick with its continuity level of exports to the European destination. We conclude that Brazil has to be cautious and Argentina more proactive in their exporting strategies targeting both the USA and Germany destinations. *(For more information, please contact: Marcos Carvalho Sena, University of Forlaleza, Brazil: amsena@unifor.br)*

**Liabilities of Regionalization and the Emerging Market Firm**

Keith James Kelley, Florida International University

Although it may be apparent that regionalization occurs, the effect this phenomenon will have on multinationals, particularly those from emerging markets that are beginning to internationalize, has only just begun to be explored. The formation of regions, such as the “Triads”, will no doubt have a lingering effect on global business as it serves to constrain multinational investment actions through the formation of regional characteristics or institutions. Emerging market MNCs, more so than MNCs from developed nations, feel these regional forces of constraint that direct MNCs to pursue specific types of commerce. These forces are based on their geographic location relative to other regions and the location, country-specific, and firm-specific advantages they possess as a result of regionalization. The constraints, a consequence of regionalization, that effectively limiting the strategic options of MNCs, are known as the liabilities of regionalization. *(For more information, please contact: Keith James Kelley, Florida International University, USA: kkelley@fiu.edu)*
**Bicultural Identity and Trade Facilitation: The Indian Diaspora in North America**  
Masud Chand, Wichita State University

This study examines the role that a diaspora’s bicultural identity can play in driving trade and investment relationships between its country of residence and country of origin. It uses the example of the Indian diaspora in Canada and the United States to analyze the impact that the diaspora has on this relationship. It examines the differences in cultural distance and cultural conflict of the Indian diaspora in the U.S. and Canada, and explains how host country differences in acculturation policies could be the possible reasons behind these. It also analyzes how differences in bicultural identity can explain the diaspora’s varying levels of engagement in different trade and investment facilitation behaviors. *(For more information, please contact: Masud Chand, Wichita State University, USA: masud.chand@wichita.edu)*

**The Moderating Role of Decision Latitude in a Cross-Cultural Model of Organizational Stress: A Nine Country Study.**  
Rabi S. Bhagat, University of Memphis  
Tejinder K. Billing, Rowan University

As multinational and global companies expand their operations, it becomes important to explore the generalizability and validity of U.S. based findings in non-Western contexts. This investigation explored the influences of decision latitude on the relationship between three facets of work stress (role overload, organizational constraints, inter-personal conflict) and psychological strain in nine dissimilar national contexts. Also, the relationship between psychological strain and three work outcomes (job satisfaction, organizational commitment, propensity to turnover) was investigated. The mixed pattern results are interpreted as being supportive of convergence of psychological approaches in dealing with work stress. *(For more information, please contact: Tejinder K. Billing, Rowan University, USA: billing@rowan.edu)*

**Opposite Ends of the Same Stick: Multi-Method Test of Independence of Individualism and Collectivism**  
Vas Taras, University of North Carolina at Greensboro  
Riikka Sarala, University of North Carolina at Greensboro

Individualism-collectivism is the most popular and most controversial cross-cultural construct. One of the most hotly debated issues is that of the relationship between individualism and collectivism. Some view the two as the opposites of a single continuum, while others argue the two are independent constructs. This uncertainty makes is challenging to interpret and generalize findings of the wealth of extant research on individualism-collectivism, raises questions as to how the individualism and collectivism scores should be coded for meta-analysis purposes, and impedes further progress in research in the area. The present manuscript is a preliminary report of the findings of a multi-method investigation of conceptual and empirical independence of individualism and collectivism. It relies on qualitative review and a meta-analysis of data presented in 112 studies that involved separate measurement of individualism-collectivism. The manuscript describes the methodology and findings of each of the five tests and provides an integrative discussion of the findings, implications for scholars and practitioners, and directions for future research. *(For more information, please contact: Vas Taras, University of North Carolina at Greensboro, USA: v_taras@uncg.edu)*
This paper examines the Individualism-Collectivism (I-C) dimension of national culture in the Hofstede and GLOBE models. We identify major contradictions within and between the two culture models, which result in contradictory relationships with external variables such as economic prosperity. We critically evaluate the content validity of the items used to measure this construct in both models. Based on our analysis, we suggest that Hofstede's individualism-collectivism index be relabelled as Self-orientation versus Work-orientation, GLOBE's Institutional Collectivism as Organizational Collectivism, and GLOBE's In-group Collectivism as Family Collectivism. We demonstrate how the proposed alternative conceptualizations of the Individualism-Collectivism dimensions in both Hofstede and GLOBE models can help reconcile the anomalous relationships between these two models of national culture, and between their dimension scores and other external variables of interest to researchers, such as economic prosperity. (For more information, please contact: Paul Brewer, University of Queensland, Australia: p.brewer@business.uq.edu.au)
Host Institutions and the Choice of Entry Mode

Presented On: June 28, 2010 - 15:00-16:15

Chair: Daniel Rottig, Florida Gulf Coast University

The Effect of Long Term Orientation on Subsidiary Ownership, Expatriate Staffing, and Subsidiary Survival
George Z. Peng, University of Regina
Paul W. Beamish, University of Western Ontario

This paper draws attention to the importance of long term orientation (LTO) of national culture, which has not received the same consideration in international business research when compared to other cultural dimensions. By linking it to transaction cost economics, relational exchange theory, and institutional theory, hypotheses were developed on the impact of LTO on multinational corporations’ (MNCs’) subsidiary ownership and expatriate staffing strategies and on subsequent subsidiary survival. Interaction effects between LTO and cultural distance on ownership and expatriate levels were also hypothesized, as were interaction effects between LTO and ownership and expatriate levels and cultural distance on subsidiary survival. Results showed that LTO is positively related to ownership and expatriate staffing levels and subsidiary survival. The interaction effects were also generally supported. The theoretical and practical implications of these findings are discussed. (For more information, please contact: George Z. Peng, University of Regina, Canada: george.peng@uregina.ca)

The Impact of Intellectual Property Rights Protection on the Choice between International Affiliate and Non-Affiliate Licensing by U.S. Firms: A Panel Data Study
Nikolaos P Papageorgiadis, Uppsala University
Adam R Cross, University of Leeds
Constantinos Alexiou, Aristotle University of Thessaloniki

This study investigates the impact of intellectual property rights (IPR) protection and enforcement on the entry mode choice between either affiliate (i.e. related) or non-affiliate (i.e. non-related) licensing by US firms. This represents a test of internalisation theory (Buckley and Casson 1976; Hennart 1986). A newly-created longitudinal IPR index by Papageorgiadis (2010) is applied to examine US affiliate and non-affiliate licensing data (for the period 1998 to 2007). Results fully confirm the theoretical propositions of internalisation theory. IPR protection and enforcement is found to have a highly significant impact on licensing activity, with firms preferring to internalise licensing transactions in countries that offer low levels of IPR protection and enforcement. This finding holds for both developing and developed host countries alike. (For more information, please contact: Nikolaos P Papageorgiadis, Uppsala University, Sweden: nikolaos.papageorgiadis@fek.uu.se)

The Internalization of Societal Institutions
Jean J. Boddewyn, Baruch College, CUNY

We present a novel application of internalization theory to society’s nonmarket subsystems – political, social and cultural – which are subject to institutional failures analogous to those of markets. MNEs may selectively internalize these failures when their integration into the firm is a necessary complement for accessing markets in economies in transition to a market system. An integrated theory of market and nonmarket failures as well as of their governance contributes to improving our understanding of the boundaries of the MNE and of the nature of the ownership advantages necessary for dealing with nonmarket institutions. Besides, the remediation of institutional failures or voids is relevant for explaining a variety of phenomena including the robust flows of FDI into emerging markets despite their notable institutional “distance” from developed countries, and the increasing political role of MNEs in “post-national” times. (For more information, please contact: Jean J. Boddewyn, Baruch College, CUNY, USA: jean.boddewyn@baruch.cuny.edu)
This study investigates the choice of foreign entry modes of international operating retailers which is particularly important for this sector due to the inherently high resource commitment. As the research status on retail market entry modes is still fairly narrow, the research stream in the international business literature provides still inconsistent and even ambiguous results despite a long tradition. Therefore, a conceptual framework will be developed in this study based on institutional and contingency theory. By this, it is assumed that a retailer employs a preferred strategy as entry mode instead of considering a huge amount of macro-economic indicators. Moreover, when certain internal and external factors occur, the retailer is forced to adjust the entry mode. In order to test the proposed conceptual framework, 319 market entries of the largest grocery retailers in the world have been recorded as well as different macro-economic indicators at the time of market entry. The results indicate strong support for the conceptual framework. Furthermore, institutional theory as well as contingency theory seems to be appropriate to explain the choice of foreign entry modes. Finally, implications for research and practice are derived. (For more information, please contact: Stefan Elsner, University of Trier, Germany: s.elsner@uni-trier.de)

Session: 2.4.4 - Panel
Track: Track: 7 - Emerging, Transition, and Developing Economies

**Chinese Business Presence in Africa New Opportunities for Development or History Revisited**

**Presented On:** June 28, 2010 - 15:00-16:15

China’s rise to global economic and political power is an important topic of discussion in various disciplinary circles, including international business, strategic management, economics, political sciences and even culture. Missing from these discussions is China’s engagement with Africa, even though the country has become the most important source of development aid and foreign direct investments in Africa over the past decade (Davies, 2008). In this proposed roundtable, we bring together three researchers who have experienced China-Africa business relationships first hand to help deepen understanding of the nature of Chinese engagement in Africa and their implications for international business. One foundational question to be tackled by this panel is whether or not China’s business strategy in Africa heralds a new era of South-South cooperation that will help Africa to overcome its historical mistrust of foreign investors. The roundtable panelists will discuss the nature of Chinese presence in African business and the international business implications of the Chinese strategy in Africa. (For more information, please contact: Sammy K. Bonsu, York University, Canada: sbonsu@schulich.yorku.ca)
Session: 2.4.5 - Panel  
Track: Track: 7 - Emerging, Transition, and Developing Economies

Adaptation in Times of Crisis and Uncertainty: New Forms of Innovation and Learning in Emerging Markets

Presented On: June 28, 2010 - 15:00-16:15

Chair: Carlo Pietrobelli, Inter-American Development Bank
Chair: Carlo Pietrobelli, Inter-American Development Bank

Industry Evolution and the Sustainability of Competitive Advantage in Conditions of Macroeconomic Turbulence  
Luiz Mesquita, Arizona State University

Public-Private Institutions as Responses to Crisis and Catalysts of Innovation in Emerging Markets  
Gerald A. McDermott, University of South Carolina

The Dynamics of Cluster Knowledge Systems and the Persistence of Technological Gatekeepers: A Longitudinal Study of a Chilean Wine Cluster  
Elisa Giuliani, University of Pisa

Session: 2.4.6 - Competitive  
Track: Track: 12 - Methods in International Business Research

Advances in Research Design for IB Research

Presented On: June 28, 2010 - 15:00-16:15

Applications of Experimental Methods to International Business Research: It is more than you think  
Timothy Michael Devinney, University of Technology, Sydney

Multi-Level Research Design  
Mark Gavin, Oklahoma State University  
Kwok Leung, City University of Hong Kong

Session: 2.4.7 - Panel  
Track: Track: 11 - Teaching International Business

Academic Mentors for Women - The Good, the Bad and the Ugly. How do the Relationships Differ for Women? (Panel Sponsored by WAIB, Women in the Academy of International Business)

Presented On: June 28, 2010 - 15:00-16:15

Chair: Joan P Mileski, Texas A & M University at Galveston

My Views on Academic Mentoring  
Hildy Teegen, University of South Carolina

How to Balance your Career with Your Personal Life  
Maria Tereza Fleury, Fundacao Getulio Vargas
In today’s global business environment, where multinational companies are pressed to grow revenues in order to survive, creativity may hold the key to ensuring their new product development (NPD) efforts produce innovations with worldwide appeal, such as Apple’s I-Phone and Toyota’s Prius. Yet knowledge on the creativity-NPD relationship in the global context is nascent. Since global new products are increasingly developed in, by, and for multiple cultures, a particular need is for a culturally reflective understanding of creativity. To address this gap, we develop a conceptualization of creativity that is culturally anchored that we call cross-cultural creativity. The conceptualization draws on creativity theories and insights from art and the social sciences. To demonstrate the utility of this concept, we describe how cross-cultural creativity shapes or influences NPD practices, using Japanese and American firms as illustrations. We summarize these findings as research propositions, and end with a discussion of our study's theoretical and practical implications. The study will be of interest to a) researchers needing a globally situated, culturally attached conceptualization of creativity, and b) managers seeking to exploit creativity in multi-national and -cultural innovation projects. (For more information, please contact: Cheryl Nakata, University of Illinois at Chicago, USA: cnakat1@uic.edu)

Despite the logic that consumers’ ability to discrimination between authentic and counterfeit products should have an influence on anti-counterfeiting success, it seems little research has been done. To address this oversight, this paper examines 128 global brands marketed in China to explore how consumers' ability to discriminate fakes from originals may affect the outcomes of corporate strategies against counterfeiting. Our findings suggest that consumer discrimination has little direct effect on anti-counterfeiting success or a firm's ability to actually stop counterfeiting production. However, this study found significant interactive effects on the relationship between brand positioning strategies and a firm's ability to limit counterfeiting damage. Specifically, consumers' ability to discriminate fakes appears to frustrate efforts to limit damage from counterfeiting in China when branding is based on product features and functions. A similar relationship is noted for branding based
primarily on marketing, such as advertising and promotion. Finally, if branding emphasizes after sales service, consumers’ ability to discriminate was found to enhance a firm’s ability to limit counterfeiting damage. (For more information, please contact: Deli Yang, Trinity University, USA: dyang@trinity.edu)

Environment-International Promotion Strategy Coalignment: An Examination of Subsidiary-Level Performance
Saeed Samiee, University of Tulsa
Marios Theodosiou, University of Cyprus
Constantine S. Katsikeas, University of Leeds

This study reports on the performance consequences of MNCs’ promotional strategies using strategy coalignment as the theoretical framework. Ceteris paribus, and in line with this year’s conference theme, strategy coalignment leads to superior performance thereby allowing the firm to achieve greater efficiency in its use of scarce resources, which is of particular interest during periods of economic decline. We identify key drivers of standardization as antecedents of international promotion standardization and investigate the extent of coalignment between environmental measures and international promotion strategies. We subsequently extract measures of coalignment for assessing the performance impact of the implemented promotion strategy. Our key hypothesis positing the superior performance consequences of promotional strategy coalignment within the host market context is supported. The results also indicate that contextual variables conducive to coalignment and, in turn, to superior performance include similarity of the regulatory and cultural environments, customer characteristics in home and host markets, and the centralization of promotion-related decisions which accommodate greater international standardization of promotion programs. (For more information, please contact: Saeed Samiee, University of Tulsa, USA: ssamiee@utulsa.edu)

The Influence of Information Search Tendency and Uncertainty Avoidance on Word-of-Mouth Activity in Consumer Service Selection
Bruce Money, Brigham Young University
Vasilis Theoharakis, ALBA Graduate School
Chad Allred, Brigham Young University

Prior research has shown that word-of-mouth (WOM) promotion is more salient for services than for goods (Berry and Parasuramen 1992), particularly when the experiential and “credence” qualities of those services are difficult for consumers to evaluate. This difficulty of evaluation adds to the risk of selecting service providers such as physicians, car repair, and so forth (Bitner and Zeithaml 1996). In this paper, we develop hypotheses that explore the relationships between information search, WOM activity, Uncertainty Avoidance (basically a national culture value of risk aversion), and choice of services by consumers. We believe that Uncertainty Avoidance moderates the relationship between information search and WOM activity, which influences choice behavior of consumers, particularly for choices considered to be higher in risk than others. Interestingly, cross-cultural research has shown Greece to be the country ranked highest in the world (Hofstede 1980, 2000) on the dimension of Uncertainty Avoidance, providing a useful theoretical contrast to American national culture, which by comparison is fairly risk tolerant. We also propose that Uncertainty Avoidance moderates the relationship between WOM activity and agreement with the WOM sources recommended choice of service, which can be classified as a “risky” choice (e.g. health care) or “non-risky” (e.g. going to a movie). Analyzing data from both the U.S. and Greece, we found that although more tendency to search did not lead to higher levels of WOM activity, we did find that higher levels of WOM activity led to more agreement with the WOM referral source’s recommendation in both cultures. We also found indirect support for the moderating effect of Uncertainty Avoidance, in that services deemed more “risky” by Greeks led to more agreement with the WOM sources recommendations, compared to Americans. (For more information, please contact: Bruce Money, Brigham Young University, USA: moneyb@byu.edu)
**Session: 2.4.9 - Panel**
**Track: Track: 4 - Global Strategy, Alliances, and Competitiveness**

**Regional Strategies by Multinational Corporations: Past Research, Present Findings, and Future Directions**

**Presented On:** June 28, 2010 - 15:00-16:15

Chair: Luis Vives, ESADE - Ramon Llull University  
Chair: Rafel Lucea, George Washington University  
Chair: Silviya Svejenova, ESADE - Ramon Llull University  

*Critical Review of the Regionalization Literature*
  Thomas Osegowitsch, University of Melbourne

*The Quest for Regional Advantage*
  Luis Vives, ESADE - Ramon Llull University

*A Simulated Annealing Approach to Understanding the Impact of Regional Grouping Schemes in International Business Research*
  Ruth V. Aguilera, University of Illinois at Urbana-Champaign

*Do Regional Strategies Require Regional Managerial Mindsets?*
  Rafel Lucea, George Washington University

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**Session: 2.4.10 - Competitive**
**Track: Track: 6 - Innovation and Knowledge Management**

**How Institutions Affect Innovations in MNCs**

**Presented On:** June 28, 2010 - 15:00-16:15

Chair: Anupama Phene, George Washington University

*When a Good Science Base Is Not Enough to Create Competitive Industries: Lock-In and Inertia in Russian Systems of Innovation*
  Rajneesh Narula, University of Reading  
  Irina Jormanainen, Aalto University

Despite having a formidable position in terms of domestic R&D activity and a well-developed science and technology infrastructure prior to transition, Russia has failed to create a competitive firm sector. Using a system of innovation approach, we argue that institutions are subject to inertia when political and economic regimes were rapidly reformed, and the system structural lock-in, causing industrial enterprises to engage in routines that generated a sub-optimal outcome. Market forces did not result in the western style model, but a hybrid one. A significant segment of industry maintains a Soviet-style dependence on ‘top-down’ supply-driven allocation of resources and a reliance on external (and domestic) network of sources for innovation and capital. At the same time, ‘new’ industries have also evolved which undertake their own R&D, and utilise foreign sources of capital and technology, and at least partly determine their production and innovative activities on the basis on market forces. *(For more information, please contact: Rajneesh Narula, University of Reading, United Kingdom: r.narula@reading.ac.uk)*

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AIB 2010 Conference Proceedings
Springboard Country and “Springboard Subsidiary”: A New Perspective on Internationalization in Latin America
José Pla-Barber, University of Valencia
Joaquin Camps, University of Valencia
Anoop Madhok, York University

Multinational corporations are increasingly recognizing the value that their Spanish subsidiaries can offer and the role it can play in their Latin American operations. In essence, Spain can potentially function as a springboard into Latin America in the multinational firms’ strategy. By elaborating on the role and functioning of what we term as ‘springboard subsidiary’ and ‘springboard strategy’, we seek to provide an appropriate framework to better understand this emerging phenomenon. A springboard country occupies an intermediate position between home and host country in terms of institutional and business knowledge and a “springboard subsidiary” is a subsidiary that turns the advantages of geographical location of the “springboard country” into an authentic subsidiary-specific advantage. To do so, it must develop specialized and relevant knowledge that is recognized as valuable by the parent firm and by other subsidiaries. Such a situation will allow them to justify the allocation of additional resources and a greater degree of autonomy for performing functions of coordination, control and even investment in other subsidiaries. (For more information, please contact: José Pla-Barber, University of Valencia, Spain: jose.pla@uv.es)

National, Industrial and Firm-Level Determinants of International Technology Diffusion: Electronic Ticketing among Airlines
Roberto Nolan Galang, IESE

This paper investigates the process of international technology diffusion by analyzing the adoption of a single innovation worldwide: electronic ticketing among airlines. Electronic ticketing is arguably the most critical tool for cutting costs in the airline industry; yet, despite the myriad gains provided to individual firms, the pace at which this technology was adopted occurred unevenly across the world. Paraphrasing the three legs of the strategy theory tripod, I determine which among the national, industrial and firm-level factors were most salient in affecting the international diffusion process. Using a unique dataset consisting of 180 airlines operating in 115 different countries, I find that firm size, business model, market size, level of economic development, shared language, internet use, culture and government institutional quality had a significant impact on the pace by which individual airlines adopted the e-ticketing technology. My results also suggest that the diffusion of technology operates not on a global scale but along regional lines. (For more information, please contact: Roberto Nolan Galang, IESE, Spain: rgalang@iese.edu)

Session: 2.4.11 - Interactive
Track: Track: 1 - Institutions, Governance, and CSR

Risk in International Business

Presented On: June 28, 2010 - 15:00-16:15
Chair: Alvaro Cuervo-Cazurra, University of South Carolina

Using a Dyadic Level Approach to Analyze International Interdependencies Country Risk Implications
Jean-Samuel Cloutier, Université Laval
James William Campbell, Université Laval
Zhan Su, Université Laval

This paper uses a new dyadic level approach to analyze the effect of two types of international interdependencies on country risk. By using data gathered from 4800 OECD countries trade dyads, this research further tests the applicability of such an approach derived from social network theory with multiple international
interdependency types encompassing trade and FDI. In doing so, this study highlights country risk differences that have not been acknowledged by previous scholars using country level aggregated approaches. The results reinforce the idea that country risk research would benefit from the adoption of such an approach in combination with more traditional country level factor analysis. (For more information, please contact: Jean-Samuel Cloutier, Université Laval, Canada: mycosam@gmail.com)

Relation between Perception of Political Risk in a Country and Perception of Its Adequacy for FDI: A Sample of Brazilian Businesspeople

Antonio Gelis Filho, Fundacao Getulio Vargas

It is usually taken for granted that political risk in a specific country and its attractiveness as a place for investments are negatively correlated. That correlation, however, hasn't been studied deeply among businesspeople in emerging markets. In this research, 154 Brazilian executives, enrolled at a Executive MBA in São Paulo, were asked to grade a group of 12 countries, first for its adequacy as a place for Brazilian companies to invest and secondly accordingly to the perception of political risk in those countries. Statistical analysis has showed that there are no strong correlations between grades given for each country. The direction of that correlation, however, is negative, as expected. The nonparametric correlation between ranks created by the mean grade for each country in each variable were also weak. However, the rank for political risk is strongly correlated with international rankings of countries, while the correlation among the rank for adequacy as a place for investment and those international rankings are again weak. I concluded that the perception of political risk plays a role in the decision of foreign investment among the sample analysed, but that is a weak one. (For more information, please contact: Antonio Gelis Filho, Fundacao Getulio Vargas, Brazil: antonio.gelis@fgv.br)

Institutional Interactions during Global Crisis: Implications of the Varieties of Capitalism on Firm Strategy and Performance

Kurt Norder, University of South Carolina

The Varieties of Capitalism (VoC) literature looks at forms of coordination and institutional complementarities that reinforce each other creating optimal systems of institutions. In this paper, I look at the effects of financial crisis on firm performance in different VoCs at two stages, early and recovery. I explain why and how the institutional complementaries affect the firm strategy in crisis and then address the performance implications for choosing strategies contradictory to the existing institutional system pressures. Crisis moderates the risk level taken by firms in LMEs and CMEs. LME firms take riskier investments in the steady state, but as uncertainty increases due to financial crisis, they become more risk averse with a short term focus. CME firms show the opposite tendency maintaining organization size and spending despite uncertain future returns. Firms in LMEs are able to maintain profitability in the short-term, but recover less quickly than CME firms despite well accepted comparative advantage in radical innovation. Attempting to take strategies contradictory to the prevailing institutional pressures will lead to worse performance in both stages. I close the paper with proposed methods and measures along with managerial implications. (For more information, please contact: Kurt Norder, University of South Carolina, USA: kurt_norder@moore.sc.edu)

Reflections on the Evolving Terrorist Threat to Luxury Hotels: A Case Study on Marriott International

David A. Wernick, Florida International University
Mary Ann Von Glinow, Florida International University

The advent of global terrorist networks represents a challenge to international business (IB) theory. Traditionally conceptualized as a type of political risk experienced by MNEs with operations in conflictive areas, terrorism has evolved in recent years. The global terrorist networks that dominate the international scene today have different motivations, strategies, tactics, and organizational structures than their secular and ethnic-separatist predecessors and these differences matter for IB theory and practice. This paper examines the
changing nature of the terrorist threat and the implications for a sector that has been a target of recent attacks: the international luxury hotel industry. Structured as a case study of Marriott International, a leading global hospitality provider, the paper analyzes ways the firm is adapting to the evolving threat and the measures it has introduced to safeguard guests, staff, and property. Implications for IB theory and practice are drawn. (For more information, please contact: David A. Wernick, Florida International University, USA: wernick@gmail.com)

Session: 2.4.12 - Interactive
Track: Track: 3 - IB Theory, FDI, and Entry Mode

Process Perspectives in Multinational Enterprises

Presented On: June 28, 2010 - 15:00-16:15

Chair: Sylvie Chetty, Massey University

Internationalization Processes in Unstable Markets: A Model to Deal with Crisis Environments
Francisco Figueira de Lemos, Uppsala University
Amjad Hadjikhani, Uppsala University

This paper prescribes a contingent framework to deal with crisis phenomenon. The presented perspective supports that economic recessions are an effect of learning processes similarly to those comprehended in the firm’s internationalization process. An analytical exercise on the Uppsala model’s risk formula is made in order to explicit the managerial decisions of nine Swedish firms to overcome extreme crisis situations, as occurred on the Revolution War in Iran. In order to understand the 1979 revolution’s impact on the firms’ internationalization processes, the empirical data was framed in a timeline, from 1960 to 1992. The longitudinal analysis of the commitment and knowledge degrees shows that firms’ balance their stock of tangible and intangible assets with the environment changes, which perception, in turn, is shaped by their knowledge stock. Of interest to note for is the firm’s lack of reaction and search for learning processes when facing radical changes. (For more information, please contact: Francisco Figueira de Lemos, Uppsala University, Sweden: francisco.lemos@fek.uu.se)

Towards a Theory of International Production of Infrastructure Services
Frederico Araujo Turolla, ESPM

This paper discusses elements of a theory of international production of infrastructure services. I present a microeconomic view on the major market failures of the infrastructure sectors, and argue that the idiosyncrasies of these sectors may require modification of current dominant international business theories as applied in the explanation of the specific context of infrastructure foreign direct investments. The paper discusses the relevant ownership advantages, mostly in standard setting and capitalization; location advantages that are clearer, but do not play in the conventional fashion. Preemptive entry will secure first mover advantages in light of the transient nature of the windows of opportunity. Internalization, although apparently not relevant, may take place in specific transactions involving procurement of projects and financing. The process of internalization of infrastructure firms may also merit adaptations, even considering the more recent version of the Uppsala model which considers liability of outsidership. (For more information, please contact: Frederico Araujo Turolla, ESPM, Brazil: fturolla@espm.br)

Welfare-Seeking: FDI’s Unacknowledged Motive
Brent Malcolm Burmester, University of Auckland
Research on foreign direct investment (FDI) motivation proceeds on the assumption that the range of motives is settled, and assigns one or more of these motives to particular instances of FDI. A case may be made for the inclusion, or reinstatement, of welfare-seeking as one of those motives. Anecdotal evidence suggests welfare-seeking plays a dominant motivating role in offshoring. The literature relating to FDI motivation is summarised, and neglect of welfare-seeking is made clear. Extant research on welfare-seeking is reviewed, and consideration is given to why it was expedient to side-step welfare-seeking when explaining the behaviour of multinational enterprises. It is demonstrated that recognition of welfare-seeking provides researchers with a more comprehensive account of FDI causation, and, by offering more precise differentiation between different kinds of FDI, policymakers will be better able to respond both to inward and outward FDI flows. (For more information, please contact: Brent Malcolm Burmester, University of Auckland, New Zealand: b.burmester@auckland.ac.nz)

Liability of "Homeness": Friction, Institutions, and Firms' Disadvantages Abroad
Charles Edward Stevens, Ohio State University
Oded Shenkar, Ohio State University

The international business literature has long acknowledged that firms face certain disadvantages when they engage in business activities abroad. As the literature on firms' costs of doing business abroad (CDBA) evolved into that of firms' liabilities of foreignness (LOF), researchers increasingly used the metaphor of “distance” to explain and predict these disadvantages. Yet, empirical results and conceptual limitations suggest that a change in metaphor from distance to “friction” will provide new and more nuanced insights. We develop a new construct, “liability of homeness”, using the metaphor of friction and find that doing so produces new and sometimes counter-intuitive observations about this phenomenon. We believe that the liability of homeness construct will allow a greater understanding as to when and why firms face liabilities due to operating abroad and open new avenues for conceptual development and empirical testing. (For more information, please contact: Charles Edward Stevens, Ohio State University, USA: stevens.316@osu.edu)

Session: 2.4.13 - Interactive
Track: Track: 6 - Innovation and Knowledge Management

Design of MNC Knowledge Strategies

Presented On: June 28, 2010 - 15:00-16:15

Chair: Andreas P.J. Schotter, Thunderbird School of Global Management

The Implementation of Knowledge Initiatives in MNC Units: Reception and Agency
Randi Lunnan, BI Norwegian School of Management

Whereas knowledge transfer has gained a lot of interest in the MNC literature, less focus is given to reception and use of this knowledge. We study the development of a unit that needs knowledge that is available in the company and the context, and seven knowledge initiatives to gain this knowledge. Our research shows that knowledge initiatives where the knowledge is core in the company, is non-competitive and can be controlled by one person is more easily implemented. If the knowledge is context based, competitive and complex, there is a stronger need for leadership to guide the knowledge integration process. (For more information, please contact: Randi Lunnan, BI Norwegian School of Management, Norway: randi.lunnan@bi.no)
Managing Knowledge in Emerging Markets: A Study about Innovation Practices of Multinational Subsidiaries in Brazil and India
   Eliane Franco, University of New South Wales
   Sangeeta Ray, University of Sydney
   Pradeep Kanta Ray, University of New South Wales

This paper presents a typology of Innovation Practices (IPs) of Multinational Subsidiaries (MSs) in emerging economies and identifies what factors influence how they combine different streams of external (location-specific) and internal (firm-specific) knowledge. Using a database of of more than 1000 manufacturing foreign companies in Brazil and India, we identified different IPs of MSs across both countries, which reflect different levels of embeddedness and types of innovative mandates. Results enable us, firstly, to conclude that subsidiaries in India are more likely to build innovative capabilities through vertical linkages and complementary-IPs that are more local in their product-market scope. In contrast, subsidiaries in Brazil develop innovative capabilities through horizontal linkages and supplementary IPs – that are more global in their product-market scope. Secondly, first-mover advantages associated with cumulative learning process and the industry sectors to which the MSs belongs seem to be key-factors for MSs in Brazil to develop deeper efforts in innovation. (For more information, please contact: Eliane Franco, University of New South Wales, Australia: eliane_franco@uol.com.br)

Does Professional Knowledge Management Improve Innovation Performance at the Firm Level?
   Dirk Czarnitzki, K.U. Leuven
   Annelies Wastyn, K.U. Leuven

The concept of knowledge gains in interest since industrialized economics observes a shift in importance from labor, capital and natural resources towards intellectual resources. This study investigates how the management of knowledge influences the innovation performance of a firm. While former studies focus mainly on knowledge management cycles, this study distinguishes different types of knowledge management techniques. A difference exists between three knowledge management techniques and their influence on product and process innovation. The ability to source external knowledge positively affects the firm’s introduction of new products and products new to the market. The availability of a codified knowledge management policy and stimuli for employees to share knowledge positively affects the cost reduction possibilities of a firm. These results indicate that a firm needs to carefully select the tools of knowledge management in function of the kind of technical innovation it wants to proceed. (For more information, please contact: Annelies Wastyn, K.U. Leuven, Belgium: annelies.wastyn@econ.kuleuven.ac.be)

Managing Entrepreneurial Processes in MNCs: Connecting the Dots
   Monica Masucci, Bocconi University
   Markus Venzin, Bocconi University

This paper uncovers the process through which innovative ideas are nurtured and developed in the MNC multi-layered corporate structures. Through an in-depth case-based analysis of how initiatives development processes are managed in a leading consumer products MNC, it explores how distributed entrepreneurship can be supported from an organizational design standpoint. More specifically, it unveils how multinational companies try to balance competing and, sometimes, contradictory forces to opportunity recognition and exploitation, contributing to deepen current understanding on the process-related aspects of corporate entrepreneurship. (For more information, please contact: Monica Masucci, Bocconi University, Italy: monica.masucci@unibocconi.it)
General Purpose Technologies (GPTs) and the Re-Structuring of International Innovation Networks of Multinational Corporations

Ranfeng Qiu, Rutgers University

This study is motivated by the argument that there has been a shift towards internationally integrated strategies in innovative activities within multinational firms. We bring the concept of General Purpose Technologies (GPTs) in 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, the empirical findings suggest that innovative activities in a firm's core technological fields rather than being constrained in parent firms, is tending to become more geographically dispersed across a wider range of countries over time. This evolutionary process is closely related to the development of GPTs. Given the "pervasive" and "connective" natures of GPTs, the re-allocation of innovative efforts in such core fields to selected foreign subsidiaries is increasingly motivated by the local development of GPTs in such subsidiaries. This study contributes to existing literature on corporate technology diversification and the discussions on “multinationality” advantage by exploring a more critical aspect of the evolution of corporate innovation network. (For more information, please contact: Ranfeng Qiu, Rutgers University, USA: rqiu@pegasus.rutgers.edu)

Borders and Distance in Knowledge Spillovers: Dying over Time or Dying with Age? - Evidence from Patent Citations

Yao Li, University of Western Ontario

This paper uses a gravity framework to investigate the effects of distance as well as subnational and national borders in knowledge spillovers. Drawing on the NBER Patent Citations Database, we examine patent citations data at metropolitan level within the U.S. and the 38 largest patent-cited countries outside the U.S. Three key findings are documented. First, we find strong subnational localization effects at the Metropolitan Statistical Area and state levels: more than 90% of intranational border effects stem from the metropolitan level rather than state. This is consistent with the artifact of geographic aggregation at the state level for trade flows as in Hillberry and Hummels (2008). Second, border and distance effects decrease with the age of cited patent, which implies that new knowledge faces the largest barriers to diffusion. However, over time, border and distance effects are interestingly increasing. Finally, we find that (assignee) self-citations and aggregation bias are two sources of overestimated aggregate border effects of knowledge spillovers. While self-citations are only 11% of total citations, they account for approximately 50% of MSA and national border effects. Decomposing the data along geographic, age or industrial dimensions contributes to the reduction of border effects. (For more information, please contact: Yao Li, University of Western Ontario, Canada: yli267@uwo.ca)

Not Invented Here: Domestic Bias in Biotechnology Industry Scanning

Amanda Budde-Sung, University of Sydney

This paper looks at the location of knowledge sourcing of biotechnology firms in the U.S. and Japan, and considers whether a ‘not invented here’ domestic bias exists in this dynamic, high-technology industry. The paper uses a mixed method approach: a patent citation study of the top biotechnology firms in both the U.S. and Japan provides quantitative data, while a qualitative study of semi-structured interviews with CEO’s provides context and insight. The study suggests that a home country bias does exist in this industry. (For more information, please contact: Amanda Budde-Sung, University of Sydney, Australia: amanda.budde-sung@sydney.edu.au)
Bridging the Headquarters-Subsidiary Divide

Presented On: June 28, 2010 - 15:00-16:15

Chair: Markus Pudelko, Tübingen University

Institutional Environment and HRM Practices: An Analysis of Four European Multinational Subsidiaries in Bangladesh

Shamsud D. Chowdhury, Dalhousie University
Monowar H. Mahmood, East West University

This study investigates the impact of societal institutions on human resource management practices of European multinational corporations in Bangladesh. In-depth case studies of four European multinational corporations—two British, one French, and one Swiss—revealed the presence of different degrees of influence—largely attributable to societal-effect—on the human resource practices in these subsidiaries. Also due to strong societal influence, the study revealed, the four European multinationals could not transfer all parent company HRM practices to their subsidiaries in Bangladesh. The study's implications are given. (For more information, please contact: Shamsud D. Chowdhury, Dalhousie University, Canada: shamsud.chowdhury@dal.ca)

Investment Escalation in Foreign Subsidiaries: Expatriate Managers’ Career Incentive Structure and Cultural Values

Sungjin J. Hong, University of Texas at Dallas

Using agency theory and prospect theory, this paper aims to examine the motivational and cognitive determinants of investment escalation by MNC’s foreign subsidiary expatriates. In addition, we posit that the impacts of career incentive structure and negative framing would be moderated by the individual level cultural values of decision makers. Unlike the previous studies that have focused on agency costs incurred by locally hired agents, this paper can provide new insights upon the agency costs incurred by expatriates assigned by the home country headquarter. (For more information, please contact: Sungjin J. Hong, University of Texas at Dallas, USA: sxh085000@utdallas.edu)

Cultural Intelligence’s Influence on International Business Travelers’ Ability to Deal with the Strain Caused by Institutional Distance

Jordan Nassif Leonel, Fundação Dom Cabral
Plinio Rafael Reis Monteiro, Universidade Federal de Minas Gerais
Geovana Zoccal Gomes, Fundação Dom Cabral

This study examines cultural intelligence’s influence on international business travelers’ ability to deal with the strain caused by institutional distance. The ability to interact effectively in multiple cultures (cultural intelligence) is becoming more important in today’s global business world. The literature review establishes a framework for discussion by bringing together international business travel, stress, institutional distance, and cultural intelligence. 841 participants from Sao Paulo Guarulhos International Airport were surveyed in order to test the hypotheses. Results show cultural intelligence partially moderates the relationship between institutional distance and travel and job strain. Suggestions for increasing cultural intelligence are provided for international travelers. (For more information, please contact: Jordan Nassif Leonel, Fundação Dom Cabral, Brazil: jordan@fdc.org.br)
Management and Cultural Adaptation in a Globalized World: The Value of Countercultural Practices
Dan V. Caprar, University of New South Wales
Sunghoon Kim, University of New South Wales
Sara L. Rynes, University of Iowa

In this paper we provide a critical analysis of the commonly held view that the best way for multinational companies to demonstrate their cultural sensitivity towards host countries is to adopt management practices that conform to local traditional cultural norms. Our review of recent developments in the field of cross-cultural management and international human resources suggests that the relationship between culture and management effectiveness is more complex than envisioned in the traditional debates about localization versus standardization of management practices. Specifically, we propose that in certain situations countercultural management practices, rather than culturally-congruent practices, may provide a better adaptation in terms of responding to local needs, and implicitly, in terms of effectiveness. Besides reviewing empirical work that justifies such a proposition, we formulate theoretical explanations for such findings by drawing attention to specific features of culture which, despite repeated warnings by various researchers, are yet to be incorporated in our theorizing on management in a globalized world. (For more information, please contact: Dan V. Caprar, University of New South Wales, Australia: dan.caprar@unsw.edu.au)

Extending Job Embeddedness across Cultures: An Exploratory Study in Japan
Vesa Peltokorpi, HEC Paris

Job embeddedness perspective has developed and tested in the US context. There is thus a reason to question whether this perspective applies to employees in other countries. The present study addresses this question using interviews from 103 informants in Japan. Through interview responses, we extend the job embeddedness perspective with a set of propositions. We also compare our findings with the original job embeddedness model, concluding that many of similar factors explain why individuals choose to stay in their companies in Japan. However, the cultural and institutional settings determine the precise antecedents, their salience, and the strength of their linkages with job embeddedness. (For more information, please contact: Vesa Peltokorpi, HEC Paris, France: peltokorpi@hec.fr)

Examining the Effects of HRM Model "Fits" on Job Attitudes
Aegean Leung, University of Victoria
Sankalp Chaturvedi, Imperial College London

In this paper, we explore the linkages among various types of “fit” relating to human resource management (HRM) models, individual perceptions and values, and their respective effects on employee attitudinal outcomes. We examine the relationship based on a sample of 13 international high-tech ventures based in Singapore. An HRM model can be one that is described by an organizational representative (espoused model), or one that is perceived by an employee (perceived model). It can also be a model preferred by an employee based on his/her personal values (preferred model). We argue that the respective fits between the espoused and perceived models (E-P fit), and between the perceived and preferred models (P-P fit), can either have a direct bearing on organizational commitment and job satisfaction of employees, or an indirect impact on such individual outcomes through their relationships with an individual’s subjective P-O fit assessment. By unveiling how the different types of “fit” relate to each other and the individual outcomes, we address the overall research question of “what fit matters”, taking into account both the macro and micro HRM perspectives. (For more information, please contact: Sankalp Chaturvedi, Imperial College London, United Kingdom: sankalp@imperial.ac.uk)
Career Management and Social Capital in MNCs
Sully Taylor, Portland State University
Mila B. Lazarova, Simon Fraser University

This paper presents work in progress examining how high value adding boundary-spanning employees (HVBS) in highly interdependent MNCs must deploy social capital in order to achieve the levels of interaction and cooperation necessary to successful firm performance. We investigate how the willingness and ability of these HVBS to create and deploy social capital differs when they are managed under different modal career management systems. We argue that when HVBS are managed with an external psychological or enacted boundaryless career system they will have less social capital upon which to draw, leading to lower organizational performance particularly for MNCs with high levels of strategic integration. The paper further suggests that when diversity of local environments leads to highly divergent career management approaches in a MNC's various subsidiaries, the MNC must deploy additional resources to overcome the negative effects of certain career management approaches on social capital formation and deployment. (For more information, please contact: Mila B. Lazarova, Simon Fraser University, Canada: mbl@sfu.ca)

Session: 2.5.1 - Competitive
Track: Track: 6 - Innovation and Knowledge Management

Knowledge Transfer from MNC Subsidiaries (State-of-the-Art Session)

Presented On: June 28, 2010 - 16:45-18:00

Chair: Vitor Corado Simões, ISEG, Universidade Técnica de Lisboa

Knowledge Flows and Subsidiary’s Strategic Role: Using Configuration Theory to Extend Gupta and Govindarajan’s Typology
Zhaleh Najafi Tavani, University of Manchester
Ghasem Zaefarian, University of Manchester
Peter Naudé, University of Manchester
Stephan C. Henneberg, University of Manchester
Axele Giroud, University of Manchester

Despite the importance of MNCs developing local knowledge in their subsidiaries in order to seek competitive advantage, little is known about why some subsidiaries are more innovative than others. Grounded in the concept of configuration theory and building on the knowledge-based view and network view of the firm, this research seeks to find the optimum fit between the four subsidiary roles proposed by Gupta and Govindarajan (1991) on the one hand, and five distinctive underlying organizational characteristics (internal embeddedness, shared values, integrated mechanisms, subsidiary autonomy and influence) on the other.

Our analysis is based on a sample of 178 UK subsidiaries operating in knowledge intensive business services, and which have non-UK headquarters. We conducted a profile deviation analysis by using empirically derived “ideal profiles” for each of the four subsidiary strategic roles. We find that the fit between the subsidiary role and organizational characteristics is significantly associated with the subsidiaries’ ability in developing knowledge. Moreover, while our findings support the equifinality of alternative subsidiary strategic roles, they also indicate that the internal consistency of the firm to develop knowledge is more coherent when the relative emphasis on underlying organizational characteristics matches those of ideal types for give subsidiary role. (For more information, please contact: Zhaleh Najafi Tavani, University of Manchester, United Kingdom: zhaleh.najafitavani@postgrad.mbs.ac.uk)
Enhancing Knowledge Creation Capability in MNC Subsidiaries: The Role of Global and Local Learning Practices
Saba Colakoglu, Berry College

Grounded in absorptive capacity framework, this paper investigates the independent and joint effects of internal and external subsidiary learning on subsidiary knowledge creation capability. Data from 106 subsidiaries located in the US and headquartered either in Europe or Japan indicate that the use of both global and local learning practices enhance subsidiary learning of either internal or external know-how. While external learning is a significant predictor of MNE subsidiaries’ knowledge creation capability, internal learning does not have such an effect. Results also show that external learning fully mediates the relationship between local learning practices and knowledge creation capability. Contrary to predictions, the interaction effect of internal learning and external learning on subsidiary knowledge creation capability is negative. Theoretical and practical significance of these findings are discussed. (For more information, please contact: Saba Colakoglu, Berry College, USA: scolakoglu@berry.edu)

Underlying Conditions of Global Innovation at Overseas R&D Centers: The Case of Japanese Multinationals
Kazuhiro Asakawa, Keio University

This paper features the conditions under which an overseas R&D center conducts innovation for global market. We test the embeddedness and absorptive capacity theories by utilizing the binomial logistic regression method, by analyzing the sample of 99 overseas R&D subsidiaries of Japanese multinational firms.

The result shows that local R&D centers’ absorptive capacity and their R&D collaborations with business organizations located in other countries facilitate the R&D centers to engage in innovation for global market, thus fully supporting the absorptive capacity view and partially supporting external embeddedness view. The R&D centers’ collaborations with local business organizations do not foster innovation for global market, indicating that local embeddedness does not contribute to innovation for global market. Collaboration with local university, while it has no direct effect on innovation for global market, would contribute to it if the R&D centers have high absorptive capacity.

While firms are tightening the control of overseas R&D abroad under the economic recession, our findings imply that the R&D centers will stop engaging in innovation for global market unless a firm is committed to maintain the competence level of the centers. (For more information, please contact: Kazuhiro Asakawa, Keio University, Japan: asakawa@kbs.keio.ac.jp)

Factors affecting Reverse Transfer of Organizational Practices of Hong Kong Firms' Affiliates in China
Leanne Chung, Cardiff Business School

This paper addresses the “reverse transfer” (RT) of organizational practice in multinational enterprises (MNEs), a phenomenon occurs when practices originating in their cross-border affiliates are transferred back to the parent MNEs. RT can be a managerial intention of parent firms in making strategic actions over their cross-border affiliates. Literature from the resource-based theory of the firm suggests that the affiliate characteristics including human competencies, influence and past performance can be important determinants of the success of RT. This study aims to combine insights from resource based theory and managerial intentionality to develop and test a model that predict the success of RT. Based on an empirical investigation of the experience of 503 Hong Kong MNEs with affiliates in Mainland China, the results suggest that on the top of the desirable affiliate characteristics, high managerial intentionality involving choosing wholly-ownership, long-term strategic goal, control, trust, and frequent personal contract can improve explanatory power significantly. The study provides new insights on international strategy and cross-border knowledge management. (For more information, please contact: Leanne Chung, Cardiff Business School, United Kingdom: chungl1@cf.ac.uk)
Session: 2.5.2 - Panel
Track: Track: 1 - Institutions, Governance, and CSR

Corporate Governance in Comparative Perspective

Presented On: June 28, 2010 - 16:45-18:00

Chair: Ruth V. Aguilera, University of Illinois at Urbana-Champaign
Chair: Michael A. Witt, INSEAD

The Influence of Ownership and Control Structures on Firm Performance: Evidence from Brazil
Dante Mendes Aldrighi, Universidade de São Paulo
Aquiles Elie Guimarães Kalatzis, Universidade de São Paulo

The Domestic Political Origins of Global Financial Standards: Agrarian Influence and the Creation of U.S. Securities Regulations
Richard W. Carney, Nanyang Technological University

The Cross-national Diversity of Corporate Governance Codes: An Actor-Centered Institutional Perspective
Ilir Haxhi, University of Amsterdam

Understanding the Determinants of Ownership Structure: A Latin America Perspective
Luiz Ricardo Kabbach de Castro, Universitat Autònoma de Barcelona
Rafel Crespi-Cladera, Universitat de les Illes Balears

The Spirits of East Asian Capitalism: Hong Kong and South Korean Senior Executive Perceptions of Why Firms Exist
Michael A. Witt, INSEAD

Session: 2.5.3 - Competitive
Track: Track: 7 - Emerging, Transition, and Developing Economies

Institutional Effects Within Emerging Economies

Presented On: June 28, 2010 - 16:45-18:00

Chair: Witold Jerzy Henisz, University of Pennsylvania

The Impact of the Institutional Environment on the Strategic Posture of SMEs in the Philippines
Hernan “Banjo” Roxas, University of Southern Queensland
Val Lindsay, Victoria University of Wellington
Nicholas Ashill, Victoria University of Wellington
Antong Victorio, Victoria University of Wellington

Can the institutional environment explain why some SMEs are more entrepreneurial and better performers than others? This study seeks answers to this question by developing and testing measurement and structural models of formal institutions as they relate to the strategic posture and organisational performance of small and medium enterprises (SMEs) in an emerging economy context. Guided by institutional theory, the study proposes a set of formal institutions which reflects the SMEs' institutional environment at the sub-national or city-level as opposed to the more common institutional analyses with country-wide focus.
The study involves a survey of 955 owners and/or managers of SMEs in two cities in the Philippines. The study attempts to determine the owners'/managers' perceptions on how the formal institutional environment impacts their firms' overall entrepreneurial strategic posture, and consequently, the firms' overall organisational performance. The empirical analysis makes use of structural equation modelling (SEM) to examine the measurement and structural models to test the model.

The study's results show that four types of formal institutions are significantly associated with an entrepreneurial strategic posture and that the latter is positively associated with higher levels of organisational performance. Implications of the results and future research directions are discussed. (For more information, please contact: Hernan "Banjo" Roxas, University of Southern Queensland, Australia: banjoroxas@yahoo.com)

Institutions and Performance of Nonmarket Strategies: Evidence from China
Yi Sun, Peking University

This paper investigates one important issue in strategic management: nonmarket strategies. We develop the institutional theory to explain how institutional forces influence firms' adoptions of nonmarket strategies and what outcomes firms could achieve by using such strategies. It is demonstrated that firms located in less developed market institutions and operated in the higher intensity of similar strategies are more likely to use nonmarket strategies. Furthermore, it is suggested that nonmarket strategies could improve firms' performance. By using data from Chinese domestic stock market, we construct a sample of 272 listed firms. Our results support most of the hypotheses and, in particular, extend the empirical implications for firms in emerging markets. (For more information, please contact: Yi Sun, Peking University, China: sunyi@gsm.pku.edu.cn)

Managerial Responses to Achieving Competitiveness in Local vs. Global Contexts: An Institutional Perspective on the Role that Favors and Bribery Play in Emerging Markets
Daniel J. McCarthy, Northeastern University
Sheila M. Puffer, Northeastern University
Denise R. Dunlap-Hinkler, Northeastern University
Alfred M. Jaeger, McGill University

7. Emerging, Transition, and Developing Economies (Competitive)

This article explores the role of favors and bribery in the four BRIC countries - Brazil, Russia, India, and China. Decision-making conflicts regarding the appropriate use of favors and bribery are bound to arise as these managers seek to increase their legitimacy with global partners from developed nations with stronger institutional environments. Utilizing institutional theory, we create a typology describing four types of environments in which these managers are currently conducting business and interacting with various relational entities (e.g., government, customers, suppliers, competitors, alliance partners). We label these quadrants as Traditional Locals, Progressive Locals, Potential Globals, and Established Globals. We discuss the use of favors that result from the cultural practices of jeito in Brazil, blat or sviazi in Russia, jaan-pehchaan in India, and guanxi in China. These practices are based on each country's history, culture, and traditions and are in contrast to the related but different practice of bribery. For instance, we propose that emerging market managers operating as Traditional Locals compared to Established Globals are more likely to rely on favors and possibly bribery when they are dealing with relational entities whose formal institutional environments have weak legitimacy and a local orientation. We conclude with implications for theory and future research. (For more information, please contact: Denise R. Dunlap-Hinkler, Northeastern University, USA: d.dunlap-hinkler@neu.edu)
The current study investigates how contextual legacies influence technology strategy of emerging economy firms. It analyses how legacies of different institutional context experienced during founding and subsequent history influence firms' technology import trajectory. The multi-industry longitudinal study of 3026 firms reveals: legacies of historical institutional context determine a firm's position in the trajectory, depicted by the extent of technology import. However, the direction of its evolution, depicted by the change in the technology import, is influenced by the legacies as well as the new environmental contingencies. By illustrating how past and present institutional contexts influence the technology import trajectory the study adds insight of a path dependent (historical) contextual antecedent of technology strategy of firms. It also illustrate that different layers of institutional environment of the firms influence firm strategy directly and interactively. It also extends organizational imprinting theory by illustrating that organizational imprints are not only incorporated during the founding but are also modified at subsequent periods. Theoretical insight from this study can potentially enrich theories on organizational routines, especially their origin, organization learning, strategic change and business groups. The insights can illuminate practicing managers on one of the important sources of organizational inertia and ways to overcome them. (For more information, please contact: Indrajit Mukherjee, Indian Institute of Management Calcutta, India: mindrajit@rediffmail.com)

**Session: 2.5.4 - Competitive**
**Track: Track: 7 - Emerging, Transition, and Developing Economies**

**Impact of Business Group Affiliation in Emerging Economies**

**Presented On:** June 28, 2010 - 16:45-18:00

Chair: Ravi Ramamurti, Northeastern University

The Business Group as an Information Resource: An Investigation of Business Group Affiliation in the Indian Software Services Industry

Anna Lamin, Northeastern University

I investigate the role that business group affiliation plays in an industry that does not suffer from market failure. In this environment, I propose that the role of the business group is transformed from market intermediary to information-broker. Business group ties provide access to information about market opportunities and clients to group-affiliated firms as well as serve as a source of information to potential clients about the capabilities and trustworthiness of group-affiliated firms. This information is expected to enable group-affiliated firms to serve clients across a broader range of industries and foreign markets, as well as to sell more in foreign markets than unaffiliated firms. Using a sample of firms from the Indian software services industry during 1994-2001, I find support for these arguments but only in the period after deregulation of internet access and international bandwidth. These results illustrate the adaptability of the business group form to changing environmental conditions. (For more information, please contact: Anna Lamin, Northeastern University, USA: a.lamin@neu.edu)

**Slack, Acquired Group Resource and Affiliate Growth through Diversification**

Weiwei Xu, National University of Singapore

In a Chinese sample of business group affiliates, we examine how different slack resources affect the performance outcome of diversification strategies. We find systematic variation depending on the extent to which a resource is market available and redeployable. Market available un-redeployable resources are
associated with poorer performance of subsequent diversification performance. Market unavailable redeployable resources result in higher performance in diversification. Overall, our results reveal pragmatic decision making balancing the benefits of superior strategic position against the risks of agency problems. (For more information, please contact: Weiwei Xu, National University of Singapore, Singapore: rmixw@nus.edu.sg)

Emerging Markets and Business Group Effects: An Empirical Analysis of Corporate Acquisitions in India
Vijaya B. Marisetty, Monash University
Anju Seth, Virginia Tech

In this paper we argue that, when assessing the wealth effects of business group affiliated firms’ investment decisions, firm level estimates (as normally used in the literature) can lead to biased results since such investments are mainly group level decisions. Hence, we propose that it is important to examine the group level wealth effects of investment decisions. We explore the implications of this argument by using a sample of 109 corporate acquisitions made by business group affiliated firms during 1997-2007, which belong to 55 family controlled business groups in India with 1345 affiliated firms. We show that the wealth effects of the focal acquiring firm are highly correlated with those of other affiliates in the same business group. We also show that, on average, the benefits of group affiliation through co-insurance outweigh the cost of tunnelling by the controlling family owners. However, the benefits of group affiliation are lower for complex pyramidal groups with high ownership by the controlling family. (For more information, please contact: Anju Seth, Virginia Tech, USA: aseth@vt.edu)

How Does the Stock Market React to Foreign Investment? The Effects of Investment Purpose, Stock Market Characteristics, and Business Group Affiliation
ByoungYoup Lee, King's College London
Jenifer Piesse, King's College London
Roger Strange, University of Sussex

This paper examines how the public announcement of foreign share acquisitions in listed companies affects the share prices of those companies. The dataset contains 422 public announcements of foreign share acquisitions in Korean listed companies over the period from March 2005 to June 2009. The empirical analysis builds upon the findings of previous studies, but also considers the moderating effects of three factors: the motivation of the foreign investor (management participation or pure investment); the characteristics of the stock exchange on which the domestic companies are listed; and the effects of group affiliation. Using event study methods, the abnormal returns are obtained and statistical tests are undertaken between the mean returns for the different sub-groups. A significant 21-day cumulative abnormal return of 1.1% is found for the total sample, and the statistical tests suggest that the factors investigated influence the size of the abnormal gains. (For more information, please contact: Roger Strange, University of Sussex, United Kingdom: r.n.strange@sussex.ac.uk)
The Performance of MNEs

Presented On: June 28, 2010 - 16:45-18:00

Chair: Ahmet H. Kirca, Michigan State University

Does Internationalization Impact on Performance Differently in an Organizational vs. an Investor’s View?

Jan Hendrik Fisch, University of Augsburg
Michael-Jörg Oesterle, University of Mainz
Katharina Kertels, University of Augsburg

Knowledge about the internationalization-performance relationship is still fragmentary and contradictory. In order to add to the convergence of findings, the study captures firm internationalization by three constructs: the spread, the diversity, and the proportion of international operations. It accounts for diverging results of previous studies by establishing separate models to explain the performance effects mirrored in accounting figures vs. stock market valuations. Even though the dimensions of internationalization appear to have distinct impacts on performances, the differences in the results from a panel of German manufacturing MNCs are less than expected. Stock markets seem to apply an organizational rather than an investor’s view when they evaluate the profit potential of firms. (For more information, please contact: Jan Hendrik Fisch, University of Augsburg, Germany: fisch@wiwi.uni-augsburg.de)


Jakob Müllner, Vienna University of Economics and Business Administration

The paper aims at closing one of the most perennial gaps in international business research by linking international finance with internationalization research. Building on a comprehensive literature review we identify four core areas of private equity and venture capital (PE/VC) involvement: finance, contractual governance, monitoring and value added services. Parting from this categorization we construct a comprehensive model of PE/VC involvement and proceed link the different aspects to internationalization literature. Based on existing empirical evidence and theoretical reasoning the specific cause-and-effect relationships of the investor-investee relation are proposed and related to the financed firms scope, scale and pace of internationalization. Finally possible extensions and concrete variations of the model are discussed. As such the paper provides a springboard, or rather an invitation, for further research and highlights a number of research avenues in the intersection of international corporate finance and international business. (For more information, please contact: Jakob Müllner, Vienna University of Economics and Business Administration, Austria: jakob.muellner@wu.ac.at)

Multinationality-Performance Relationship: A Meta-Analysis

Yong Yang, Brunel University & Queen Mary, University of London

We conduct a Meta-analysis of 54 papers that study the relationship between multinationality and firm performance. Our main finding, robust to different specifications and to different weights for each observation, indicates that when firm samples are outside the US, the return to multinationality is higher. However, the shape of curvilinear outcome for non-US firms is usually U-shaped rather than inverted U-shaped. This means US firms face lower returns than other groups of firms but are less likely to face losses in the early stages of internationalization. We also find the financial crisis does not have direct impact on the return to multinationality, and more recent samples find lower rates of return and an inverted U-shape. Other characteristics that influence the estimated rate of return and its shape across different studies are: the use of
regression analysis; the measure of multinationality used; size distribution of the sample; and the use of market-based indicators to measure firm performance. Moreover, we find no evidence of publication bias. (For more information, please contact: Yong Yang, Brunel University & Queen Mary, University of London, United Kingdom: yong.yang@brunel.ac.uk)

**Multinationality and Downside Risk: An Option Portfolio Perspective**

Rene Belderbos, K.U. Leuven  
Tony Tong, University of Colorado  
Shubin Wu, K.U. Leuven

Real options theory suggests that multinational firms are uniquely positioned to achieve organizational flexibility and risk reduction due to the portfolio of switching options embedded in their networks of international operations, yet empirical studies have provided mixed evidence. In this paper, we highlight two conditions that may shape the relationship between multinationality and downside risk reduction: subadditivity of switching options in the multinational firm's portfolio of affiliates, and organizational factors potentially hindering the implementation of these options. Using a large panel dataset of Japanese manufacturing firms and their overseas affiliates, we find that the negative impact of multinationality on downside risk is significantly stronger for firms that have less subadditive affiliate portfolios (i.e., operate affiliates in host countries with relatively low correlations in labor cost). Results also indicate that using expatriates to manage overseas affiliates helps to reduce downside risk more for firms with less subadditive affiliate portfolios. Finally, while the use of wholly owned affiliates reduces downside risk in general, it can increase risk for firms with more subadditive portfolios. (For more information, please contact: Tony Tong, University of Colorado, USA: tony.tong@colorado.edu)

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**Session: 2.5.6 - Panel**  
**Track: Track: 1 - Institutions, Governance, and CSR**

**Corporate Governance, Institutional Reforms, and Strategic Responses of BOVESPA Listed Firms**

**Presented On:** June 28, 2010 - 16:45-18:00

Chair: Susan Perkins, Northwestern University

- *Innocents Abroad: The Hazards of Joint Ventures with Pyramidal Group Firms*  
  Susan Perkins, Northwestern University

- *Signal or Symbol? Interpreting Firms' Strategic Response to Institutional Change in the Brazilian Stock Market*  
  Edward Zajac, Northwestern University

- *Regulatory Reforms of the Comissão de Valores Mobiliários (CVM)*  
  José Luiz Osório, Jardim Botânico Partners

- *Corporate Governance and Value in Brazil (and Chile)*  
  Ricardo Leal, Federal University of Rio de Janeiro

- *Regulatory Environment in Brazil, the Results of Reform, and Corporate Governance in Brazil*  
  Mauro Rodrigues da Cunha, Brazilian Institute of Corporate Governance (IBGC)
Using Internet, Role Play, and Web Conferencing Resources to Teach International Business

Presented On: June 28, 2010 - 16:45-18:00

Chair: Lee Howard Radebaugh, Brigham Young University

Experiential Teaching in International Business: Research & Education Praxis
Meena Chavan, Macquarie University
Annibal José Scavarda, American University

This paper tests Kolb’s experiential learning model by implementing experiential activity that enabled students to complete all 4 stages of Kolb’s experiential learning process for determining the feasibility of experiential learning in a large enrollment International Business class with web resources and investigate the learning experience of students.

The paper presents a teaching model based on experiential learning in a large International Business unit. Preliminary analysis of 92 student evaluations determined the effectiveness of experiential learning to allow students to explore the connection between theory and practice. This was done with a specific view of assisting their development in getting work ready. While a considerable amount of research has been conducted on the use of experiential learning and teaching in small classes, not much research has been done on the adoption of experiential learning methods in large classes.

Experiential learning has been described as quite unfeasible and impracticable in a large-class context, because of the need to introduce real life experiences into teaching, the extensive planning and organization required, and the additional funds and resources that this kind of learning requires. This is an empirical paper where a 15 question likert scale survey was administered to students in a semester. (For more information, please contact: Annibal José Scavarda, American University, Brazil: annibal@esp.puc-rio.br)

Using Skill Development Exercises in Teaching International Business
Anatoly Zhuplev, Loyola Marymount University

The panel explores using skill development exercises in teaching International Business (IB) as a part of experiential learning in contrast with academic learning under the experiential learning theory (ELT) framework. ELT posits two interrelated modes of grasping experience -- Concrete Experience and Abstract Conceptualization -- and two interrelated modes of transforming experience -- Reflective Observation and Active Experimentation. Factors that shape and influence learning styles formalized in ELT at five levels of behavior: personality types, early educational specialization, professional career, current job role, and adaptive competencies. Four statistically prevalent learning styles are Diverging, Assimilating, Converging, and Accommodating. People with undergraduate majors in Business/Management tend to pursue Accommodating styles of learning. Using skill development exercises in teaching as an integral part of the pedagogy makes education more relevant to the real world of IB, focuses on practical applications, facilitates students’ learning motivation, personal satisfaction, and job competitiveness. Three skill development exercises are presented in the professional development workshop format: -Assessing the Impacts of Political-Economic Differences on the Benefits, Costs, & risks in IB; -Choosing Efficient Location and Assessing the Costs of IB expansion; -International Trade-Related Market Research. (For more information, please contact: Anatoly Zhuplev, Loyola Marymount University, USA: azhuplev@lmu.edu)
Globalization has increased the interdependence among countries, companies, and individuals. Interaction in a global economy among managers from diverse cultures takes place through different ways. One way involves traditional oral and written communication. Another way is through more complex uses of technology, including phone, email, internet and videoconferencing. As companies grapple with the high costs of travel, they are turning more frequently to technology as a means of linking together their people worldwide. Management research considers intercultural competence as an important condition for the success of intercultural business relationships and performance in the international market.

In order to give our students an opportunity to see what it is like to work in virtual teams, professors from three universities in Europe, the United States, and South America taught a virtual class from September-December 2009 using virtual tools such as videoconferencing, chat and email. In addition to discussing the rationale for the class, the purposes of this presentation will be to discuss (1) the nature of the students, (2) the class structure, (3) the group project that was the final deliverable of the class, (4) the technology used, and (5) the outcomes of the experience. (For more information, please contact: Lee Howard Radebaugh, Brigham Young University, USA: radebaugh@byu.edu)

Session: 2.5.8 - Competitive
Track: 2 - International Marketing Management and Supply Chain

Exporting and Importing

Presented On: June 28, 2010 - 16:45-18:00

Chair: Constantine S. Katsikeas, University of Leeds

Export Performance Conceptualization and Measurement: Contrasting and Integrating Academicians’ and Managers’ Viewpoints

Jorge Carneiro, Pontifical Catholic University of Rio de Janeiro (PUC-Rio)
Isabel Farias, Pontifical Catholic University of Rio de Janeiro (PUC-Rio)
Angela Da Rocha, Pontifical Catholic University of Rio de Janeiro (PUC-Rio)
Jorge Ferreira Da Silva, Pontifical Catholic University of Rio de Janeiro (PUC-Rio)

This paper investigates the conceptualization and operationalization of the export performance construct in a quest for higher content and construct validity. First, we build from a thorough review of the literature to advance a generic conceptual framework that delimitates the frontiers and dimensions of the construct from the academicians’ viewpoint. By following Madsen (1998) and Diamantopoulos and Kakkos (2007), we move one step further and take also managers’ judgments. In-depth interviews helped us elicit the domain of the export performance construct from the meanings and routines of those actually involved with the concept in practice. Our findings suggest that managers seem to take a narrower view (vs. academicians) in terms of frame of reference and temporal orientation. Moreover, while economic and market metrics seem to be important both for academicians and managers, the latter seem to give much more importance to business process metrics than do the former. Furthermore, managers, unlike academicians, seem not to employ exactly the same metrics to assess successful export ventures vs. less unsuccessful ones. (For more information, please contact: Jorge Carneiro, Pontifical Catholic University of Rio de Janeiro (PUC-Rio), Brazil: jorgemtc@iag.puc-rio.br)
Foreignness-Induced Cognitive Disorientation: The Case of Exporters
Claude Obadia, Advancia-Negocia, Paris
Irena Vida, University of Ljubljana
Nathalie Prime, ESCP Europe

Foreignness-induced problems refer to the issues that exporting firms face when dealing with international markets. In the exporting literature, this phenomenon is usually assessed through the concepts of psychic distance or cultural distance. An examination of the literature shows that the psychic distance construct fails to capture the essence of the phenomenon of foreignness as exporters perceive it, resulting in a lack of explanation about the impact of foreignness on exporting relationships. Additional operationalization and measurement problems in the existing empirical work lead to inconsistent and doubtful findings.

To address this problem, we first conduct two qualitative studies among European exporters. The results support a conceptualization of foreignness issues as a cognitive disorientation that affects firms operating in distant markets. Cognition theory provides a strong theoretical base to generate hypotheses about the impact of foreignness on relational phenomena in export dyads.

Then, using data from two surveys among European exporters, we develop a second-order formative scale to assess foreignness-induced cognitive disorientation (FICD) and test its impact on exporter trust and commitment. Finally, using longitudinal data we check the impact of FICD on the survival of export relationships. (For more information, please contact: Claude Obadia, Advancia-Negocia, Paris, France: claude@obadia.org)

Towards Relationship Success in Service Exports: A Study of Determinants and Consequences of Contractual-Based Governance Mechanisms
Vinh Nhat Lu, University of Adelaide

To be successful in the current competitive and hostile global marketplace, international firms must be able to foster and maintain successful cross-border inter-firm relationships. At the same time, service exports have remarkably emerged as a crucial force underpinning the future growth and prosperity of national economies worldwide. Yet scholars and business practitioners alike have recognized the significant paucity of research on performance-related issues of service exporters and the need for further theoretical development in international relationship marketing in order to keep pace with the increase in inter-organizational transactions across national borders. This study investigates the determinants and roles of contractual-based governance mechanisms from the perspective of service exporters. Based on a robust theoretical foundation of transaction cost economics perspective, we collected data from 254 service export ventures. The research findings show that contractual-based governance mechanisms consist of contractual complexity and contractual explicitness, each of which is substantially influenced by various organizational and market characteristics, acting as significant drivers of relationship success. We also found management commitment and the favorability of host government policies have a positive influence on relationship performance. The study contributes to advancing international services research and draws further attention to the international relationship marketing paradigm, providing significant implications for international business practitioners. (For more information, please contact: Vinh Nhat Lu, University of Adelaide, Australia: vinh.lu@adelaide.edu.au)

Drivers and Outcomes of Importer Adaptive Behavior in International Business Relationships
Leonidas C. Leonidou, University of Cyprus
Dayananda Palihawadana, University of Leeds
Simos Chari, University of Leeds
Constantinos N. Leonidou, University of Leeds
Notwithstanding the growing literature on international buyer-seller relationships, limited attention has been given on the crucial role of adaptation in enhancing relationship performance, especially from the standpoint of the importer. This article reports the findings of a study, conducted among 167 British importers, focusing on the factors that drive their adaptation in the working relationship with Western European or U.S. export manufacturers, as well as its resulting performance outcomes. It was revealed that trust positively affects commitment and cooperation, while communication positively influences cooperation but has no effect on commitment. Both commitment and cooperation subsequently lead to importer adaptation. It was also found that adaptive importers tend to be more conducive to effective and efficient relationship outcomes. Finally, the study confirmed that both the links between adaptation and relationship effectiveness and adaptation and relationship efficiency are moderated by both the level of dependence from and distance with the exporter. (For more information, please contact: Constantinos N. Leonidou, University of Leeds, United Kingdom: c.leonidou@leeds.ac.uk)

**Strategies of Latin American Firms in the Financial Crisis (BALAS Special Session)**

**Presented On:** June 28, 2010 - 16:45-18:00

Chair: Robert Grosse, EGADE, Tec de Monterrey

*Global Financial Crisis: Perfect Storm to Test Multilatinas' Rise to Stardom*
Joseph Ganitsky, University of Miami

*Remittances and Global Financial Crisis: Impact on Latin American Firms*
Xavier Ordeñana, ESPOL

*The Global Financial Crisis and Latin American Company Responses*
Robert Grosse, EGADE, Tec de Monterrey

**Session:** 2.5.10 - Competitive

**Track:** 6 - Innovation and Knowledge Management

**Knowledge Governance Mechanism**

**Presented On:** June 28, 2010 - 16:45-18:00

Chair: Dana Minbaeva, Copenhagen Business School

*Enriching Absorptive Capacity through Social Interaction*
Jasper Hotho, Copenhagen Business School
Florian Becker-Ritterspach, University of Groningen
Ayse Saka-Helmhout, University of Surrey

This study examines the micro-level origins of subsidiaries' capacity to absorb transferred knowledge. It addresses this issue through an in-depth case study of a headquarters-initiated knowledge transfer initiative at two subsidiaries of the same MNE. The findings demonstrate that social interaction is a key requirement for subsidiary absorptive capacity as it enables local actors to participate in the transformation of new knowledge to the local context. Second, the findings illustrate how organizational conditions can impact subsidiary absorptive capacity by enabling or constraining local interaction patterns. These insights contribute to the absorptive capacity literature by demonstrating the scale and scope of social interaction as the key link between individual-
and organizational-level absorptive capacity. In addition, the results point to the virtue of adopting a social learning approach to understanding MNE knowledge processes. (For more information, please contact: Jasper Hotho, Copenhagen Business School, Denmark: jjh.smg@cbs.dk)

Human Mobility, Global Networks and International Knowledge Spillovers: Evidence from High-Tech Small and Medium Enterprises in an Emerging Market
Xiaohui Liu, Loughborough University
Mike Wright, University of Nottingham
Igor Filatotchev, City University London
Ou Dai, Loughborough University
Jiangyong Lu, Peking University

Using novel survey data, we examine the relationship between returnee entrepreneurs, multinational enterprise (MNE) working experience, global networks and firms' innovation performance in high-tech SMEs in China. We adopt an integrated framework which combines knowledge based view and social capital theory to investigate whether human mobility and global networks facilitate international knowledge spillovers. We find that returnee firms are more innovative than their local counterparts. We also find that returnee firms have an indirect impact on non-returnee firms' innovation performance and act as a new channel for technological knowledge spillovers. Global networks are found to complement the advantage possessed by returnee entrepreneurs. We find that the presence of a technology gap positively moderates the effect of returnee spillovers on non-returnee firms' innovation performance but the impact of MNE working experience on local innovation is constrained by the technology gap. Our results extend the existing literatures on knowledge spillovers and strategic entrepreneurship and have important managerial and policy implications. (For more information, please contact: Xiaohui Liu, Loughborough University, United Kingdom: x.liu2@lboro.ac.uk)

International Scientist Mobility and the Locus of Knowledge and Technology Transfer
Jakob Edler, Manchester Business School
Heide Fier, ZEW Centre for European Economic Research
Christoph Grimpe, ZEW Centre for European Economic Research

In order to stay innovative, firms have frequently been shown to be highly interested in the acquisition of scientific knowledge through collaborations with universities or individual scientists both from the domestic innovation system as well as from other countries. Little is known, however, about how the mobility patterns of university scientists influence their propensity to engage in knowledge and technology transfer (KTT) activities and, more specifically, about how mobility influences the locus of KTT. Based on a sample of more than 950 German academics, we investigate whether the duration and the frequency of a scientist’s visit at a research institution outside the scientist's home country affect KTT activities. We find that the longer a research visit abroad, the higher the likelihood that scientists engage in KTT to firms both in the host and the home country. Frequent visits to institutions abroad lead to KTT only to firms in the home country. However, most scientists are found to transfer knowledge and technology to firms both in the host and the home country, suggesting that KTT activities to firms abroad do not substitute or crowd out, but complement KTT to firms in the home country. Our findings reject popular claims that international scientist mobility might lead to a “brain drain” and hurt the national innovation system. (For more information, please contact: Christoph Grimpe, ZEW Centre for European Economic Research, Germany: grimpe@zew.de)

Subsidiary Capital and Knowledge Flows in the MNC: Moderating Effects of HRM Practices
Christopher Williams, University of Amsterdam
Soo Hee Lee, University of London
We develop a model of knowledge flows in the multinational corporation (MNC) based on the interaction of human resource management (HRM) practices with human and social capital in overseas subsidiaries. The links between human and social capital and knowledge flows in the MNC are well established in the literature. However, there has been little research into the moderating impact that HRM practices in the subsidiary have on the relationship between human and social capital, and knowledge flows. We investigate this issue using a questionnaire survey to senior managers in 86 subsidiaries of Korean MNCs in the UK, France and Germany. After controlling for subsidiary age and size, host country and industry, we find that HRM practices exhibit differentiated direct and moderating effects. We find that practices based on formal procedures weaken the effect of social capital, but strengthen human capital, whilst empowering practices (encouraging employee participation within the subsidiary) weaken the effect of human capital, but strengthen social capital. Overall, establishing a participative climate within the subsidiary enhances both knowledge in- and outflows at the level of the subsidiary. (For more information, please contact: Christopher Williams, University of Amsterdam, Netherlands: c.williams@uva.nl)

Session: 2.5.11 - Interactive
Track: Track: 3 - IB Theory, FDI, and Entry Mode

Location Choice of FDI

Presented On: June 28, 2010 - 16:45-18:00

Chair: Christine M. Chan, University of Hong Kong

Collocation Patterns of Foreign Owned Firms in a Small Open Economy
Cosmina Lelia Voinea, Radboud University Nijmegen
Hans van Kranenburg, Radboud University Nijmegen

This paper addresses the collocation patterns of foreign owned firms in a small open economy, the Netherlands. The empirical evidence shows dissimilar/different collocation patterns of foreign owned versus domestic firms in the mining industry, construction, transport, communications sectors, and trade industry across the twelve Dutch provinces. Whereas the collocation patterns of the domestics and foreign owned firms operating in the agriculture, forestry and fishing industry, the manufacturing industry, and the service industry are mostly similar. We also found significant evidence that large foreign owned firms show different collocation patterns than small and medium sized foreign owned firms in the Netherlands. Large foreign owned firms target mainly the wholesale and retail trade industry and manufacturing industry. However, small, medium and large foreign owned firms are equally distributed across the twelve Dutch provinces. Nonetheless, our evidence shows that young established foreign owned firms exhibit similar collocation patterns around older, more established foreign owned firms in the host economy. Furthermore, our results show that regional collocation patterns of foreign owned firms vary according to different home countries. Firms coming from countries in close proximity with the host economy reveal different collocation patterns than firms coming from more distanced countries. Our results are consistent with arguments that foreign owned firms value location attributes differently among themselves and also compared to their domestic counterparts. (For more information, please contact: Cosmina Lelia Voinea, Radboud University Nijmegen, Netherlands: c.voinea@fm.ru.nl)

The Role of Environmental Risk in Determining FDI Flows into the Middle East and North Africa region
Tim Jan Rogmans, Nyenrode University, the Netherlands and Zayed University

The paper analyses the impact of different types of environmental uncertainty on FDI flows into the Middle East and North Africa (MENA) region. Simple regressions are run for each of 26 different environmental risk factors for a sample of 16 MENA countries for the period 1988-2007. The sample is then split into OPEC and non-OPEC countries and the analyses are repeated. The two country groups represent certain political, cultural and
economic similarities but have very different endowments of mineral resources and highly varying inward FDI profiles, with resource seeking, vertical FDI prevalent in OPEC countries and market seeking, horizontal FDI in non OPEC countries.

The study concludes that high levels of environmental risk are not associated with weak FDI performance for the MENA region as a whole. However, environmental risk does play a role in determining FDI performance in OPEC countries. In non-OPEC countries, only the quality of a country’s bureaucracy is a significant determinant of FDI.

The results demonstrate that resource seeking, vertical FDI is more sensitive to environmental risk than market seeking, horizontal FDI. For resource seeking FDI, the overall political climate is a key factor as this determines the appropriation risk perceived by investors. The findings support the existing literature regarding the importance of a country’s institutional environment, especially for market seeking FDI. By extension, if OPEC countries want to progress their diversification away from oil, the institutional environment will be a key factor in attracting investors. (For more information, please contact: Tim Jan Rogmans, Nyenrode University, the Netherlands and Zayed University, United Arab Emirates: tim.rogmans@zu.ac.ae)

Re-Examination of FDI Location Determinants: Evidence on Sequential Investments of Taiwanese MNEs in China
Chin-I Chen, National Chi Nan University
Ching-Hsuan Yeh, National Chi Nan University
Hsu-Jen Yang, National Chi Nan University

The reasons why countries/regions are favored by MNEs to allocate their business activity are the major concern of interest in prior location-related studies. However, most researchers often empirically treated various investments of the same firm as discrete cases. As result of MNEs can develop and accumulate their own experience while operating in international arena persistently, whether these determinants are of equal weight in a sequence of FDI cases of MNEs is questioned. In this study, we attempt to find the major location determinants in the early and later FDI process by using rank ordered logit model (ROLM). (For more information, please contact: Ching-Hsuan Yeh, National Chi Nan University, Taiwan: s3212908@ncnu.edu.tw)

Chinese Acquiring Japanese: Motives and Pattern of Chinese Outward M&A to Japan
H. Richard Nakamura, Linnaeus University
Patrik Ström, University of Gothenburg

Despite having liberalized its inward investment regulations, Japan still attracts little FDI. In the midst of this small stream of foreign investments, a brand new actor has entered the Japanese FDI market: Chinese firms. The so-called “Going out” policy of China has recently gained momentum despite the current global financial crisis. What makes this development particularly interesting is the timing, where the Chinese initiative coincides with the long-time economic and demographic problems of Japan. The question to be investigated here is whether or not these Chinese FDIs follow a pattern similar to Chinese foreign investments in other mature economies. By investigating the total population of Chinese outward FDI to Japan, defined as mergers and acquisitions (M&As), since the initiation of the “Going out” policy, we attempt to identify patterns and motives of these investments and reflect our results on earlier research on outward Chinese FDI found in the literature. Our results suggest that the FDIs in Japan made by Chinese firms follow a pattern of investment decisions made well-considered and seem to follow a conscious strategy. The investments have a strong resource-seeking feature, and the Chinese investors behave closely to in line with the LLL paradigm suggested by Mathews (2006). (For more information, please contact: H. Richard Nakamura, Linnaeus University, Sweden: richard.nakamura@lnu.se)
**Firm Size Distribution and Market Participation in India’s Information Technology Industry**

Sumit Majumdar, University of Texas at Dallas  
Ashok Nag, Reserve Bank of India and Riskraft Consulting Limited  
Davina Vora, SUNY New Paltz

We analyze the size distribution of firms and explore whether the Indian information technology (IT) 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. Further, drawing upon research on firm size and the resource-based view of the firm, we posit that firm size influences which industry segments firms focus on. Analysis of our sample comprising the 876 Indian IT firms in business in 2002-2003 suggests that the industry is characterized by both “charging rhinos” and “buzzing bees,” 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, SUNY New Paltz, USA: vorad@newpaltz.edu)*

**Organizational Re-Design and Performance**

Ashok Som, ESSEC Business School

One central problem in management and organizations literature is that of designing complex organizations for superior performance through uncertainty reduction, differentiation and integration mechanisms. This flows from the basis of understanding that complex processes within organisations can be decomposed into mechanisms. These mechanisms become more prominent with turbulence and uncertainty in the environment wherein organizations need to emplace appropriate formal re-design mechanisms. In the backdrop of the ongoing economic liberalization in India, a multiple-respondent survey of 69 Indian organizations was undertaken. The research question was to study the impact of changes in re-design mechanisms on firm performance. This research question was intimately related to broader issues of concern to organization theory including the usefulness and value of re-design efforts and the implications during environmental turbulence. The results shows that increased changes in mechanisms of uncertainty reduction, differentiation, and integration tend to enhance corporate performance in turbulent environments, while their absence or low usage depresses it. Integration mechanisms came out to be the most critical determinant of the effectiveness of design efforts. Several implications for contingency and congruence theory are discussed. *(For more information, please contact: Ashok Som, ESSEC Business School, France: som@essec.edu)*

**Constraints of Learning through JVs in Russian Parent Firms: A Grounded Theory Approach**

Irina Jormanainen, Aalto University

Our paper focuses on examination of constraints inhibiting learning through JVs at the parent firm level. Using a pilot survey’s interview and in-depth case data from Russian JV parent firms, we develop a theoretical framework by adopting a multi-dimensional view of the absorptive capacity. The framework shows that although Russian parent firms have an ability to understand and acquire knowledge through their JVs at the personal level which indicates the existence of a high level of potential absorptive capacity, they lack an ability to integrate and apply this knowledge into their own operations at the organization level which manifests a low level of realized absorptive capacity. Further, the framework illustrates that there are two types of constraints
undermining the integration and application: organizational constraints associated with a rigid structure, systems and routines inherited from Soviet times as well as with underdeveloped knowledge management practices, and external rooted in inefficient functioning of Russian System of Innovation which fails to support innovative development of Russian firms. Therefore, this paper extends the JV literature by providing the thorough explanation of why Russian parent firms are not able to gain a maximum benefits from learning through JVs. (For more information, please contact: Irina Jormanainen, Aalto University, Finland: irina.jormanainen@hse.fi)

Does Ownership Matter? The Contingent Role of Parent Company in Business Groups
Zheng Yan, National University of Singapore

Using a unique sample on 43 of the largest business groups and 2424 of their affiliates in China, this paper examines the contingent role of parent company in business groups based on the ownership type. First, as parent companies monitor their group affiliates, groups with a non-state-owned parent company suffer less agency cost and present higher affiliate performance than groups with a state-owned parent company. Second, parent companies provide resources to affiliates and the group CEO's characteristics affect affiliate performance. Finally, the parent company's ownership influences the resource-sharing mechanisms between parent company and affiliates and among affiliates in business groups. (For more information, please contact: Zheng Yan, National University of Singapore, Singapore: zhengyan@nus.edu.sg)

Scaling Social Innovations: The Case of Gram Vikas
Imran Chowdhury, ESSEC Business School
Filipe Santos, INSEAD

The purpose of this study is to better understand the process of innovation transfer between social sector organizations, an area that is at the nexus of research on social entrepreneurship, scaling, and knowledge transfer. We are guided by a primary research question: How are social innovations transferred to other organizations to increase their impact? Drawing on field observations, interviews, and archival data from an ongoing social innovation transfer attempt in rural India, we show that the scaling process is fraught with challenges, but can nevertheless be managed by focusing on the “Arrow core” of elements which enable a social innovation’s success. (For more information, please contact: Imran Chowdhury, ESSEC Business School, France: imran.chowdhury@essec.edu)

Searching for Successful Competitive Strategies of Local Firms in Central and Eastern Europe
Arnold Schuh, WU Vienna
Claudia Schalk, WU Vienna

Local companies in Central and Eastern Europe (CEE) have to develop a conceptually pronounced competitive strategy in order to survive against Western competitors with superior resources and capabilities. In this explorative study we are searching for typical patterns of competitive behaviour among formerly state-owned and then privatized firms in CEE. Eight publicly listed corporations in Croatia, Czech Republic, Hungary and Slovenia are analyzed. The findings show that successful firms base their strategy on a lower price and a strong distribution networks and focus their international activities on the CEE region. (For more information, please contact: Arnold Schuh, WU Vienna, Austria: arnold.schuh@wu.ac.at)

Using Organization Structure to Manage Political Ties: The Salim Business Group in Indonesia
Marleen Dieleman, NUS Business School
Jean J. Boddewyn, Baruch College, CUNY
We contend that business groups in emerging economies command a premium when it comes to benefiting from political ties because their organizational structures are compartmentalized and thereby well suited to profitably include, isolate and mask political ties. We demonstrate how the structural design of a business group and its political ties are mutually reinforcing. A case study of the Indonesian Salim business group during and immediately after the Suharto regime (1967-1998) supports the argument that organizational structuring belongs to the repertory of political strategies used to manage dependence on government. (For more information, please contact: Marleen Dieleman, NUS Business School, Singapore: marleen@nus.edu.sg)

Session: 2.5.13 - Interactive
Track: Track: 4 - Global Strategy, Alliances, and Competitiveness

Empirical & Case Study in Global Strategy

Presented On: June 28, 2010 - 16:45-18:00

Chair: Jerry Haar, Florida International University

Creative Climate, Innovativeness and Competitiveness of Qatari Firms
Mohamed Zain, Qatar University
Norizan Mohd Kassim, Qatar University

This paper investigates the innovativeness, creative climate, and competitiveness of Qatari firms by examining the types of innovation and continuous improvements implemented by the firms. The results indicated that continuous improvements had a significant positive influence on the firms' competitiveness. Creative climate assessment of the firms using Ekvall’s creative climate questionnaire revealed that only four of the ten factors had some positive influence on firms’ innovativeness and competitiveness. In addition, the firms’ internal environment was found to have significant positive influence on the competitiveness of the firms. The results also showed that the firms’ competitiveness in turn significantly influenced the firms’ performance. Some managerial implications of the findings are also provided. (For more information, please contact: Mohamed Zain, Qatar University, Qatar: mzmohamed@yahoo.com)

Upgrading Internationalizing Business Strategies for Reinventing the Company's Fortunes a case of TATA Motors
Prashant Salwan, Indian Institute of Management Indore

“Indian companies” international success is due not to low cost or cheap labours but to development of International competitiveness. Indian companies growth both domestically and internationally is due to systematic upgrading and totally reinventing their business model. The mantra of success of TATA Motors lies in the up gradation of International Business strategies (International to Global to Transnational) through value chain management. Indian MNCs have reinvented their business models for developing sustainable competitive advantage by focusing on a longer horizon even if the present horizon is not positive. Indian companies enhanced their operational efficiency, implemented material cost management, and growth of adjacencies, product upgrades. Indian automobile companies have different strategic intent for developed and developing markets. Growth strategies like Inorganic growth provided them access to customers, go to market capabilities and technologies in new geographies. Indian MNCs have developed a global vision and strategy and uniform manufacturing culture and processes for managing successfully the dimensions of business model namely their strategic choices, value network, create and capture value. This paper presents the stepwise step process implemented by TATA Motors. (For more information, please contact: Prashant Salwan, Indian Institute of Management Indore, India: psalwan@iimidr.ac.in)
Strategic Evolution of Firm’s Core Activities: Case Study Evidence from the Pharmaceutical Industry
Pooja Thakur, Rutgers University

This research examines the strategy evolution of core activities of firms in the pharmaceutical industry. Drawing on the evolutionary perspective, we look at the dynamic changes in the strategic decision making process of firms over time. Specifically, we focus on the offshoring and outsourcing decisions of clinical trials which is a core activity in the pharmaceutical industry. Using multiple case studies, we propose five stages in the evolution process starting with in-house sourcing strategy followed by foreign affiliates, domestic outsourcing and offshore outsourcing. In the final stage of this evolution process, firms retract from outsourcing and start to re-internalize their core activities. Our research contributes to the literature by adopting a longitudinal perspective and simultaneously examining offshoring and outsourcing. (For more information, please contact: Pooja Thakur, Rutgers University, USA: thakur@pegasus.rutgers.edu)

How Does International Diversification Affect Operating Efficiency? U.S based Evidence
Lei Li, Nottingham University Business School China

This study has made one of the few attempts to adopt a simultaneous equation modeling to investigate the relationship between a firm’s international diversification and operating efficiency. The results show that for U.S. manufacturing firms, (1) international diversification improves production efficiency and marketing efficiency; (2) both administrative and R&D efficiency can be enhanced with international expansion until a firm reaches a high level of international diversification; and (3) the impact of international diversification is much more substantial on administrative, R&D, and marketing efficiency than on production efficiency, which indicates that economies of scope may be far more critical than economies of scale and location cost advantages in firm internationalization. Limitations and avenues for future research have been elaborated in the conclusion. (For more information, please contact: Lei Li, Nottingham University Business School China, China: lileic2003@yahoo.com)

The Evolution of Lean Manufacturing Practices in Asia: A Comparison of Management Attitudes in Japan, Korea and China
Shirley J. Daniel, University of Hawaii at Manoa
Carmencita Cheung, City University of Hong Kong
DongYoung Lee, University of Utah
Nate Staheli, University of Hawaii at Manoa
Wolf D. Reitsperger, University of Hawaii at Manoa

Research in the field of international business in the Asia Pacific region has long been focused by developments in manufacturing. This study compares the attitudes of manufacturing managers in Japan, Korea and China with regard to the management of quality, inventory, flexibility, and top management involvement.

Our findings indicate that, in the face of both low-cost competition from China and sophisticated competitors from Korea and the U.S., Japanese manufacturing managers, as compared to their Asian counterparts of China and Korea, remain more committed to the cumulative approach and believe there is no trade-off between cost and quality. Japanese managers’ attitudes also reflect a belief that greater flexibility is a strategic priority. While Chinese and Korean managers are also committed to achieving quality, Chinese managers are more concerned with meeting delivery deadlines. Korean managers are rigorous with regard to vendor quality, but less demanding with regard to delivery of quality components to customers. In contrast, Japanese managers demand as much from their upstream vendors as themselves (when they pass their outputs to downstream customers). (For more information, please contact: Shirley J. Daniel, University of Hawaii at Manoa, USA: sdaniel@hawaii.edu)
Internationalization Strategies of Retail Chains - An Empirical Study
Bernhard Swoboda, University of Trier
Edith Olejnik, University of Trier
Hanna Schramm-Klein, University of Siegen
Dirk Morschett, University of Fribourg

Retailing is no longer a pure local business. Retailers like Wal-Mart, Carrefour, or Metro had internationalized dynamically since the nineties, similar to worldwide less known retailers in different retail sectors. This study addresses this seldom in international business research addressed sector. Based on the IR framework, we hypothesize preferences for and performance of internationalization strategies in retail firms in general (intersectoral) as well as in two retail sectors (sector specific).

Based on extensive pre-tests and face-to-face interviews with 81 top retail managers as well as a two tailed measure of the framework dimensions (axes and strategies), we analyze for the first time in the retail sector all internationalization strategies. The results show that retailers use all four strategies (international, global, multinational, and transnational), but the preferences for strategies vary in both retail sectors (food/near-food and non-food). The performance of strategies varies too. For scholars and managers this study shows insights into the relationship between strategy and performance in retail sectors as well as additional characteristics of retail chains which have different strategies. (For more information, please contact: Bernhard Swoboda, University of Trier, Germany: b.swoboda@uni-trier.de)

The Impact of the Parent Firm’s Degree of Internationalization on Its Subsidiaries’ Size: The Case of the US MNCs
Marcelo J. Alvarado-Vargas, Florida International University

As not all subsidiaries are used for asset-exploitation, using traditional indicators of performance such as ROA or survival analysis have many limitations. This research paper examines and empirically tests the effects of the parent firm’s degree of internationalization on the subsidiary’s size. The author asserts that subsidiary size is an additional factor to consider when measuring subsidiary performance. In so doing, the author hopes to provide future researchers improved methods for testing the link between the degree internationalization and performance such that the reliability of findings may be more consistent. Results indicate that the parent firm’s degree of internationalization is positively related to the subsidiary’s performance. (For more information, please contact: Marcelo J. Alvarado-Vargas, Florida International University, USA: mjalvara@fiu.edu)

Session: 2.5.14 - Interactive
Track: Track: 8 - Cross-cultural Management and International HRM

Expatriations on Expatriation

Presented On: June 28, 2010 - 16:45-18:00

Chair: Paula Caligiuri, Rutgers University - SMLR

Individual and Organizational Outcomes of Global Mobility in an Inter-Governmental Organization
Jean-Luc Emile Cerdin, ESSEC Business School
Michael Dickmann, Cranfield University

This paper represents research in progress aimed at moving beyond “classic” expatriates to examine the success of expatriates in an inter-governmental organization (IGO). Based on the theoretical foundations of Person-Environment Fit and the boundaryless career perspective, we examine to what extent expatriates from an IGO experience successful assignments, using an individual and organizational perspective. At the individual
level, we will examine career satisfaction and job satisfaction. At the organizational level, we will examine intention to leave. This research presents preliminary results based on a sample of 519 expatriates from an IGO. Key findings include that the most frequent career anchor of IGO expatriates was dedication to a cause, which had a significant positive impact on job and career satisfaction and a significant negative relation on intention to leave. A range of other career anchors as well as measures of commitment, career salience and career capital are analyzed with respect to outcomes. The contribution to international mobility theory and managerial practice are discussed in the conclusions. (For more information, please contact: Jean-Luc Emile Cerdin, ESSEC Business School, France: cerdin@essec.fr)

**Influence of Cross Cultural Adjustment on International Commuters and Their Families: A Spillover and Crossover Model of Work Family Conflict**

Dora M. Luk, City University of Hong Kong
Mihaela Nikolaeva Dimitrova, University of Wisconsin-Milwaukee
Rebecca Wyland, University of Wisconsin-Milwaukee

Incorporating past research on spillover, family work conflict and crossover we develop a model, based on conservation of resources theory, which reflects influence of cross cultural adjustment on international commuters and their spouses. Using a sample of 133 matched pairs of Hong Kong commuters to China and their partners, we found that work-to-family conflict (WFC) is a partial mediator for the relationship between cross-cultural adjustment and the strain of the international commuter and the negative crossover of strain between the spouses is found to be moderated by family involvement. Our proposed model also aims at opening the black box of the actual relationship between work-to-family conflict (WFC) and family-to-work conflict (FWC). Implications and directions for future research are discussed. (For more information, please contact: Mihaela Nikolaeva Dimitrova, University of Wisconsin-Milwaukee, USA: mihaela@uwm.edu)

**Cultural Distance and Willingness to Expatriate**

Kyle David Coble, Saint Louis University

Expatriation, or the act of leaving one’s home country for employment in another country, remains fertile ground for research in international business. However, while most work in expatriation focuses on adjustment, failure, training or repatriation, comparatively little focuses on initial willingness to expatriate. This paper proposes to examine willingness to expatriate in the context of cultural distance. Specifically, the traditional use of cultural distance, acculturation theory, institutional distance and linguistic distance will all be used independently to evaluate willingness to expatriate to a variety of locations. Results show that institutional distance has a pronounced effect on willingness to expatriate, with mixed results for cultural distance and nonsignificant results for linguistic distance. Acculturation moderates institutional distance on willingness to expatriate, but not on the effect of institutional on willingness to expatriate, or any part of cultural distance, resulting in mixed results for acculturation. (For more information, please contact: Kyle David Coble, Saint Louis University, USA: kcole@slu.edu)

**Developing Global Mindset: The Power of Study Abroad Program**

Gordana Pesakovic, Argosy University

In this paper we address changes in the global business (economics and politics) in the last seventy years and the impact these changes have on the U.S. business. Challenges that U.S. academia, especially business schools are faced with in the 21st century are elaborated. The need for improvements in internationalization of business programs with development of global mindsets and competences is acknowledged. The importance of the study abroad program in general, and short-term study abroad program, in particular is analyzed and underlined. At the end, we present findings of our qualitative study, conducted from 2004-2009 with graduate students who attended short-term study abroad programs in 8 different countries. (For more information, please contact: Gordana Pesakovic, Argosy University, USA: pesakovic@msn.com)
Too Short to Care About – Revisiting Intercultural Support for Short-Term Assignments
Leoni Verboven, Erasmus University
Betina Szkudlarek, Erasmus University

Despite the increasing trend in employment of alternative forms of expatriate assignments, human resource support measures for those forms of international sojourns are still very limited and unadjusted to unique circumstances of each form. This is also the case for intercultural training, one of the most often employed support practices. In this paper we argue that unique circumstances related to short-term transition require a revision of methods and approaches traditionally applied in training sessions for long-term assignments. Consequently, by providing conceptual premises for intercultural training design we argue for the importance of tailoring training to both short-term and other alternative forms of assignments. (For more information, please contact: Betina Szkudlarek, Erasmus University, Netherlands: bszkudlarek@rsm.nl)

Repatriation: Human Resource Policies and Practices in Multinational Companies In Brazil
Beatriz Maria Braga, Fundacao Getulio Vargas
Mariana Barbosa Lima, Fundacao Getulio Vargas

Repatriation and the retention of executives is a strategically important process in international organizations and management of these executives requires innovative policies and practices, given the complexity of the challenges they face in their international careers. There is, however, very little research on the theme and this work intends to make a preliminary contribution to such studies within the Brazilian context. To do so, a qualitative research was carried out with 20 multinational companies about the human resource policies and practices they use in the process of repatriating Brazilian executives. The results show that the policies and practices they adopt are more directed at offering operational support for these executives rather than being linked to a strategic plan for taking advantage of their competences and experience. Furthermore, staying in the company and adapting to Brazil and to social and family life seem to depend on the personal efforts of the repatriates and their families and on the labor market in the country. (For more information, please contact: Beatriz Maria Braga, Fundacao Getulio Vargas, Brazil: beatriz.braga@fgv.br)
ABSTRACTS FOR TUESDAY, JUNE 29, 2010

Session: 3.1.1 - Competitive
Track: Track: 7 - Emerging, Transition, and Developing Economies

Impact of Pro-Market Reforms in Emerging Economies

Presented On: June 29, 2010 - 09:00-10:15

Chair: Wade M Danis, Georgia State University

How Pro-Market Reforms Change: The Impact of Diversification and Internationalization on the Performance of Developing Country Firms

Elitsa R. Banalieva, Northeastern University
Helena Barnard, Gordon Institute of Business Science
Alvaro Cuervo-Cazurra, University of South Carolina

We study the impact of pro-market reforms on the unrelated diversification-performance and internationalization-performance relationships for developing country firms. We build on transaction cost economics to argue that in developing country firms the impacts of diversification and internationalization on firm performance depend on the developing country's level of pro-market reforms. Thus, we argue that for developing country firms diversification reduces performance, but this relationship turns positive with higher levels of pro-market reforms. We also propose that for developing country firms internationalization improves performance, but this relationship turns negative with higher levels of pro-market reforms. Results from 1,613 developing country firms in 21 countries during 2000-2006 support our arguments. (For more information, please contact: Elitsa R. Banalieva, Northeastern University, USA: e.banalieva@neu.edu)

The Influence of Pro-Business Reforms and Corruption on Entrepreneurship

Candace Agrella Martinez, Saint Louis University
Gayle Allard, IE Business School

This paper examines the impact of pro-business reforms and corruption on entrepreneurial activities in 68 countries. We test whether reforms foster entrepreneurship within a country and whether corruption is a deterrent, directly or indirectly. Our findings suggest that corruption does have a negative impact on new density, the number of newly registered start-ups that occur in a given country, but it does not have an indirect influence. Partitioning the sample between developed and developing countries reveals that pro-business reforms are associated with positive outcomes in developing countries only, while corruption has no effect on entrepreneurial activities in the same sub-sample. (For more information, please contact: Candace Agrella Martinez, Saint Louis University, USA: cmarti58@slu.edu)

Reforms, Multinationalization, and Profitability

Luis Alfonso Dau, Northeastern University

I study the relationship between pro-market reforms and the multinationalization strategy and profitability of firms. Building on Knowledge-Based Theory, I develop the Market Institutional-Knowledge Model, which argues that firms establish foreign operations either to acquire new market knowledge, to exploit their extant market knowledge, or both. I identify three multinationalization strategies that a firm may pursue: (1) downward-multinationalization strategy, whereby it establishes operations primarily in less institutionally-developed markets vis-a-vis its home market, (2) upward-multinationalization strategy, whereby it establishes operations primarily in more institutionally-developed markets, and (3) balanced-multinationalization strategy, whereby it establishes operations in both. I argue that downward multinationalization increases the firm's home-market
profitability in the short-term and decreases it in the long-term; that upward multinationalization decreases profitability in the short-term and increases it in the long-term; and that balanced multinationalization has a positive effect both in the short-term and long-term. This is because downward multinationalization allows firms to exploit their extant knowledge in less institutionally-developed markets, enhancing their home-market profitability in the short-term, but as the knowledge becomes obsolete and competition increases, their profitability wanes. On the other hand, upward multinationalization forces firms to learn how to compete in a more sophisticated market environment, which hurts their short-term profitability at home, but this knowledge then strengthens the firm’s home operations and those of its entire network of subsidiaries, allowing it to become more competitive and profitable in the long-term. Finally, balanced multinationalization allows firms to balance the costs and benefits of both approaches, allowing them to learn while exploiting their extant knowledge in the short-term, and to become increasingly profitable in the long-term. However, I argue that the relationship between firm multinationalization strategy and profitability is contingent on the timing, sequence, and distance of such multinationalization efforts as well as the degree of pro-market reforms implemented in the home market. (For more information, please contact: Luis Alfonso Dau, Northeastern University, USA: luisdau@gmail.com)

The Political Economy of Residual State Ownership in Privatized Firms: Evidence from Emerging Markets
Narjess Boubakri, HEC Montreal
Jean-Claude Cosset, HEC Montreal
Walid Saffar, American University of Beirut

To investigate the control structure of newly privatized firms, we use a unique database of 221 privatized firms operating in 27 emerging countries over the 1980-2001 period. Specifically, we examine the determinants of residual state ownership after privatization over a window of up to six years after divestiture. We find that the residual state ownership is largely influenced by the size of the firm, the level of investor protection and the extent of corruption in the country. Controlling for the political institutions in place shows that government tenure (stability), the political system and political cohesion are important determinants of the residual state ownership in newly privatized firms. This result confirms that privatization is politically shaped and constrained by a dynamic that will differ between countries. (For more information, please contact: Walid Saffar, American University of Beirut, Lebanon: walid.saffar@aub.edu.lb)

Session: 3.1.2 - Panel
Track: 8 - Cross-cultural Management and International HRM

A Multilevel Examination of Positive Organizational Constructs across Cultures

Presented On: June 29, 2010 - 09:00-10:15

Chair: Dana M. McDaniel, University of California, Irvine
Chair: Nancy R. Buchan, University of South Carolina

Cultural Positive Psychological Capital and Its Role in Global Mindset Development
Mary Sully de Luque, Thunderbird School of Global Management

Positive in One Culture, Negative in Another? Investigating Varying Outcomes of Comparative Energy Expressions
Dana M. McDaniel, University of California, Irvine

An Examination of Trust in Global Outsourcing Teams
Alaka N. Rao, San Jose State University
Embeddedness and All That

Presented On: June 29, 2010 - 09:00-10:15

Chair: Duane Kujawa, University of Miami

**An Embeddedness Perspective on the Value Creation of MNC Parents - Evidence from European Manufacturing Subsidiaries**

Phillip C. Nell, Copenhagen Business School
Ambos Björn, WU Vienna

The question of how parents add value to their businesses is a much-discussed issue characterized by a dearth of empirical work. Based on comprehensive data on 124 European manufacturing subsidiaries we investigate subsidiary perceptions of parent value creation empirically and shed new light on this issue. We first develop a more holistic concept of MNC external embeddedness which integrates the subsidiary as well as the parent’s external relationships into one measurement. We call our concept external network asymmetry. We then test two contradicting hypotheses with regard to the effect of external network asymmetry on the perceived value added of the parent to their subsidiaries. Our results support the idea that higher external network asymmetry drives information asymmetries and relative bargaining power of the subsidiary which has a negative effect on how subsidiaries perceive the value creation of their parents activities. (*For more information, please contact: Phillip C. Nell, Copenhagen Business School, Denmark: pcn.smg@cbs.dk*).

Explaining Subsidiaries’ Local Embeddedness and Knowledge Outflows: A Social Network Perspective

Zaidah Mustaffa, University of Auckland

The study explores subsidiaries’ local embeddedness and how it contributes to localized subsidiary innovation and vertical and horizontal knowledge outflows. The framework for subsidiaries’ local embeddedness is grounded on the knowledge leveraging model of the MNC, social networks and the concept of the MNC as a differentiated network. Subsidiaries’ local embeddedness are examined with three local networks located in the host country, namely local suppliers, local customers and other local agencies (government agencies, trade councils etc). Three dimensions of local embeddedness are included, namely inter-organizational trust, information sharing and joint problem solving. Hypotheses are presented to test the influence of the three dimensions of local embeddedness with localized subsidiary innovation and vertical and horizontal knowledge outflows. Results confirm that subsidiaries' local embeddedness lead to greater vertical and horizontal knowledge outflows through localized subsidiary innovation. Subsidiaries’ local embeddedness are proven to differently contribute to vertical and horizontal knowledge outflows. Joint problem solving is the single most important variable in determining localized subsidiary innovation and vertical and horizontal knowledge outflows. Contributions of the study are presented. (*For more information, please contact: Zaidah Mustaffa, University of Auckland, New Zealand: z.mustaffa@auckland.ac.nz*).

Multi-level Social Capital and Knowledge Transfer within MNCs

Sachiko Yamao, University of Melbourne
Kate Hutchings, Griffith University
Helen De Cieri, Monash University
We investigate the role of social capital of the foreign subsidiary of the multinational corporation (MNC) in receiving knowledge from other units of the same MNC. Utilizing survey and interview data collected from Australian subsidiaries of US, German, and Japanese MNCs, three hypotheses explored three social capital types at multi-levels as antecedents to receiving knowledge. We suggest that subsidiaries’ relationships with other units of the same MNC contribute to receiving knowledge from headquarters. We also found that subsidiaries’ relationships with customers, suppliers, and/or alliance partners contribute to receiving knowledge from headquarters and other subsidiaries of the same MNC. (For more information, please contact: Sachiko Yamao, University of Melbourne, Australia: syamao@unimelb.edu.au)

Organization-Culture Fit: An Insight into MNC Subsidiary’s Culture Dimensions
Xiaoyu Pu, Rutgers University

This study draws on the idea of person-culture fit from previous research (O’Reilly et al., 1991) and introduces a new dimension of fit - organization-culture fit. It refers to the characteristic fit between an organization and its local culture. It is proposed that the organization-culture fit is influenced by both the culture dimensions of the location, and the strategic characteristics of the organization per se. Organization-culture fit is proposed to influence the performance of an organization. In the context of a foreign subsidiary, the influence is mediated by two sets of effects - the within-organization effect and the inter-organization effect. The former refers to the impact within the subsidiary, such as turnover rate, employee satisfaction, etc. The latter indicates the impact on subsidiary’s interaction with its external environment, e.g. subsidiary local embeddedness. (For more information, please contact: Xiaoyu Pu, Rutgers University, USA: puxiaoyu@gmail.com)

Session: 3.1.4 - Competitive
Track: Track: 7 - Emerging, Transition, and Developing Economies

Globalization by Emerging Economy Firms - 2

Presented On: June 29, 2010 - 09:00-10:15

Chair: Afonso Fleury, University of Sao Paulo

Avoiding the Liability of Foreignness: Exploiting Foreign Affiliate Networks at Home
Dirk Michael Boehe, Insper Institute of Education and Research

Drawing on the resource-based view of the firm and on an in-depth case study, we develop a novel conceptual model that explains under what conditions service firms may use their international affiliate network in order to build a differentiation-based competitive advantage in their domestic market. The bank studied implemented a differentiation strategy by positioning itself as a “South American Bank” and by offering a set of foreign trade services to its domestic clients that were unique at the time of their introduction. Our conceptual model fills a gap in the literature on difficulties in internationalization by explaining under what conditions internationalizing firms may opt for a strategy that seeks to domestically exploit resources and capabilities that have been developed in the course of internationalization. (For more information, please contact: Dirk Michael Boehe, Insper Institute of Education and Research, Brazil: dirkmb@insper.org.br)

The Internationalization of Brazilian Firms as a Product of Distinctive Organizational Competences and Proper Management Style
Afonso Fleury, University of Sao Paulo
Maria Tereza Fleury, Fundacao Getulio Vargas
Germano Glufke Reis, Fundacao Getulio Vargas
Felipe Mendes Borini, ESPM
Although the theories of International Business offer a range of responses for the understanding of mature multinationals, there is lack of explanatory models to fit the reality of emerging country multinationals. This article explains the international competitiveness of Brazilian multinationals, based on the Resources Based View of the Firm, focusing on their organizational competences and management styles. Management styles depend on the firms’ histories, home countries and reputations, revealing the enterprise’s character and identity. Organizational competence is a set of skills and technologies that allows an enterprise to offer superior benefit to its clients. Organizational Competences are influenced by competition in product/markets while Management Style, linked to the culture and institutions of a country, mediates competence development. The research on Brazilian multinationals addresses four questions: Does the international (competitive) environment influence their architecture of competences? How does the international environment shape their architecture of competences? How does the local (Brazilian) environment shape their competences? What are the distinctive characteristics of Brazilian multinationals’ organizational competences? A survey and case studies were developed to answer those questions. The outcomes indicate that what distinguishes Brazilian multinationals is their management model, which consists of a combination of distinctive organizational competences and a proper management style. (For more information, please contact: Afonso Fleury, University of Sao Paulo, Brazil: acfleury@usp.br)

Host Country’s Information Environment and International Acquisition Performance: Do Information Institutions Matter?
Qi Zhou, Southern Methodist University
Jiewei Yu, Southern Methodist University

How does the financial market react to international acquisitions featuring high information asymmetry resulting from host countries’ poor information institutions? We found that low quality of the host country’s information institutions negatively affect the acquirer’s wealth gains in an acquisition. And the negative effect of information institutions is more significant for inexperienced acquirers and firms making unrelated acquisitions. And when information institutions are poor, firms endogenously choosing partial acquisitions perform better than those choosing full acquisitions. (For more information, please contact: Qi Zhou, Southern Methodist University, USA: qzhou@cox.smu.edu)

Session: 3.1.5 - Competitive
Track: Track: 3 - IB Theory, FDI, and Entry Mode

Econometric Analysis of Multinational Enterprises

Presented On: June 29, 2010 - 09:00-10:15

Chair: Luigi Benfratello, University of Turin and Ceris-CNR

Export and Firm Performance: A Market- and Resource-Based View
Tonia Ruppenthal, Jacobs University Bremen
Nathaniel Lupton, University of Western Ontario

Export intensity, as a strategic orientation, is posited to influence overall firm performance (resource-based view: RBV) dependent upon certain environmental conditions (market-based view: MBV) which are key influences for obtaining superior firm performance. In this study, the potentially nonlinear relationship between export and firm performance is investigated as this is more likely to be the case than a linear relationship. In addition, the moderating effect of environmental factors on the association between export and firm performance is examined using data from a sample of Japanese firms.
This study contributes to the export performance theory by examining the moderating effect of environmental factors on the export-performance relationship and by developing a model that integrates MBV and RBV as complementary perspectives. The hypothesis that export performance is an effective internationalization strategy to improve firm performance was supported. Export performance had a nonlinear and positive relationship with firm performance which followed a U-shaped curve. The environment, that is the foreign market attractiveness, negatively moderated the relationship between export and firm performance. (For more information, please contact: Tonia Ruppenthal, Jacobs University Bremen, Germany: t.ruppenthal@jacobs-university.de)

Cultural Distance and the Value Effects of Global Diversification
Jens Hagendorff, University of Leeds
Hinrich Voss, University of Leeds

International acquisitions, the dominant form of foreign direct investment, are subject to cultural differences between merging parties. For a multi-home multi-host dataset of cross-border acquisitions between 1997 and 2007, we employ event study and multiple regression methodologies to demonstrate that an inversely U-shaped relationship between cultural distance and the market valuation effects of global diversification exists. Small to medium levels of cultural distance are value-enhancing, while the marginal value effects of high-distance acquisitions are negative. We also demonstrate that first-time market entry and research-intensive expanding firms are associated with the largest gains from global diversification when cultural distance is medium-high. Our results which are robust to the effects of various acquisition, firm, and country variables offer empirical support for the regionalization of multinational enterprises. (For more information, please contact: Jens Hagendorff, University of Leeds, United Kingdom: juh@lubs.leeds.ac.uk)

In the Long Run We're All Dead: Exploring MNEs Short-term Responses to Financial Crises
Desislava Dikova, University of Groningen
Harry Garretsen, University of Groningen
Roger Smeets, University of Groningen
Hans van Ees, University of Groningen

IB literature is not focused on developing theories that discuss firm strategies aimed at surviving a financial crisis; it is assumed that firms, national and multinational alike, would one way or another survive the crises until new business opportunities start to unfold. Here we provide suggestions for immediate strategic responses by MNEs to national and regional financial crises. We examine the effects of 83 financial crises (banking, debt and currency crises) on longitudinal data of US MNEs' affiliate sales in over 50 countries in the period 1983-2005. Our results show market-substitution effects: financial crises do not affect the level of total affiliates' output however the relative shares of local market sales, export sales to third countries and export shares to the US are differently affected by the three financial crises. (For more information, please contact: Desislava Dikova, University of Groningen, Netherlands: d.dikova@rug.nl)
The Impact of FDI on Firm Survival in Italy
Filippo Reganati, University of Rome La Sapienza
Rosanna Pittiglio, University of Foggia
Anna Maria Ferragina, University of Salerno

The aim of the analysis is to investigate the impact of inward FDI on Italian manufacturing and services firm survival. Firstly, we carry out theoretically and empirically the analysis of firm survival distinguishing between foreign multinationals (FMNEs), domestic multinationals (DMNEs) and domestic non multinational firms (NMEs). The empirical analysis is based on survival functions as well as a Cox proportional hazard model, controlling for firm and industry specific covariates. Secondly, we examine the effect of foreign presence on the survival of host country firms distinguishing between the impact on DMNEs and on NMEs. The finding reveals that during the period 2005-2007 while manufacturing and service firms owned by FMNEs are more likely to exit the market than national firms, on the other hand DMNEs have a higher chance of survival. This result supports the idea that FMNEs are inherently footloose while DMNEs are more firmly rooted in the local economy. The estimates also indicate that older, larger and more productive firms have higher survival rates. Finally, firm survival of FMNEs and DMNEs is unaffected by the increased presence of FMNEs. On the other hand, the increased foreign presence has a positive impact on Italian non-MNEs’ survival in the service sector. (For more information, please contact: Anna Maria Ferragina, University of Salerno, Italy: aferragina@unisa.it)

Foreign Firms, Competition and Crowding Out
Evis Sinani, Copenhagen Business School
Bersant Hobdari, Copenhagen Business School

Multinational firms affect local firms in multiple ways. The empirical literature has focused on technology spillovers that are reflected in increased productivity of local firms. The theoretical literature, however, points to the crowding out of local firms as a major effect with only the surviving firms benefiting from productivity spillovers. Unlike previous studies we analyze the heterogeneous effect that foreign entry has on local firms, given their distance from the technological frontier. We employ a panel dataset of Czech firms in the manufacturing sector and find evidence of crowding out. We find that closeness to the frontier, stronger competition and higher foreign entry rate increase firm level productivity growth. In addition, higher foreign entry rate and foreign presence in the industry lead to higher exit rates. When differentiating between firms that are closer to the frontier from those that are further away we find that firms that are closer to the efficiency frontier benefit more from foreign firms than firms that are farther from the frontier. These firms have greater absorptive capacity, which is essential in evaluating, assimilating and exploiting the new technologies that multinationals bring. They also experience lower exit rates compared to firms farther from the frontier. (For more information, please contact: Evis Sinani, Copenhagen Business School, Denmark: es.cees@cbs.dk)

Inward FDI and Economic Growth: The Role of Home and Host Country Institutions
Fabienne Fortanier, University of Amsterdam
Sarianna Lundan, University of Bremen
The empirical evidence from the past two decades on the growth consequences of FDI for host developing countries has been highly variable. This paper aims to complement the existing literature that focuses on the heterogeneity of host countries by simultaneously looking at the effects of the heterogeneity of both the home and host countries. We argue that the link between FDI and growth is influenced by the absolute levels of absorptive capacity and quality of institutions in the host country, as well as by the institutional and cultural distance between the home and host countries. Specifically, we expect that smaller institutional and cultural distances lower transaction costs and hence facilitate spillovers and knowledge transfer. Therefore, we expect to find a negative interaction effect between distance and FDI for economic growth. We test this idea on a comprehensive panel dataset including all major outward investors from 1989-2006. We find that indeed, formal institutional distance negatively influences the growth effects of FDI, but that informal institutional distance enhance the consequences of FDI for economic growth. A possible explanation is that a large distance can also point at a range of learning opportunities and institutional upgrading that may be derived from inward FDI. (For more information, please contact: Fabienne Fortanier, University of Amsterdam, Netherlands: f.n.fortanier@uva.nl)

Session: 3.1.7 - Competitive
Track: Track: 11 - Teaching International Business

Frameworks to Aid in Understanding the Global Expansion Process

Presented On: June 29, 2010 - 09:00-10:15

Chair: Harvey Arbelaez, Monterey Institute of International Studies

Soft Landing Curriculum of Entrepreneurship in Emerging Markets
Ye-Sho Chen, Louisiana State University
Edward Watson, Louisiana State University
Chuanlan Liu, Louisiana State University
Edgard Cornachione, University of São Paulo
Soushan Wu, Chang-Gung University

Soft landing is a process which helps a company from one country to land softly - without crashing, into the market of another country. The objective of the soft landing curriculum is to provide a platform for students at various levels (undergraduate, graduate, and executive education) and business communities to engage in entrepreneurship in emerging markets. The E. J. Ourso College of Business at Louisiana State University in U.S., in collaboration with its partners in emerging markets such as China and Brazil, has developed an action-oriented program to achieve this objective. The program enables the students and the Louisiana communities to explore business opportunities and develop new ventures in emerging markets. To perfect the curriculum, specific projects on emerging markets opportunities are pursued through the partnership with leading experts/organizations in the relevant areas. In addition to adding significant value to the development of the curriculum, each participant also helps in expanding the curriculum to its partners. (For more information, please contact: Ye-Sho Chen, Louisiana State University, USA: qmchen@lsu.edu)

The Use of Critical Thinking Through Writing to Teach International Business
Pedro Carrillo, Georgia State University

For the last three years we have introduced, first as a pilot, and now in place in all of our classes, the Critical Thinking through Writing (CTW) project in our International Business introductory course. We assign each student a country and an international business activity (Outsourcing, Off shoring, Foreign Direct Investment, Strategic Alliance, Licensing, Franchising, etc.), and the students must come up with a thesis combining any or several of the international business activities with the country assigned. They must support their theses with
research and at least one source must be an International Business Article from the country assigned. Drafts are reviewed and commented upon before the Final Term Papers are presented. This assignment has been developed based on the University's approach to CTW and the specific learning goals of the Business School. (For more information, please contact: Pedro Carrillo, Georgia State University, USA: pcarrillo@gsu.edu)

A Humanities Approach to Aid in Understanding the Global Expansion Process
Harvey Arbelaez, Monterey Institute of International Studies

A longer view to understanding the roles of economic and political analyses sought to articulate and balance the global expansion process may be attained with the help of humanities as seen and interpreted through art and languages respectively. As a result, the pedagogical topic focuses in providing illustrations of events recorded by the “other” historians whose symbolic masterpieces represent paintings with neat political implications that transcend time. Also, a focus on the ambivalences found sometimes in words serve the purpose of examining the significance of interpretation at the time of assessing drivers of country and political risk analyses. (For more information, please contact: Harvey Arbelaez, Monterey Institute of International Studies, USA: harvey.arbelaez@miis.edu)

Teaching International Business to MBA’s: A Comprehensive Class Project to Plan for Global Expansion
Janell D. Townsend, Oakland University

The topic of this proposal is a teaching tool that provides a framework for the application of theoretical principles covered in MBA level International Business (IB) classes. A number of exercises are incorporated sequentially into a course long project that is intended to stimulate thinking and the generation of knowledge about global business opportunities. (For more information, please contact: Janell D. Townsend, Oakland University, USA: townsend@oakland.edu)

Session: 3.1.8 - Competitive
Track: Track: 2 - International Marketing Management and Supply Chain

International Supply Chains

Presented On: June 29, 2010 - 09:00-10:15

Chair: Masaaki "Mike" Kotabe, Temple University

An Exploratory Analysis of Sustainability and Supply Chain Logistics for Emerging Markets
Cornelia Droege, Michigan State University
Hamieda Parker, University of Capetown
Anthony Ross, Michigan State University

The purpose of this paper is to explore logistics infrastructure, the environment, and trade performance at the country level within the overall framework provided by Sustainability Modernization Theory. Measures of technical and scale efficiency are used to explore several important relationships. Technical efficiency measures determine how well trade dimensions (as outputs) are generated from the inputs used; scale efficiency measures the extent of disadvantage that some countries may face relative to others. Finally, using a reference set analysis of the results, it is possible to make regional comparisons by trading bloc and to suggest directions for efficiency improvement. (For more information, please contact: Anthony Ross, Michigan State University, USA: rossant@bus.msu.edu)
What is Offshorable? Can Activities Close to the Core Be Offshored?
Torben Pedersen, Copenhagen Business School
Esmeralda Linares-Navarro, University of Valencia
José Pla-Barber, University of Valencia

As companies are outsourcing and offshoring more and more advanced activities a debate have emerged on the limits of outsourcing and offshoring. Can the real core activities also be outsourced and offshored? In this paper, we argue that the core activities are becoming slimmer and essential activities that previously might have been considered as core activities are detached from the core activities and becoming offshorable. Companies will typically keep the distinctive core activities in-house and close to the headquarter, while other activities that are essential to the company’s competitive advantage and close to the core activities can be offshored. We propose that these essential activities will be offshored to own subsidiaries (captive offshoring), while the offshoring of non-core activities will involve an independent supplier. Furthermore, we argue that this will be even more pronounced in knowledge-intensive firms where interfaces between the different activities are less standardized. By analyzing a sample of 530 offshoring operations of 263 multinational companies from 15 different European countries, the results confirm our hypotheses and show that some activities closer to the core (essential activities) are offshored using a captive mode and that this is more pronounced in knowledge-intensive companies. (For more information, please contact: Esmeralda Linares-Navarro, University of Valencia, Spain: esmeralda.linares@uv.es)

Offshoring of Remote Services - International Investigation on Perception and Adoption in a B2B-Setting
Stefanie Paluch, TU Dortmund University
Thomas Wittkop, Business and Information Technology School

Modern information technologies alter not only the nature of services and their delivery process but also facilitate the internationalization of companies. The technology-mediation of services is changing the interaction at the interface between service provider and customer. Increasingly more companies offer remote services in B2B-settings that are provided from a distance, which imply a reduced personal contact between provider and customer. The offshoring of services and consequently the transformation from close personal contact to technology-mediated interaction is challenging the service provider and the customer. Against this background, this research focuses on the exploration of a new type of technology mediated services so-called remote service in a B2B context, central factors that determine the perception and evaluation of the service including customer’s expectations and the impact of remote services on marketing and the customer relationship management. Additionally this research will generate valuable managerial implications for remote service providers and that help to enhance the service perception, the usage behavior and the strengthening of customer-provider relations. (For more information, please contact: Stefanie Paluch, TU Dortmund University, Germany: stefanie.paluch@tu-dortmund.de)

Export Channel Integration and Performance Implications: A Contingency Approach
Fernando Robles, George Washington University

Adopting the lenses of transaction cost, agency, internationalization process, and resource-based theories, we propose a contingency model to explain the link between export channel integration and performance. The contingency model resolves prior inconsistent results in the export literature regarding the effectiveness of export channel integration. The paper suggests theory-based matching strategy for four contingencies based on levels of environmental uncertainty and similarity. Export channel integration is effective under conditions of high market similarity and either low or high environmental uncertainty. Under other conditions, exporters should not integrate. We discuss these with suggestions for research, and for managers developing international strategy. (For more information, please contact: Fernando Robles, George Washington University, USA: roblesf@gwu.edu)
**Session: 3.1.9 - Competitive**  
**Track: Track: 10 - SMEs, Entrepreneurship, and Born Global**

**Innovation and Internationalization**

**Presented On:** June 29, 2010 - 09:00-10:15

Chair: John Mezias, University of Miami

*Innovation in the Family Enterprise: Characteristics Affecting Exploration versus Exploitation Decisions*

Irem Demirkan, Northeastern University  
Denise R. Dunlap-Hinkler, Northeastern University  
Ravi Sarathy, Northeastern University  
DAVID L. Deeds, University of St. Thomas

Do family-owned firms tend to be less willing to take on new, novel exploration activities? If so, what factors might contribute to favoring risk-aversive behavior? We develop a theoretical framework that examines how (1) family control characteristics, including the level of family governance and ownership and (2) family relationships with outside partners and employees, together, uniquely influence family firm ambidexterity, namely, the firm's ability to the balance investments in exploration (risk taking, innovation) and exploitation (refinement of existing innovation) activities. We suggest that the family firm's cultural and institutional context also plays a significant role in determining its choice to pursue exploration versus exploitation activities. We conclude with implications for theory and practice. *(For more information, please contact: Denise R. Dunlap-Hinkler, Northeastern University, USA: d.dunlaphinkler@neu.edu)*

*Small and Family Businesses in the Time of Economic Downturns: A Global Strategic Perspective*

Nini Yang, San Francisco State University

This study takes a strategic approach to international entrepreneurship with special attention to small and medium-sized enterprises as these organizations strive to survive in the increasingly intertwined and often volatile global marketplace. Key factors examined include some unique characteristics of small and family businesses (e.g., entrepreneurial vision, entry niche, resources and capabilities, major challenges, and strategic options to go international) and social institutional variables (e.g., culture, economic system, government regulations, and institutional reforms both at home and abroad), which may assist or hamper an entrepreneur's capability to create, build, and expand a new venture within the national context or across borders. The primary focus of the study is to explore how small and family businesses triumph over barriers in the time of economic downturns. It expands prior research on entrepreneurship by developing a contextual global strategic framework for entrepreneurial firms. Country-firm specific examples are incorporated to illustrate ways to assess and exploit market opportunities, including firm registration procedures and costs, capital formation, and fund raising. Through this endeavor, the study provides practical implications for small business owners and managers as they attempt for resource acquisition and capability development, particularly in the rapidly globalizing industries. Practical implications are discussed and suggestions for future research provided. *(For more information, please contact: Nini Yang, San Francisco State University, USA: nyang@sfsu.edu)*

*Upgrading Trajectories: Impact of Strategic Orientation and Intra- and Extra-Industry Ties on Process and Intra-Chain Upgrading among SMEs*

Poh-Lin Yeoh, Bentley University

How does strategic orientation matter for companies in an emerging economy? This study attempts to answer this question through a study of 413 electronic component companies in Malaysia. A conceptual model is
proposed that links strategic orientation, learning orientation, intra and extra-industry ties, innovativeness in terms of process and intra-chain upgrading, and firm performance. The results reveal that the three types of strategic orientation: market, innovative, and entrepreneurial facilitate process upgrading. However, market and entrepreneurial orientation had a greater impact on intra-chain upgrading. Firms emphasizing an intra-chain upgrading strategy benefitted from both intra-and extra-industry ties while intra-industry ties had a stronger impact on process upgrading. Additionally, the mediating effects of learning orientation suggest differential outcomes on firms’ upgrading strategies. Learning orientation fully mediates the relationship between market orientation and process upgrading, and partially mediates the relationship between innovative orientation and process upgrading and entrepreneurial orientation and both process and intra-chain upgrading. Both process and intra-chain upgrading affected firm performance differently. Depending on the firm’s upgrading strategies, the findings have significant implications on how firms should strategize to boost innovativeness and achieve competitive advantage. (For more information, please contact: Poh-Lin Yeoh, Bentley University, USA: pyeoh@bentley.edu)

Understanding Pre-export Behaviour among Small and Medium-sized Firms in New Zealand: Towards a Model of Export Readiness
Stephan Gerschewski, Victoria University of Wellington
Elizabeth L Rose, Aalto University
Joanna Scott-Kennel, Victoria University of Wellington

Relatively few studies have examined firms’ internationalisation readiness. In this paper, we focus on exporting and examine the pre-export behaviour of small and medium-sized enterprises (SMEs), developing a conceptual framework for export readiness. The framework integrates several strands of literature by incorporating a consideration of export stimuli, information and planning, firm strategy, and network relationships. We develop hypotheses associated with the framework, and test them on a sample of 96 manufacturing SMEs in New Zealand. Our results reinforce the notion that export readiness is a multi-faceted construct. We find that proactive export stimuli are especially relevant for our understanding of export readiness. Moreover, we find fairly strong support for a positive relationship between export readiness and export performance. Our study suggests that traditional concepts of the internationalisation process, such as domestic expansion prior to exporting, are not necessarily required for being “export ready”. (For more information, please contact: Stephan Gerschewski, Victoria University of Wellington, New Zealand: stephan.gerschewski@vuw.ac.nz)

Session: 3.1.10 - Panel
Track: Track: 6 - Innovation and Knowledge Management

Modularization, Integration Capabilities and Innovation

Presented On: June 29, 2010 - 09:00-10:15

Chair: Ronaldo Couto Parente, Rutgers University
Chair: Ram Mudambi, Temple University

Introduction: Modularization, Integration Capabilities and Innovation
Ronaldo Couto Parente, Rutgers University

Modularization amid Integrity
John Paul MacDuffie, University of Pennsylvania

Institutional Anchors in Recombining Knowledge Networks in Emerging Markets
Gerald A. McDermott, University of South Carolina
Modularization from a European Perspective  
Arnaldo Camuffo, Bocconi University

Modularization, knowledge-intensive activities and the organization of the firm  
Ram Mudambi, Temple University

This panel draws attention to the need to reframe the concept of modularity as a strategic approach that facilitates integration and innovation while helping firms to develop these capabilities. As such, each of the participants in the panel will contribute with their expertise and knowledge of how modularization is being implemented and operationalized in different contexts in the world (e.g., Brazil and Latin America, US, Europe, and Asia) in line with the discussion of the following research questions: 1) How can we define modularity / modularization in the context of global supply chain management and more specific as it relates to the manufacturing of products with integral design architecture (e.g. automobiles)? 2) How does modularization help firms to develop integration capabilities? 3) How does modularization relate to innovation? (For more information, please contact: Ronaldo Couto Parente, Rutgers University, USA: rparente@camden.rutgers.edu)

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Session: 3.1.11 - Interactive  
Track: Track: 1 - Institutions, Governance, and CSR

Institutions and Institutional Logics in IB

Presented On: June 29, 2010 - 09:00-10:15

Chair: Heather Berry, University of Pennsylvania

The Effects of Foreign MNC Investment on Informal Environmental Institutional Change in Developing Countries  
Trevor Hunter, University of Western Ontario  
Andreas P.J. Schotter, Thunderbird School of Global Management

On December 14, 2009, representatives from 135 developing countries including China, Brazil and India staged a walkout at the United Nation’s climate summit in Copenhagen, Denmark. The protest marked the climax of long run disputes between poor nations and rich nations over emission cuts and insufficient financial aid for environmental protection activities. Previous warnings of some lobbyists that the competition for more FDI creates a “race to the bottom” in poorer countries seem to be warranted. Past research has tried to determine if there is a relationship between FDI and the natural environment mainly by examining regulatory change. This paper argues that regulatory change only reflects one aspect of a country’s environmental institutional profile. A more appropriate way to determine if real change in a society’s concern for the environment has occurred due to increased FDI is to examine whether there has been informal (i.e. cultural-cognitive and normative) institutional changes since they better reflect the norms and values of a society at large. Using data from 1995 to 2000, informal institutional change is measured across eight developing countries and the relationship between FDI and informal environmental institutional change is identified. (For more information, please contact: Andreas P.J. Schotter, Thunderbird School of Global Management, USA: andreas.schotter@thunderbird.edu)

Do Home-Country Characteristics Matter for FDI Performance? An Institutional Theory Perspective  
Korcan Kavusan, Singapore Management University  
Burkhard N. Schrage, Singapore Management University

Prior research in International Business has largely assumed homogeneity between MNCs’ home-countries. Our study questions this assumption and investigates under which conditions home country effects are conducive to
increased FDI performance. Using a sample of 130 cross-border merger & acquisition transactions and adopting an institutional theory perspective, we find that FDI’s emanating from countries that have a common-law legal system and higher national competitiveness levels performed better than FDI from countries that have non-common-law legal systems and lower levels of national competitiveness. (For more information, please contact: Burkhard N. Schrage, Singapore Management University, Singapore: bschrage@smu.edu.sg)

Institutional Logics and Organizational Performance
Jack Clampit, University of Memphis
Ben L. Kedia, University of Memphis
Nolan T. Gaffney, University of Memphis

This year’s AIB theme is “International Business in Tough Times”. The global financial crisis offers a compelling example of modern institutional failure that highlights the importance of gaining a better understanding of the institutions that underpin our thoughts and actions. The study of institutions, of course, is not new to our field. Institutional theorists in international business often ask why organizations are generally productive in some societies but not others, a question that is of critical importance as it directly relates to a society’s standard of living (Dunning & Lundan, 2008; Peng, 2008). A common answer is: “they have different institutions”. The question, then, is why societies have different institutions. Rather than focusing on differences, organizational theorists and sociologists operating on a lower level of analysis ask why organizations are so similar (DiMaggio & Powell, 1983; Meyer & Rowan, 1977). Implicitly, the two ideas are related. We argue that to properly answer the former questions, one must formally integrate insights from those focused on the latter. (For more information, please contact: Jack Clampit, University of Memphis, USA: jclampit@memphis.edu)

Nikolaos P Papageorgiadis, Uppsala University
Adam R Cross, University of Leeds

How to measure the effect of institutions is a topic that has received insufficient theorising and discussion in international business literature. Using the institution of intellectual property rights (IPR) protection as an example we apply institutional theory to conceptualise the different aspects of the institutional system of IPR (ISI). We then apply a transaction costs rationale to identify those aspects of the institution that cause friction to firms engaging within it. We use this analysis to propose elements that need to be better captured when measuring the effect of the ISI. We argue that this approach could be applied for the measurement of other institutions that shape international business activity. (For more information, please contact: Nikolaos P Papageorgiadis, Uppsala University, Sweden: nikolaos.papageorgiadis@fek.uu.se)

Corporate Hybrids and the Co-evolution of Institutions and Enterprise in China
Simon Collinson, Warwick Business School

This paper examines two forms of ‘hybrid’ enterprises identified in China during two independent empirical studies. Both studies focused on international joint-ventures (IJVs) to understand how foreign and indigenous organisational structures, management styles and incentive mechanisms were combined and evolved through the influence of both parent firms. Alongside these foreign-local hybrids, Chinese state-owned-enterprises (SOEs) were found to be a different form of public-private hybrid as they fulfil public sector contracts but also operate in the private sector. Examples from the automotive and aerospace show how varying levels and mechanisms of Government intervention, within a broader context of ‘marketization’, provide explanations for the emergence and evolution of both forms of hybrid. Each exhibits significant variety in terms of governance structures, incentive systems and resource-allocation mechanisms. For IJVs the mix of internal processes and routines, the division of strategic responsibilities and external network linkages all reflect the dominance of one
or other parent firm regarding each of these characteristics. For SOEs the coincidence of interests between enterprise and government agency determine the level of government control, linking internal capital allocation mechanisms, decision-making priorities and incentives to outside combinations of ownership and governance. (For more information, please contact: Simon Collinson, Warwick Business School, United Kingdom: simon.collinson@wbs.ac.uk)

Institutional Environment in Oil and Gas Dependent Countries
Karlygash Dairabayeva, George Washington University
Scheherazade Rehman, George Washington University

This paper analyses the importance of institutional environment in countries rich and dependent on oil and natural gas. We apply a principal component analysis to nine indices measuring different dimensions of countries’ economic development, political progress, and social performance. The paper's finding is that corruption has a differential impact on business as opposed to political environment. In investigating the political environment, we found that the “electoral system” component, which combines such variables as a presence of electoral democracy, state of the country (free/not free) and whether the country is autocracy or democracy), in deed plays a significant role in the context of corruption and economic growth (an inverse relationship). (For more information, please contact: Karlygash Dairabayeva, George Washington University, USA: karly@gwmail.gwu.edu)

A Measure of Comparative Institutional Distance
Jasper Hotho, Copenhagen Business School

Three varieties of institutionalism currently dominate International Business studies: new institutional economics, new organizational institutionalism, and comparative historical institutionalism. Yet currently applied measures of institutional country distance predominantly build on the thought of the first two strands of institutionalism. This paper sets out to address this under-representation of comparative historical institutional thought in currently available measures of institutional distance. Building on Whitley’s business systems framework, a measure of institutional distance is developed and validated which captures intrinsic, substantive institutional differences in economic organization, rather than differences in institutional effectiveness. The results of the two-stage cluster analysis used to validate the selected indicators closely approximate the business systems typology, which is both indicative of the validity of this measure and of the distinctiveness of the business system types that make up the business system framework. (For more information, please contact: Jasper Hotho, Copenhagen Business School, Denmark: jjh.sm@smg.cbs.dk)

Session: 3.1.12 - Interactive
Track: 10 - SMEs, Entrepreneurship, and Born Global

Early Internationalization

Presented On: June 29, 2010 - 09:00-10:15

Chair: Susan Freeman, University of Adelaide

The Role of Founders’ Immigrant Status in the Internationalization and Survival of New Ventures in High Technology Industries
R. Isil Yavuz, University of Minnesota

In this paper, I propose that immigrant status of entrepreneurs play an important role in early internationalization and survival of new ventures in high technology industries. Integrating the behavioral theory
of the firm with the liabilities of foreignness literature, my theoretical model questions the old assumption that foreignness is a liability, and asserts that highly skilled immigrant entrepreneurs may benefit from their “outsider” status (i.e. relatively limited knowledge and social embeddedness in their country of adoption) when entering and operating in foreign markets. The model also explicates the mediating roles of new venture resource configuration and sources of financing in the relationship between founders’ immigrant status and early internationalization. Implications and future research directions are discussed. (For more information, please contact: R. Isil Yavuz, University of Minnesota, USA: yavuz002@umn.edu)

Effectual Logic in Entrepreneurial Decision Making: Timing as a Contingent Effect
Qian Gu, National University of Singapore
Virginia Cha, National University of Singapore

This study adds empirical support to the theory of effectuation with the use of 19 in-depth, semi-structured case interviews of professionals who spun-out from their IT service employers to form new ventures. The theory of effectuation or effectual reasoning is advanced by Sarasvathy (2001) as the logic used by entrepreneurs as an alternative decision-making heuristic to causal reasoning. The study confirmed use of effectual logic, inclusive of novice entrepreneurs. The study also exposed a distinct condition in that the timing of the decision relative to entrepreneurial action predisposes the entrepreneur in the logic in use during the opportunity recognition process. The study also found a linkage between the logic in use and the type of new venture founded. The effectual group created ventures with available means and stayed close to the IT service industry. (For more information, please contact: Qian Gu, National University of Singapore, Singapore: guqian@nus.edu.sg)

Foreign Partnerships with Chinese SMEs: How Much Do They Help
Michael Louis Troilo, University of Tulsa

Much study has examined international joint ventures between foreign and Chinese firms, but less attention has been devoted to the impact of foreign partnerships on Chinese SMEs from the Chinese perspective. I analyze the relationships among foreign partnerships, innovation, and firm profitability and I find that only new product innovation and new quality controls are both directly affected by having a foreign partner and also has a positive and significant effect on earnings. I also find that having a foreign partner and new production innovation is beneficial to both new and established SMEs. These findings add nuance to the current literature on Chinese SMEs. (For more information, please contact: Michael Louis Troilo, University of Tulsa, USA: mike-troilo@utulsa.edu)

Innovation and Market Orientation in China’s Transitional Economy
Li Cai, Jilin University
Qing Liu, Jilin University
William H.A. Johnson, Penn State University - Erie

Market orientation and innovation are important for economic growth. We examined market orientation, innovation radicalness and propensity towards risk-taking in the unique context of China's transitional economy. Analysis of 235 responses from Chinese new ventures created during the past 8 years suggests that innovation radicalness is affected by both responsive and proactive market orientation. Propensity towards risk-taking also positively affected innovation radicalness. Results on responsive market orientation are counter to findings in Western contexts such that the implications of these findings are useful to better understanding and managing innovation and entrepreneurship in transitional economies, particularly in the Chinese context. (For more information, please contact: William H.A. Johnson, Penn State University - Erie, USA: whj1@psu.edu)
Global Capabilities and International Agent Performance  
Huiping Li, Ramapo College of New Jersey

International business research generally focuses on large multinational corporations, with smaller businesses being less studied, despite their importance to the world economy. We conduct a multi-level examination of a small business in twenty-nine countries involving thirty-one agents in order to understand four global capability factors that contribute to international agent performance: responsiveness capability, coordination capability, intercultural competencies and communication. We find that agent intercultural competencies and activity-related communication positively relate to both activity-level performance and agent-level financial performance. Partial support is found for variables representing coordination capabilities and responsiveness capabilities, with each being significant in one analysis. (For more information, please contact: Huiping Li, Ramapo College of New Jersey, USA: hli@ramapo.edu)

An Empirical Examination of the Levels of Innovativeness, Proactiveness and Risk-Taking Required for SME International Scope  
Vladislav Maksimov, Georgia State University  
Li Dai, Texas A&M University  
Brett Anitra Gilbert, Texas A&M University  
Stephanie Fernhaber, Iowa State University

The innovativeness, proactiveness, and risk-taking dimensions of entrepreneurial orientation are posited to be independent tools that differentially impact a firm’s ability to attain international scope. Survey data collected through the National Small Business Poll on International Trade from 500 SMEs across ten industries offer interesting results. The levels of innovativeness, proactiveness and risk-taking needed to attain international scope varied greatly, and were not always associated with the highest levels of the dimensions. The innovativeness and proactiveness dimensions exhibited a U-shaped relationship with international scope. In contrast, risk-taking was positively related to international scope to a point, but too much risk-taking had negative implications. The results confirm that entrepreneurial orientation dimensions can exhibit differential effects and should be assessed as independent predictors in complex entrepreneurial processes such as internationalization. (For more information, please contact: Brett Anitra Gilbert, Texas A&M University, USA: bagilbert@mays.tamu.edu)

Founder Prior Employer’s Industrial Network Position and International New Venture’s Learning Capability  
Kangyong Sun, University of Minnesota  
R. Isil Yavuz, University of Minnesota

In this paper, we propose a social network perspective of the effect of entrepreneurs’ career histories on international new ventures’ learning capabilities and growth in international markets. Distinctive from previous studies that emphasized what or how much an entrepreneur’s experience is, we focus on where an entrepreneur gets her/his experiences from. Drawing on the social network perspective, we argue that prior employers differ in their structural positions in the global industrial network, and this difference will affect the nature of the experience that entrepreneurs gained from their prior employers, which will in turn influence their INVs’ learning capability and international growth. Using “prominence” to capture the difference in structural position in a global industrial network, we propose that the greater the prominence of an INV’s founder team’s prior employers in the global industrial network, the greater the INV’s learning capability and international growth will be. Furthermore, we propose that the effect of prominence may vary depending on how the prior employer firms coordinate their global operations. (For more information, please contact: R. Isil Yavuz, University of Minnesota, USA: yavuz002@umn.edu)
Knowledge Transfer in the MNC

Presented On: June 29, 2010 - 09:00-10:15

Chair: Ulf Andersson, Copenhagen Business School

How Parent-Subsidiary Relationship Encourages Subsidiary-Driven Innovation and Performance in Korea

Yun-Ah Song, Yonsei University
Young-Ryeol Park, Yonsei University
Jung-Min Park, University of Ulsan

In this paper, we develop a model of subsidiary innovation to shed light on the relationship between MNC parent and subsidiary. Subsidiary innovation is classified along two domains: “subsidiary-driven innovation” and “parent-driven innovation”. Drawing on network and dynamic capability perspectives, we identify the three constructs influencing the subsidiary’s innovation; (a) subsidiary leadership, (b) search on knowledge from inward-looking and outward-looking, (c) organizational size. And we pick the environmental dynamism as a moderator between subsidiary-driven innovation and innovative performance. To test the hypotheses, we collected 250 data from 541 Korean subsidiaries which belong to the industries of the manufacturing and service from MNCs worldwide. The following results have been emerged. First, when the subsidiary’s TMT is comprised with the different nationality from the parent’s and the subsidiary has innovative leadership, the subsidiary-driven innovation is more actively generated than parent-driven innovation. Second, subsidiary-driven innovation is actively pursued when the subsidiary looks for the knowledge sources from the external partners rather than within MNCs. Third, the relationship between the subsidiary’s relative size and the subsidiary-driven innovation is an inverted U-shaped curve. Finally, the interaction between subsidiary-driven innovation and the environmental dynamism gives the positive effect on the innovative performance. (For more information, please contact: Yun-Ah Song, Yonsei University, Korea, South: yunahsong@yonsei.ac.kr)

Innovation Initiatives by MNE Subsidiaries: An Integrated Research Framework

Vitor Corado Simões, ISEG, Universidade Técnica de Lisboa

The multinational enterprise (MNE) is increasingly envisaged as a repository of knowledge, organised as a differentiated network. To thrive in a globalised World where knowledge assets are increasingly relevant and where open innovation is gaining ground, the traditional ‘command-and-control’ approach does not work. Being present at different locations, MNEs are better prepared to identify, access, meld, and share specific knowledge assets. This requires a new perspective of subsidiary management. Subsidiaries can no longer be envisaged as ‘passive pawns’, just complying with headquarters commands. To assimilate technological and market knowledge from the environments where they are located, subsidiaries should enjoy some autonomy and behave as active furtherers of global MNE competitiveness.

Drawing on the research on subsidiary initiatives, on subsidiary roles, and on MNE knowledge creation and sharing, a set of research propositions will be developed. This will lead to design an integrated framework for studying innovative initiatives taken by MNE subsidiaries. Such framework is, at a later stage, expected to define the charter for empirical research aimed at increasing our understanding of subsidiary behaviour and contributing to define the key junctures in the process of emergence, implementation and replication of subsidiary innovation initiatives. (For more information, please contact: Vitor Corado Simões, ISEG, Universidade Técnica de Lisboa, Portugal: vcs@iseg.utl.pt)
Subsidiary Transfer Competence and Rent-Seeking Behaviour
Francesco Ciabuschi, Uppsala University
Henrik Dellestrand, Uppsala University
Philip Kappen, Uppsala University

In this paper we argue that subsidiary technology transfer competence is a determinant of subsidiary bargaining power, and that subsidiaries can exploit such power to pursue their own ends. We suggest that this kind of behaviour, rent-seeking, can manifest itself in intra-firm relationships. An empirical analysis, using Three Stage Least Squares, is performed comprising intra-firm technology transfers among MNC subsidiaries providing general support for the predictions. Consequently, this paper advances the understanding of subsidiary sources of power within the MNC and organizational determinants of rent-seeking. (For more information, please contact: Francesco Ciabuschi, Uppsala University, Sweden: francesco.ciabuschi@fek.uu.se)

Cross-Border Knowledge Transfer of MNCs in China: Moderating Roles of Power Distance and Uncertainty Avoidance
Xiaojun Xu, Fudan University
Isabel W. Ng, Fudan University

The current study examines the effects of cultural dimensions such as power distance and uncertain avoidance on the relationships between MNCs’ headquarters' knowledge dissemination willingness, richness of two types of knowledge transfer channels (socialized and formal), and knowledge transfer effectiveness during knowledge transfer in China. The sample consists of subsidiaries of 219 MNCs in China. Results indicate that both power distance and uncertain avoidance can weaken the positive relationship between richness of social knowledge transfer channels and knowledge transfer effectiveness. Directions for future research and strategies for MNCs to improve knowledge transfer effectiveness to their subsidiaries in China are discussed. (For more information, please contact: Xiaojun Xu, Fudan University, China: xuxj@fudan.edu.cn)

The Critical Role for Knowledge Brokerage: Knowledge Transfer between the Parent and Subsidiaries with Social Network Analysis
Yvonne Ho, Tamkang University

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)

Superstar Subsidiaries of the MNC - In Search of Origins and Underlying Drivers
Katarina Blomkvist, Uppsala University
Philip Kappen, Uppsala University
Ivo Zander, Uppsala University

The present paper address the lack of attention to long-term, evolutionary developments in technologically advanced foreign subsidiaries of the MNC. It has especially explored the origins and drivers of those foreign
subsidiaries that develop significant and outstanding capabilities to generate new technologies and contribute to the strategic renewal to the multinational group. More specific, it illustrates the evolution of two superstar foreign subsidiaries of two Swedish multinationals, the German operations of ball bearing manufacturer SKF and the U.S. operations of agricultural equipment producer Alfa Laval, and is a very first attempt to come to better grips with the phenomenon. The investigation extends over the period 1890-2008, and shows that there are a number of factors need to coincide for a foreign subsidiary to develop superstar status, and missing out on any of the individual factors will significantly hamper its ability to break out of the frame of the average foreign subsidiary. (For more information, please contact: Katarina Blomkvist, Uppsala University, Sweden: katarina.blomkvist@fek.uu.se)

Organizational Values and Knowledge Sharing in a Multinational Corporation
Snejina Michailova, University of Auckland
Dana Minbaeva, Copenhagen Business School

This paper examines the influence of organizational values on knowledge sharing. We particularly focus on the role of dialogue for intra-organizational knowledge sharing behavior in MNCs. We utilize the distinction between espoused, enacted and internalized organizational values and hypothesize that a higher degree of internalization of the value of dialogue results in a higher degree of knowledge sharing among organizational members within the MNC. We test and confirm the hypothesis on the basis of a study which took place from 2003 to 2007 and which sequentially utilized content analysis, insider observations and a survey among multiple respondents in a single MNC. (For more information, please contact: Dana Minbaeva, Copenhagen Business School, Denmark: dm.smg@cbs.dk)

Contextual Influences on Reverse Knowledge Transfer: A Multiple Case Study on Disparate Contexts
Peder Veng Søberg, Linnaeus University
Niklas Åkerman, Linnaeus University

Further development of theories about how contextual factors influence the beneficial reverse knowledge transfer from subsidiary to head quarters in disparate national country contexts, is the aim of our study. Earlier studies do not fully capture the different effects national country cultures can have on reverse knowledge transfer as opposed to their influence on primary knowledge transfer. The study is an in-depth, interview based, multiple case study in Scandinavia and China focusing on R&D transfer to China within two Scandinavia-based MNCs, which are leading within their industries. A proposition model is developed where the dependent variable is beneficial reverse knowledge transfer. The independent variables are: higher relative knowledge level in subsidiary than in HQ, authority respect, activity fit with contextual learning preference. The conclusion suggest that different contexts promote different learning preferences and possibly complementarities may exist between these. Furthermore, double loop learning is not required for beneficial reverse knowledge transfer. (For more information, please contact: Niklas Åkerman, Linnaeus University, Sweden: niklas.akerman@lnu.se)
Managing in Emerging Markets

Presented On: June 29, 2010 - 09:00-10:15

Chair: Fabian Jintae Froese, Korea University

Human Resource Management - Differences from National and Multinational Companies in Brazil
Betania Tanure, Pontifical Catholic University of Minas Gerais
Paul Evans, INSEAD
Vera L. Cançado, Faculdades Pedro Leopoldo

The objective of this paper is to compare HRM performance between national and multinational companies in Brazil. We employed Tanure, Evans and Pucik’s “Four Faces of HRM” model to collect and interpret our data. They classified the faces of HRM as: executor, builder, change partner, and navigator. We analyzed data from both quantitative and qualitative research. We used secondary data from a survey of 173 CEOs from the 500 largest companies in Brazil. We also compared two case studies of companies operating in Brazil: one of a national company (NC) and the other of a multinational company (MC). The survey results showed that the CEOs consider that the executor face predominates in Brazilian national companies; and that the builder face predominates in multinational companies, followed by the change partner face. The results of the empirical case studies seem to confirm the survey's results: in NC, HRM is classified as the executor and in MC as the builder, and to a lesser extent, as the change partner. (For more information, please contact: Vera L. Cançado, Faculdades Pedro Leopoldo, Brazil: vcancado@gmail.com)

A study on the Impact of culture on work motivation between Indian and Korean employees
Hyeong-Deug Kim, Simon Fraser University
T.J. Kamalanabhan, Indian Institute of Technology Madras

This paper examines how cultural variations affect the motivation of Indian employees of Indian companies in India (INDIAN), Indian employees of Korean companies in India (INDO-KOREAN), and Korean employees of Korean companies in Korea (KOREAN). We sampled 514 employees. The Friedman’s test proved significant differences in rank orders of the motivational factors among the groups. Hierarchical regression analysis showed that culture played a moderating effect between the factors of motivation and overall motivation in the combination of INDIAN and KOREAN. Cultural interaction with feedback showed the significant moderating effect in the regression and the implications for cross-cultural motivation approaches are discussed. (For more information, please contact: Hyeong-Deug Kim, Simon Fraser University, Canada: hdkim@sfu.ca)

Globalization and the Rise of Work-Family/Family Work Conflict in India
Grishma Shah, Manhattan College

Economic changes brought forth by liberalization policies, complemented by the benefits of the demographic dividend, have set the stage for unprecedented transformation in India. The ever-increasing urban middle class in their 20s and/or early 30s has led to a dominance of dual income earning households in globalized urban centers (Aryee, Srinivas & Tan, 2005; Bharat 1995). The nature of fast-paced, demanding urban living suggests that as more and more individuals, both men and women enter the workforce, their lives will be greatly strained by the constant tug of war between work and family. While much attention has been focused on scrutinizing the breakdown of the traditional Indian family and the imminent conflict between balancing both work and family because of this breakdown, empirical research on the effects of economic globalization on work and family values in India is greatly lacking. Accordingly, this work surveys more than 1000 young individuals in India to
understand the impact of globalization on work-family and family-work conflict. Results suggest that while globalization will worsen work-family-family work conflict in India, greater socio-economic status my aid in mitigating the negative effects of the conflict and aid in work-family facilitation. (For more information, please contact: Grishma Shah, Manhattan College, USA: grishma.shah@manhattan.edu)

A Cross-Cultural Examination of the Relationship between Mentor-Protégé Similarity and Mentoring Relationship Quality in India and the U.S.

Aarti Ramaswami, ESSEC Business School
George Dreher, Indiana University

Based on social identity theory, similarity-attraction theory, and concepts from the diversity and cross-cultural management literatures, this study examined the differential relationships of mentor-protégé gender-similarity, socio-cultural-similarity, and global attitude/personality similarity with mentoring relationship quality among Indian and U.S. professionals and managers. The results indicated that gender similarity was more strongly related to relationship quality in India than in the U.S., and global similarity was more strongly related to relationship quality in the U.S. than in India. The findings are discussed from a cross-cultural perspective with theoretical and practical implications for cross-cultural management and human resource practice. (For more information, please contact: Aarti Ramaswami, ESSEC Business School, France: ramaswami@essec.fr)

Human Resource Management: A Conceptual Study in Indian Context

Roli Nigam, Université Laval
Zhan Su, Université Laval

With the opening up of the Indian economy, many Indian multinationals have started going abroad. This raises the question as to which culture do they follow in their western subsidiaries. The Indian HR practices and policies may not necessarily have the same effect or hold similar values in the western subsidiaries because of many cultural and institutional differences. Many studies have been made from the point of view of the western multinationals and their management. Now it becomes extremely important to make an attempt to understand the Indian management; and in addition to also realise in future the best strategy for optimal organizational performance. (For more information, please contact: Roli Nigam, Université Laval, Canada: rolinigam@gmail.com)

Doing Business in the Great China Area: The Roles of Guanxi and Renqing

Lung-Tan Lu, Fo Guang University

This paper aims to develop two conceptual frameworks, on the basis of Hwang’s (1987) model and the Justice Theory. The model suggested that Chinese may seek or reinforce Guanxi (tie) by three types of social ties, instrumental, mixed, and expressive. Therefore, resource allocators in Chinese society may distribute their powers to others with different social ties. The suggestions in this paper are as follows: (1) Chinese tend to build up Guanxi as their intangible assets, which may grow to be their core competence in doing business or in climbing business ladders; (2) the relationships between management styles and Justice Theory will be: the management style in Western Multinational Enterprises (MNEs) is close to the equity rule, while the management style in Chinese State-owned Enterprises (SOEs) is close to the equality rule, and the management style of the Chinese family enterprise is close to the need rule. (For more information, please contact: Lung-Tan Lu, Fo Guang University, Taiwan: ltlu@mail.fgu.edu.tw)
Employee Motivation and Employee Differentiation in Continuous Improvement: An Empirical Study in China
Roh Pin Lee, TU Bergakademie Freiberg
Michael Nippa, TU Bergakademie Freiberg
Andreas Klossek, TU Bergakademie Freiberg

The implementation of a sustainable continuous improvement (CI) program is particularly challenging in China, as traditional Chinese organizational cultures, management systems, and workforce characteristics tend to deter employee empowerment and participation. The research presented here, which is carried out in the Chinese plant of a leading multinational company, challenges the assumption of independency between employee motivation, ability and knowledge in the CI context. It illustrates the importance of focusing on developing employee ability to participate in CI activities as well as their knowledge of what they are expected to do in the CI context in order to encourage CI participation. Furthermore, the value of employee differentiation in enabling companies to gain insights into specific CI weaknesses that might deter CI participation is examined. (For more information, please contact: Roh Pin Lee, TU Bergakademie Freiberg, Germany: rohpin.lee@gmail.com)

Session: 3.2.1 - Plenary

2010 JIBS Decade Award

Presented On: June 29, 2010 - 10:45-12:00

Chair: Lorraine Eden, Texas A&M University

Honoree:
Jeffrey H. Dyer, Brigham Young University
Wujin Chu, Seoul National University

Commentators:
John Paul MacDuffie, University of Pennsylvania
Bill McEvily, University of Toronto
Harbir Singh, University of Pennsylvania
Aks Zaheer, University of Minnesota

Session: 3.2.2 - Competitive
Track: Track: 6 - Innovation and Knowledge Management

R&D Outsourcing and Offshoring

Presented On: June 29, 2010 - 10:45-12:00

Chair: Rajneesh Narula, University of Reading

Factors Determining Offshore R&D Project Location Choice: Nearshoring versus Farshoring
Mehmet Demirbag, University of Sheffield
Keith Glaister, University of Sheffield

This paper examines the impact of home and host country, industry and firm level variables on R&D project location choice between the MNE's home region and other triad regions. Based on a panel of data from 962 MNEs, the study employs the random effects probit method of estimation by using 1900 R&D projects offshored
by MNEs. At the country level, findings show that the R&D project wage difference between home and host countries, and knowledge infrastructure of host countries of R&D projects increases the propensity to farshore R&D projects (i.e. to locate in regions other than the MNE’s home region), however, de facto intellectual property protection in host countries increases the propensity to nearshore R&D projects (i.e. to locate in the MNE’s home region). At the firm level, the MNE’s previous international R&D experience with a particular technology is found to increase the propensity to farshore, while research intensity (as compared to development intensity) of projects increases the propensity to nearshore R&D projects. (For more information, please contact: Mehmet Demirbag, University of Sheffield, United Kingdom: m.demirbag@sheffield.ac.uk)

Why do Firms Locate R&D Outsourcing Agreements Offshore? The Role of Ownership, Location, and Externalization Advantages
Andrea Martinez-Noya, University of Oviedo
Esteban Garcia-Canal, University of Oviedo
Mauro Guillen, University of Pennsylvania

We examine the decision to outsource R&D services to an offshore supplier instead of a domestic one. Building on the OLI paradigm, we argue that the decision to outsource offshore an R&D service is dependent on: “ownership” advantages (governance capabilities); “location-specific advantages” offshore; and “externalization advantages” for the activities outsourced. Our hypotheses were confirmed using original survey data from European and U.S. firms in high-tech industries. We found that firms with more governance capabilities are the ones showing a higher propensity to offshore and that the specific location of the agreement is conditioned by the motivation to outsource. (For more information, please contact: Andrea Martinez-Noya, University of Oviedo, Spain: noya@uniovi.es)

Technological Capabilities and the Selection between Technology Offshore and Onshore Outsourcing
Annique Un, University of South Carolina

This paper analyzes how firms choose between onshore and offshore outsourcing of technology. I extend the knowledge-based view to argue that there is a tension between the ability and the need to offshore outsource technologies. I propose that firms with higher technological capabilities are more likely to onshore than offshore outsource the development of their technologies, because they have less need for different technologies for upgrading their learning capabilities. However, firms with lower technological capabilities that outsource the development of their technologies are more likely to offshore than onshore because offshore technologies provide greater dissimilarity than those available in the home country that can help them develop their learning capabilities and better compete with home-country competitors that have higher technological capabilities. (For more information, please contact: Annique Un, University of South Carolina, USA: annique_un@moore.sc.edu)
We investigated the determinants of subsidiary autonomy, focusing on the impact of subsidiary type. We proposed that autonomy results from HQ and subsidiary knowledge influences. Using transaction cost analysis, we hypothesized that bureaucratic behavioral controls, derived from HQ knowledge, constrain subsidiary autonomy by limiting opportunism. Using strategy literature, we constructed a theory-based typology of subsidiaries, incorporating a corporate strategy of related heterarchical diversification and hypothesized that autonomy is greater in subsidiary types that provide useful knowledge to the MNC. In 2000, we collected and analyzed survey responses of 313 CEOs of Australian subsidiaries of foreign-owned multinationals with parent companies in the USA, Canada, UK, Japan and the major European nations. We used cluster analysis to identify five subsidiary types. We used hierarchical regression analysis to test the hypotheses. The results supported the hypotheses. They also demonstrated the importance of knowledge asymmetries: bureaucratic behavioral controls were effective in subsidiary types where HQ-knowledge dominated but not in types dominated by subsidiary-generated knowledge. (For more information, please contact: Christina Cregan, University of Melbourne, Australia: ccregan@unimelb.edu.au)

**Dependence and Mutual Dependence in MNE/Subsidiary Relationships: The Effect of Subsidiary Role on Control**

Yves Plourde, University of Western Ontario
Michael Joseph Dominic Roberts, University of Western Ontario
Jean-Louis Schaan, University of Western Ontario

Building on Agency Theory and the Resource-Based View (RBV) of the firm, this study proposes that the nature of the interdependence between a MNE and its subsidiary influences the control mechanisms applied to that subsidiary by headquarters. We argue that three types of interdependence exist: MNEs can be highly dependent on a subsidiary; the MNE and the subsidiary can be mutual dependent (equally dependent); and the subsidiary can be highly dependent on the MNE. Based on these interdependences, we argue that MNEs balance the uncertainties associated with agency and resources. Using subsidiary role as a determinant of the nature of the interdependence, we test the impact of role on two control mechanisms: (1) the level of ownership, and (2) subsidiary staffing. Using ordinary least square regressions that we apply on a sample of 3,732 Japanese subsidiaries, our findings provide support that the nature of the interdependence influences formal and informal control mechanisms. Subsidiaries, for which MNEs are highly dependent, such as subsidiaries with world mandate roles, have higher formal and informal control mechanisms than subsidiaries with either of other two types of relationships. (For more information, please contact: Yves Plourde, University of Western Ontario, Canada: yplourde.phd@ivey.ca)

**Specialized Subsidiaries: When Offshoring Does Not Make Sense**

Carlos A. Rodriguez, McGill University

Geographical distribution of multinational corporations (MNC) activities has fostered the establishment of specialized business units that, with time, develop distinctive capabilities and resources that are relatively different from the rest of the firm. Along with the benefits of specialization (mostly derived from economies of scale and scope), the creation of separate units with specific objectives has created organizational tension between MNC subsidiaries. The current analysis proposes to explore variables that will incline the balance either to maintain disperse operations integrated as part of existing units or to consolidate operations in a specific subsidiary with more limited activity scope and greater geographical coverage. The analysis suggest that three factors: degree of specialization, redundancy of the subsidiary and local environment interaction need to be consider before the establishment of specialized subsidiaries. (For more information, please contact: Carlos A. Rodriguez, McGill University, Canada: carlos.rodriguez@mail.mcgill.ca)
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: Bjorn Ambos, WU Vienna, Austria: bambos@wu.ac.at)

**Session: 3.2.4 - Competitive**  
**Track: Track: 7 - Emerging, Transition, and Developing Economies**

*Industry Evolution Within Emerging Economies*

**Presented On:** June 29, 2010 - 10:45-12:00

Chair: Gerald A. McDermott, University of South Carolina

*Are Social Networks more Important for New Business Development in Emerging Than Developed Economies? An Empirical Test*

Wade M Danis, Georgia State University  
Dirk De Clercq, Brock University  
Olga Petricevic, Georgia State University

Varying institutional environments provide the foundation for a great deal of international business (IB) research yet relatively little empirical work has examined the association between institutional factors and new business development in emerging versus developed economies, although the importance of new business development for economic growth and development is widely acknowledged. Drawing from social network and institutional theories, we address this gap by comparing the effect of associational activity on the level of new business activity in emerging versus developed economies, and testing the thesis that associational activity is more important for new business creation in countries with low levels of institutional development. We find a positive relationship between associational activity and new business activity in both emerging and developed economies and we find that this relationship is stronger in emerging than developed economies. We also find that the higher institutional burdens that characterize emerging economies moderate the relationship between associational activity and new business activity whereas this effect is absent in developed economies. Our results extend prior work in this area by offering a more nuanced view of how social networks might be more instrumental in contexts characterized by weak institutions. (For more information, please contact: Wade M Danis, Georgia State University, USA: wdanis@gsu.edu)
Industrial Development through Tacit Knowledge Seeding: Evidence from the Bangladesh Garment Industry
Romel Mostafa, Washington University in St. Louis
Steven Klepper, Carnegie Mellon University

When vital production knowledge is tacit and cannot be generated indigenously, entrepreneurs rely on international transfer of the knowledge through on-the-job training. Once the initial seeding of tacit knowledge occurs, mechanisms concerning its inter-firm propagation allow other entrants to build capabilities. A theoretical model is developed to explain the characteristics of entrants that access the knowledge through the mechanisms and its impact on their performance. Empirical findings on two historical episodes of the Bangladesh garment industry support the model's predictions, indicating tacit knowledge seeding was essential for the initial establishment and subsequent expansion of the industry. (For more information, please contact: Romel Mostafa, Washington University in St. Louis, USA: mostafa@wustl.edu)

The 3G Wireless Technology Standard in China: A Game Theoretical Perspective
Minyuan Zhao, University of Michigan

As China considered the 3G standard for its large wireless communications market, the process evolved into a 10-year battle among multinational giants, indigenous firms and policy makers. This paper provides a game theoretical perspective on the strategies taken by various parties, and explains why the government's determination was not the only reason for the current outcome, i.e., the adoption of the home-grown standard TD-SCDMA. In fact, I argue that it was the fierce competition on the global market between the two major camps, WCDMA and cdma2000, that determined how the global giants reacted to the home-grown technology. In a sense, TD-SCDMA received important help from its direct competitors. By taking a game theoretical perspective, this study goes beyond the stereotyped understanding of government policies in emerging markets and brings deeper insight into the specific challenges and competitive scenarios faced by multinational firms entering these markets. (For more information, please contact: Minyuan Zhao, University of Michigan, USA: myzhao@umich.edu)

The Competitive Challenge of Emerging Markets: The Case of Medical Tourism
Peter Enderwick, Auckland University of Technology
Swati Nagar, Auckland University of Technology

Increasing globalisation of the healthcare sector suggests that there may be new competitive opportunities for emerging economies in this price sensitive sector. This paper examines the extent to which emerging economies, and in particular the four major Asian competitors – Thailand, India, Malaysia and Singapore – can compete successfully in the medical tourism sector. We evaluate this sector in terms of Porter's Diamond of National Competitiveness as well as considering the challenges that competitors must address. The primary challenges relate to attracting consumers, proving assurances of quality for a credence good, increasing scale while maintaining quality, addressing ethical issues and moving beyond simple price based competition. We conclude that the major Asian competitors in medical tourism benefit from strong government support, rely heavily on overseas linkages and accreditation, and are competing in very similar way. In the future, further differentiation is both likely and desirable. (For more information, please contact: Peter Enderwick, Auckland University of Technology, New Zealand: peter.enderwick@aut.ac.nz)
What Is the Effect of Job and Demographic Factors, Job Satisfaction and Organizational Commitment on Turnover Intention in China?
Sow Hup Chan, University of Macau
Lu Jun Li, Songshan Shaolin Wushu Vocational College

Improving job satisfaction and organization commitment while reducing turnover have been of interest to human resource managers. Specifically, the direct and moderating effect of job satisfaction on turnover intention on different level of employees had not been surveyed. This study extends earlier studies by exploring the influences of demographic and job factors in a casual model. Respondents from three provinces in China were split into two sub-samples the talent staff and the average staff to determine whether there is any difference in their turnover intention.

This study confirmed the previous findings about the consistent negative effects of organizational commitment, pay and age on turnover intention, consistent positive effects of job itself, pay, promotion opportunity, interpersonal relationship and communication on job satisfaction, and the positive effect of age on organizational commitment. However, when data was analyzed for the talent and non-talent staff, certain differences were observed. Managerial implications based on findings were discussed. 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)

Management Studies in Emerging Economies and Their Integration with the International Mainstream: Their Evolution in Brazil with Comparisons to China
Suzana Braga Rodrigues, Erasmus University
Roberto Gonzales Duarte, Federal University of Minas Gerais
Alexandre Carrieri, Federal University of Minas Gerais

This paper reflects upon the evolution of Brazilian management studies in the light of the debate provided by Management and Organization Review, 5(1) a special number on "The Future of Chinese Management Research". It discusses the Brazilian contribution to a theory of management. Despite its impressive growth in numbers, Brazilian management studies have remained insulated from the rest of the world. One of the reasons why Brazilian scholarship has not rendered international legitimacy is due to a combination between a strong reliance on the Anglo-Saxon mainstream ideas and concepts with little confidence in innovative thinking. The paper suggests some alternatives for enhancing the international impact of Brazilian studies and advancing Brazil's reputation in the field. (For more information, please contact: Suzana Braga Rodrigues, Erasmus University, Netherlands: srodrigues@rsm.nl)

How Firms from Transition Economies Grow: Growth Strategies of Spanish Firms (1986-2005)
Patrick Reinmoeller, Cranfield University

How to pursue growth lies at the core of strategic decision-making. Research on how firms manage growth during the radical transformation of their economy towards more market-orientation is scarce. After carefully selecting 10 Spanish firms based on superior economic performance and 8 firms with performance below
average from all firms listed on the Madrid stock exchange, this study presents in-depth case analyses for the
period 1986 and 2005. The results show that underperformance is linked to specific growth and
internationalisation patterns and how nuanced choices on internal growth, expansion with new products or new
geographic markets helped firms to grow successfully. This study proposes a three-dimensional framework
explaining superior growth strategies in opening economies and the inherent trade-offs between
internationalization and localization. (For more information, please contact: Patrick Reinmoeller, Cranfield
University, United Kingdom: patrick.reinmoeller@cranfield.ac.uk)

Session: 3.2.6 - Competitive
Track: Track: 1 - Institutions, Governance, and CSR

Comparative Corporate Governance

Presented On: June 29, 2010 - 10:45-12:00

Chair: Elizabeth Lim, The University of Texas at Dallas

Does Bank Loan Debt affect R&D Investment Differently in Bank-based and Market-based Corporate
Governance Systems? Yes
Barclay E. James, Louisiana State University
Jean B. McGuire, Louisiana State University

We examine how bank loan debt affects R&D investment intensity across bank-based (Germany and Japan) and
market-based (US and UK) corporate governance systems. In bank-based systems, strong relationships have
developed between banks and borrowing firms that can reduce information asymmetry regarding industrial firm
investment decisions. In contrast, industrial firms’ banking relationships are less developed and less relational
in market-based systems. Because R&D investment creates intangible, firm-specific assets that require
monitoring and repayment flexibility for optimal governance, we would expect the relationship between bank
loan debt and R&D investment to differ across bank-based and market-based systems. In a multi-industry
sample of firms domiciled in Germany, Japan, the United States and the United Kingdom, our novel results are
consistent with our derived hypotheses. We find that bank debt is positively related to R&D investment intensity
in bank-based systems (Germany and Japan), while it is negatively related to R&D investment in market-based
systems (US and UK). Our study addresses an important underdevelopment in the literature on corporate
governance and R&D investment by highlighting how a countries' institutional financial governance system
conditions the relationship between financial governance and R&D investment. (For more information, please
contact: Barclay E. James, Louisiana State University, USA: bjames@lsu.edu)

The Determinants of the Quality of Governance and Its Relation with Firm Performance: A Time-Series
Perspective
Eloisa Toledo Perez, Grant MacEwan University
Evandro Bocatto, Grant MacEwan University

The relevance of corporate governance is justified because it can increase the availability of credit and reduce
the cost of capital of the companies that improve their governance standards. The first generation of studies in
the field point out to the causality between governance and performance. However, recent empirical research
has raised concern whether this “causality” is driven by observable and unobservable firm-specific
characteristics. I use panel data fixed effects to control for unobservable firm heterogeneity and show that the
causality between governance and firm value is not spurious in the case of publicly-traded Spanish firms. I find
that the impact of the quality of governance on firm value is sustained over time and that causality seems to
run from governance to firm value. These results are robust to numerous controls for observable firm
characteristics. I also examine what are the determinants of governance in the case of Spain. The results show
that firm size and future growth opportunities have a positive impact on firms' quality of governance. As a proxy for the quality of governance, I construct a governance index (GOV-I) for a sample of 113 Spanish public companies for the period between 2003 and 2007. (For more information, please contact: Eloisa Toledo Perez, Grant MacEwan University, Canada: pereze2@macewan.ca)

Cross-Country Evidence on the Importance of Big Four Auditors to Equity Pricing: The Mediating Role of Legal Institutions
Sadok El Ghoul, University of Alberta
Omrane Guedhami, University of South Carolina
Jeffrey Pittman, Memorial University of Newfoundland

We report large sample evidence on the importance of auditor choice to the ex ante cost of capital for public firms from 37 countries. In regressions that control for country, industry, and year fixed effects as well as other firm-level determinants, we find that corporate equity financing worldwide is cheaper when Big Four auditors monitor the financial reporting process, although this relation is weaker outside the U.S. where the implicit insurance coverage that auditors afford investors is much lower. Economically, our coefficient estimates translate into U.S. and non-U.S public firms' cost of equity capital falling 49 and 20 basis points, respectively, in the presence of a Big Four auditor. We also generally provide empirical support for the predictions that the equity pricing role of Big Four auditors is stronger in countries with better institutions governing investor protection and disclosure standards. Collectively, our research implies that rather than governments having to resort to imposing the extreme auditor litigation exposure that prevails in the U.S., moderately protecting investors' interests with these institutions is sufficient for them to benefit from differential audit quality. (For more information, please contact: Sadok El Ghoul, University of Alberta, Canada: elghoul@ualberta.ca)

State Owned Enterprises: Competing in a Liberalised and Globalised World
Anubha Shekhar Sinha, Indian Institute of Management Calcutta
Sougata Ray, Indian Institute of Management Calcutta

State owned enterprises (SOEs) in a number of countries have witnessed discontinuous changes in their institutional environment as erstwhile closed and protected economies were subject to a combination of domestic and internationally imposed liberalization reforms. As rules of the game changed, these organisations were forced to play by the rules of the market but their allegiance to their non-market principals remained. Strong dependence on external context also prevented a radical deinstitutionalisation in SOEs. As a result, SOEs are pursuing contradictory and mutually exclusive ends simultaneously and these ends can't be traded off for each other. They are facing paradoxes at various levels of the organisation. Paradoxes do not lend themselves to resolution through formal logics. Understanding paradoxes is the first step towards managing them. Paradoxes offer us an opportunity to advance theory. In this paper we develop a framework of multi-level paradoxes that exist in SOEs. Through disentangling these paradoxes and visualising the numerous interaction patterns between them, we see a possibility of emergence of a theoretical discourse into these paradoxes. (For more information, please contact: Anubha Shekhar Sinha, Indian Institute of Management Calcutta, India: anubhashekhar@gmail.com)
Session: 3.2.7 - Competitive  
Track: Track: 11 - Teaching International Business

**Experiential Learning - Virtual Teams and Problem-Based Learning**

Presented On: June 29, 2010 - 10:45-12:00

Chair: Svjetlana Madzar, University of Minnesota

*Teaching International Business with Global Virtual Teams: Applying an Inquiry Learning Approach*

Peter Zettinig, University of Turku  
Audra I. Mockaitis, Victoria University of Wellington  
Lena Zander, Uppsala University

This work contributes to the ongoing debate among the proponents of guided instruction (GI) pedagogy and supporters of constructive learning approaches, such as inquiry learning (IL). We introduce a case of IL in a course concerned with the leadership, organization and management of global virtual teams as part of an undergraduate international business curriculum and compare the learning results of this course with previous GI-based course designs. We also propose a conceptual model for implementing a course design that incorporates various modes of instruction with a focus on IL. (*For more information, please contact: Audra I. Mockaitis, Victoria University of Wellington, New Zealand: audra.mockaitis@vuw.ac.nz*)

*Preparing Managers for Success on Virtual Multicultural Teams: A Pedagogical Response*

Svjetlana Madzar, University of Minnesota

I propose a pedagogical response to the need for learning contextual skills of managing in a virtual multicultural team context. The main goal of this experiential tool, designed for use in EMBA programs, is to enable intercultural learning within the confounds of the virtual context, based on the premise that multicultural virtual teams will be effective instruments for knowledge sharing only if individuals learn the cultural logic of others’ divergent beliefs. The proposal is based on summary of the findings from the literature, as well as the author's personal involvement in the development and facilitation of a specific pedagogical tool in the EMBA program at a business school of a large university in the Midwestern United States. (*For more information, please contact: Svjetlana Madzar, University of Minnesota, USA: smadzar@umn.edu*)

*Authentic Problem-Based Learning in International Business: An Application to a Global EMBA*

Chris Styles, University of Sydney  
Richard Seymour, University of Sydney

In this presentation the use of authentic problem-based learning in International Business - at the executive education level - will be explored using the development of a newly launched Global Executive MBA as illustrative vehicle. This Global Executive MBA that takes place across four continents and addresses recent criticisms of executive management education, and aims to develop future leaders who have the skills, knowledge and personal attributes to lead and inspire organisations globally. It will be argued that Authentic Problem-Based Learning and is well suited to learning about various aspects of International Business, particularly at the executive level. This presentation covers the call for pedagogical change in international business, reviews the concepts of authentic activities and problem-based learning and reviews an application of Authentic Problem-Based Learning to a Global Executive MBA. (*For more information, please contact: Chris Styles, University of Sydney, Australia: chris.styles@sydney.edu.au*)
Diversification and Firm’s Cost of Capital
Yong Wang, Western New England College
Elyas Elyasiani, Temple University

Since Lang and Stulz (1994) and Berger and Ofek (1995), corporate literature has taken the position that industrial diversification is associated with a firm value discount. However, the validity and the sources of the discount are still highly debated. In particular, extant studies limit themselves to cash flow effects, overlooking the cost of capital as a factor determining firm value. Inspired by Lamont and Polk (2001), we examine how industrial and international diversification change the conglomerates’ cost of capital (equity and debt), and thereby the firm value. Our empirical results, based on a sample of Russell 3000 firms over the 1998-2004 period, show that industrial (international) diversification is associated with a lower (higher) firm cost of capital. These findings also hold for firms fully financed with equity. These results indicate that industrial (international) diversification is associated with firm value enhancement (destruction). Given the fact that the majority of the firms involved in industrial diversification also diversify internationally, failing to separate these two dimensions of diversification may result in mistakenly attributing the diversification discount to industrial diversification. (For more information, please contact: Yong Wang, Western New England College, USA: ywang@wnec.edu)

Value Premium in the Chinese Stock Market
Yujia Huang, Renmin University of China
Jiawen Yang, George Washington University

In this paper we examine the cross-sectional value premiums as well as the time-series predictability of the book-to-market (B/M) factor in portfolio returns in the Chinese stock market. We explore explanations for the return patterns in the Chinese stock market. We find that strong value premiums exist throughout our sample period of 1997 to 2008. However, the predictability of B/M appears to be unrelated with changes in Fama and French factors, but is largely absorbed by industry covariation. Further, our results suggest that VMG is not a pervasive risk measure compared to market excess return and SMB. B/M, by its comprehensive construction, embraces both historical fundamentals as well as market expectations, which leads to the unstable role when competing with risk factors in explaining the expected returns. (For more information, please contact: Jiawen Yang, George Washington University, USA: jwyang@gwu.edu)

Securities Laws, Control of Corruption, and Corporate Liquidity: International Evidence
Naiwei Chen, National Chung Cheng University

The study examines the impact of securities laws and control of corruption on corporate liquidity (cash holdings) and its value from the agency perspective. Using the 47-county sample spanning the period of 1990-2007, I show that corporate liquidity is lower in countries with better securities laws. In addition, this inverse relationship is reinforced in countries with higher control of corruption. Furthermore, cash generally increases firm value, and this value-enhancing effect strengthens with better securities laws. However, the results indicate that securities laws reinforce the value-enhancing effect of cash only when the control of corruption is high enough.
This study broadens the extant liquidity literature by establishing the fact that securities laws and control of corruption, aside from the traditional cash determinants, also play an important role in determining corporate liquidity and should not be ignored in future liquidity studies. In addition, it provides empirical support for the agency theory in explaining corporate cash holdings. Furthermore, management should adjust target cash level downward in countries with better securities laws and/or higher control of corruption because investor protection is stronger, and the agency problem is less severe in such countries.  (For more information, please contact: Naiwei Chen, National Chung Cheng University, Taiwan: finnwc@ccu.edu.tw)

The Comparative International Impact of IFRS on Income and Equity: An International Financial Analysis Perspective
Niclas Hellman, Stockholm School of Economics
Sidney J. Gray, University of Sydney
Richard Donald Morris, University of New South Wales
Axel Haller, University of Regensburg

This paper evaluates the comparative international impact of IFRS implementation on income and equity from an international financial analysis perspective. The focus is on the ranking of price/earnings and market/book ratios according to both national GAAP and IFRS in the UK, Germany, France, Australia, the Netherlands and Sweden. The rankings of valuation multiples are hypothesised to change very little in common law countries in response to IFRS implementation, but more materially in code law countries. Our empirical findings show that in three of the code law countries (Germany, Sweden and France), the rankings based on the valuation multiples were significantly more influenced by the change from national GAAP to IFRS compared to the common law countries (UK and Australia). These results suggest that the basic differences between national GAAPs found in the classic international accounting classification literature were still valid in the context of the 2005 IFRS adoption and implementation. From a financial analysis perspective, the extent to which the implementation of IFRS changed the conditions for interpreting PE and MB ratios can thus be seen as a function of well established legal, and other institutional and cultural, influences impacting on national GAAPs. (For more information, please contact: Sidney J. Gray, University of Sydney, Australia: sid.gray@sydney.edu.au)

Session: 3.2.11 - Interactive
Track: Track: 1 - Institutions, Governance, and CSR

Governance Practices and Governance Actors in the Multinational Firm

Presented On: June 29, 2010 - 10:45-12:00

Chair: Rafel Crespi-Cladera, Universitat de les Illes Balears

Are CEOs Stewards or Agents? Empirical Evidence from Chinese Listed Firms
Helen Wei Hu, University of Melbourne
Julius Ng, University of Melbourne
Ilan Alon, Rollins College

Are Chinese CEOs good stewards or bad agents? To answer this question, we examine two competing views between agency theory and stewardship theory, which hold conflicting assumptions about CEOs behaviour and offer different recommendations concerning corporate governance mechanisms. Based on 837 publicly listed companies in China over the period of 2005-2007, we have found positive relationships between governance mechanisms that empowering CEOs and firm performance. We therefore suggest that stewardship theory works better in the Chinese corporate sector. (For more information, please contact: Helen Wei Hu, University of Melbourne, Australia: hehu@unimelb.edu.au)
Firm Specific and Environmental Determinants of Board Structure
Deeksha A Singh, National University of Singapore
Andrew Delios, National University of Singapore

This paper examines the antecedents of board structure in the case of an important emerging economy - India. We examine both internal and external factors that influence a firm’s choice of its board structure. The internal factors that we examine include CEO power and ownership structure. The external factors that we examine include business group affiliation and participation by foreign firms in the industry of the focal firm. We examine two aspects of a firm’s governance structure - presence of independent members on the board, and involvement of a family person in the position of board chair. Our findings, based on a sample of listed Indian firms during 2006-2008 largely support our arguments. (For more information, please contact: Deeksha A Singh, National University of Singapore, Singapore: deeksha@nus.edu.sg)

The “Real World Out There”: Cognition and Nonmarket Strategy
Rafel Lucea, George Washington University

Interactions between firms and Nongovernment Organizations (NGOs) have become increasingly relevant for the creation and preservation of firm value. So far, little attention has been paid to the role played by managerial cognition in determining the nature and outcomes of these relations.

This paper explicitly compares the mental maps of Firm and NGO managers operating in the oil sector in Ecuador. I find that, even in the presence of strong pressures for cognitive convergence, there is considerable dispersion among these managers’ cognitive maps. Differences in mental representations appear not only between Firm and NGO managers but also within each group. Implications for the management of firms’ nonmarket environment are discussed. (For more information, please contact: Rafel Lucea, George Washington University, USA: rafel@gwu.edu)

Dividends, Foreign Ownership, and the Substitution Hypothesis
Dominic Chai, Manchester Business School

This paper investigates the relatively unexplored relationship between dividends and ownership structure in an emerging market setting. Using a unique panel dataset of foreign ownership and firm attributes of listed Korean firms, we first characterize foreign ownership after the full capital market liberalization in 1998. Foreign investors in Korea tend to overweight larger and profitable firms with large export sales and underweight highly leveraged firms with low market-to-book ratio. Then we explore the effects of the rise in foreign ownership on dividend policies in Korea. Firms make higher dividend payouts as the shareholdings of foreigners increase. This result is consistent with the agency theory view of dividends, i.e. dividends can substitute for direct monitoring of firms by large external shareholders. (For more information, please contact: Dominic Chai, Manchester Business School, United Kingdom: d.chai@cbr.cam.ac.uk)

Fit to be Tied: Using Contracts Strategically to Ensure Partner Performance
Susan Perkins, Northwestern University
Mary-Hunter Morris, Northwestern University
Edward Zajac, Northwestern University

Many prior studies on contracting theorize the importance of contractual specificity; even fewer empirical studies examine the contents of contractual clauses for meaning (Argyres et al, 2007). Rare are studies that examine contractual clauses to determine firm strategic intent and measure performance outcomes. Our study follows the latter approach to examine the content of the contracts to determine how firms strategically use
contractual clauses in shareholder agreements to create successful partnerships. We examine the contract specifications used in over 400 shareholder agreements of BOVESPA-listed, primarily pyramidal group affiliated firms in Brazil from 1998-2008. We develop a unique shareholder protection index to measure shareholder’s motives in contractual clauses and assess the effects on performance. We argue that success in strategic contracting is contingent on the composition of the shareholder group and their incentives put in place. Control groups composed of group-affiliates, family members, or many small stakeholders perform better with contract clauses that create and maintain control. However, partnerships between business group affiliated firms and minority shareholders perform better when employing anti-tunneling clauses and conciliatory control concessions that reduce the risk of expropriation. (For more information, please contact: Susan Perkins, Northwestern University, USA: s-perkins@kellogg.northwestern.edu)

Emerging Standards Markets: Multiplicity and Reciprocal Positioning of Sustainability Standards in the Global Coffee Industry
Juliane Reinecke, University of Cambridge
Stephan Manning, University of Massachusetts Boston
Oliver von Hagen, International Trade Centre

Why do multiple standards co-exist to regulate sustainable development in global production networks? This paper investigates how the emergence of new normative frames in the coffee industry has led to the creation of a market for sustainability standards. We particularly focus on the dynamics between social movement driven standards and industry standards for sustainability and its consequences for institutional change in the coffee industry. While the notion of isomorphism implies that pressures for conformity eventually lead to the dominance of a standards regime, our findings suggest that niche standards and mainstream standards co-exist as they compete and constitute each other mutually through processes of reciprocal positioning. We argue that this creates a standards market, where rivaling rule-setters position and legitimate themselves in distinction to each other but also align themselves partially through criteria of sustainability, certification systems and other means leading to what we call quasi-consolidation. Our analysis contributes to a greater understanding of global industry regulation and transnational institution building. (For more information, please contact: Stephan Manning, University of Massachusetts Boston, USA: stephan.manning@umb.edu)

Auditors’ Governance Role in Emerging Markets: Evidence from China
Xiyou Liu, Renmin University of China
Jie Zhang, Renmin University of China and George Washington University

We examine whether auditors serve the governance role by providing a bonding mechanism to mitigate agency problems in emerging markets. Using a sample of 5471 firm-year observations over the 2000–2007 time period, we find that better quality audit is positively associated with higher level of pay-performance sensitivity and this result is robust to a variety of controls. We also find that the relationship between auditor quality and the sensitivity of CEO pay to accounting measures of performance is stronger in non-state-owned firms. Since a potential issue with the research design we employ is that CEO compensation and auditor choice may be determined simultaneously, we also examine auditor switches in a sub-sample, which contains firms that have switched across auditor class groups. Based on a switch sample we also find similar evidence. Taken together, the results suggest that audit quality plays an important role in the use of accounting information in executive compensation contracts and that Big Ten auditors in China do have a corporate governance role by alleviating the manager-shareholder conflicts. (For more information, please contact: Jie Zhang, Renmin University of China and George Washington University, China: jacqueline35@sina.com)
Monitoring or Resources Provision Mechanisms? The Entry Mode Choice of Business Group Affiliation in Emerging Markets

Syu-Eei Hsu, National Taiwan University
Yi-Chieh Chang, St. John's University
Chih-Fang Chiu, National Taiwan University

The relation of governance and firm entry strategic choice is heterogeneous in idiosyncratic environment that has been ignored by Western research. Our study examines whether the compositions of boards in terms of the insider and independent representation affect the choice of mode. We advance existing research on FDI by arguing that agency theory (AT) and resource dependent theory (RDT) can be complement to show the rationale of corporate governance mechanisms on FDI decisions. This paper adopts the acquirers as samples who are officially listed in the OTC market and had 2006 Taiwanese firms FDI in China. Explaining why and how corporate governance affects mode choice based on multi-theory. (For more information, please contact: Chih-Fang Chiu, National Taiwan University, Taiwan: jujuku@sparqnet.net)

Do Entry and Chinesenization Strategies Matter to Taiwanese FDI in China?

Chang-Yen Tsai, National Taiwan Normal University
Chengli Tien, National Taiwan Normal University

This study extends the research on issues relating to FDI by focusing on two concepts of strategies-entry strategy and degree of Chinesenization (DOC) to clarify the relationship between strategies of Taiwanese businesses into the Chinese market and the performance of these subsidiaries in China and the parent companies in Taiwan, and their interactions, using capital intensity as a moderator. This study offers models mainly based on transaction cost economics (TCE) and the eclectic theory to test hypotheses using unbalanced panel data from 1883 observations based on 413 investments in China from 47 Taiwanese publicly-listed companies from 1996 to 2008. The results from the significant models indicate that entry strategies on a subsidiary level (i.e., subsidiary ownership and modes of entry to China), and Chinesenization can affect subsidiary performance; however, entry strategies on a parent level do not necessarily affect firm performance including its overall subsidiary performance in China and its own performance on a parent level (i.e., only the number of locations can affect firm performance). The findings provide business practitioners with evidence as to how Taiwan businesses can effectively strategize their “going west” strategy to China for better parent/subsidiary performance. As such, the article suggests new avenues of research for the study of both entry strategies and DOC from multiple perspectives and Taiwanese investment in China. (For more information, please contact: Chengli Tien, National Taiwan Normal University, Taiwan: cltien168@gmail.com)

The Effects of Situational Influences and a Global Strategic Factor on Firms’ Choice of Foreign Market Development Strategy

Nancy Jean Higginson, Fort Lewis College
Wade McKenzie, University of the West Indies

The eclectic theory has been used extensively to examine factors underpinning firms’ strategies for developing foreign markets. Opportunities have generally been examined in terms of firm ownership advantages,
internalization, and locational variables, and their impacts on decisions to export, license, or invest. Using a multivariate regression analysis of data collected from 124 Canadian firms operating in North America, Europe, and Asia, this study extends the framework by combining nine variables in a 'Global Strategic Factor' (GSF) that encompasses the effects of globalization on foreign market development strategy (FMDS). The three standardization variables are products and services, brands, and corporate identity; centralization variables are management and operations. The remaining four variables encompass strategic planning, long term view, global market development, and organizational flexibility. The effects of the GSF on the underlying factors significantly influenced cost advantage over differentiation and niche advantages, and export over license and invest. (For more information, please contact: Nancy Jean Higginson, Fort Lewis College, USA: higginson_n@fortlewis.edu)

Exploring Determinants of International Sourcing: Captive Offshoring vs. Offshore Outsourcing

Burger Anze, University of Ljubljana
Jelena Cirjakovic, Statistical Office of the Republic of Slovenia
Andreja Jaklic, University of Ljubljana

The aim of the paper is to analyze empirically the vertical fragmentation strategies of Slovene firms. Recent literature on integration strategies and global production sharing combines elements from international trade and industrial organization with the theory of the firm in order to explain endogenously the variety of organizational forms. Using the propositions of transaction costs and internalization, firm-specific advantages and location advantages, we examine the role of different factors as a determinant of the fragmentation strategy using recent Eurostat survey of international sourcing. We evaluate how firm-level, industry-level and country-level characteristics influence the choice of sourcing mode (domestic sourcing, offshore outsourcing and captive offshoring) by applying discrete choice models. On the firm level, we mainly focus on firm heterogeneity as a determinant of the offshoring strategy. At the industry level, the role of product characteristics and industrial structure is examined. We also emphasize the role of country characteristics, such as factor differentials, institutional quality, financial development, skilled labour endowment, distance, ICT infrastructure, and transport costs. The main contribution of the paper is to present empirical evidence of the theoretical assumptions and examine the significance and interplay of various factors that determine the mode of the international sourcing. (For more information, please contact: Andreja Jaklic, University of Ljubljana, Slovenia: andreja.jaklic@fdv.uni-lj.si)

Knowledge Access and Knowledge Held in Cross-border Acquisitions. Does the Strategy Influence the Degree of Equity?

Manuel Portugal Ferreira, Instituto Politécnico de Leiria
Fernando Ribeiro Serra, Universidade do Sul de Santa Catarina

Firms deploy different entry modes according to their strategy for each specific foreign markets but also to both their global knowledge strategy and knowledge strategy for each specific deal. While it is well understood that entry through acquisitions may provide access to novel knowledge, thus augmenting the firms’ capabilities, it is less clear what is the best structural form that better favors the access and learning of business and/or location knowledge. We hypothesize and empirically test on a sample of US cross-border acquisitions how the search for business- or location-specific knowledge influences the degree of equity acquired. That is, on whether firms do full or partial acquisitions. We conclude that firms’ knowledge strategy has both linear and curvilinear effects depending on the type of knowledge accessed and perhaps the knowledge distance of the deal. (For more information, please contact: Manuel Portugal Ferreira, Instituto Politécnico de Leiria, Portugal: portugal@estg.ipleiria.pt)
Overseas Strategic Approaches of International Franchisers and Their Impact on Competitiveness

Yong Suhk Pak, Yonsei University
Sam Beldona, Bryant University

This paper identifies three different strategic approaches that international franchisers adopt to manage their overseas franchise formats: simple international, global, and transnational. Our results indicate that the choice of strategy is influenced by the size of the firm and by managerial appreciation of foreign locations and franchisees as sources of learning. In addition, managers with global and transnational approaches felt more strongly than those with a simple international approach that international experience enhanced their domestic and global competitiveness. (For more information, please contact: Sam Beldona, Bryant University, USA: sbeldona@bryant.edu)

Session: 3.2.13 - Interactive
Track: Track: 4 - Global Strategy, Alliances, and Competitiveness

Institutions and Strategy

Presented On: June 29, 2010 - 10:45-12:00

Chair: Anna Lamin, Northeastern University

The Strategy Tripod of Resources, Industry, and Institutions: Shaping Competition between International Firms and Local Advertising Agencies in Hungary

Rick T. Wilson, Hofstra University

An increasing amount of attention is being placed on domestic firms in emerging markets especially in understanding how they develop strategy in response to market-based reforms and competition from multinational corporations. However, of this attention little is given to the plight of service firms. In an effort to address this gap, we conduct a case study of seven advertising agencies in Hungary. Using a three-pronged structure of the resource-based view, and its extension (dynamic capabilities framework), along with institution-based view and competitive strategy research, we find evidence of only some of the differentiation strategies found in other markets. The use of networks proved beneficial in the development of these strategies. We also discover two transitioning strategies utilized by firms as they move from a command economy toward a market-based economy. (For more information, please contact: Rick T. Wilson, Hofstra University, USA: rick.t.wilson@hofstra.edu)

Implications of Global Crisis: Integrate Sustainability with Organizational Culture

Indu Rao Kaveti, Indian Institute of Management Ahmedabad

Sustainability is an issue of escalating importance as a result of structural changes of organizations which are consolidating, downsizing, merging and outsourcing as well as due to the increasing complexity and unpredictability of the external environment. Under such conditions, while firms make an attempt to arrive at a global strategy, understanding, assessing and managing organizational culture can help create both stability and adaptability for organizations, thus helping supportive integration of the sustainability strategy into appropriate organizational behavior. This paper draws from review of literature on the concepts of sustainability and organizational culture in the present context of economic turmoil. The findings suggest that organizational culture moderated by leadership and trust play an important role in sustainability of organizations. A model is thereby proposed depicting the role of organizational culture, leadership and trust towards sustainability of a firm. It is also suggested that organizations can be visualized as manifestations of cultures and future organizations need to integrate sustainability with their organizational culture in order to ensure competitiveness.
and to be prepared for the uncertain socio-economic times. (For more information, please contact: Indu Rao Kaveti, Indian Institute of Management Ahmedabad, India: indurao@iimahd.ernet.in)

**Terrorism and IB: New Directions for Theory and Practice**
David A. Wernick, Florida International University
William Schneper, Florida International University

Research on terrorism’s impact on management and 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, their stakeholders, and the international business environment remains underdeveloped. We offer a new conceptualization of the terrorist threat that takes into account its enduring features as well as its new dimensions and detail the implications for MNE strategy. Rather than constituting a micro-level political risk, the threat posed by global terrorist networks, we contend, is best understood as a type of macro-level uncertainty. A series of propositions informed by theories of environmental uncertainty and complexity are put forth and the paper concludes with implications and directions for future research. (For more information, please contact: David A. Wernick, Florida International University, USA: wernick@gmail.com)

**Market-Environment Effects on First-Mover Advantages in Emerging Markets**
Peter Magnusson, Northern Illinois University
Stanford A. Westjohn, University of Toledo
Geoffrey L. Gordon, Northern Illinois University

This study empirically analyzes the conditions under which first-mover advantages are enhanced or impaired in emerging and developing markets. The theoretical discussion presents two competing arguments relating to the degree of development of the market and how it affects the presence of first-mover advantages. The findings suggest that the market environment does affect first-mover advantages, but in a complex way. Some variables indicative of greater development, e.g. well-developed infrastructure and low corruption favor first-mover advantages. However, other variables such as market receptivity and ease of doing business inhibit first-mover advantages. Implications of these findings are discussed as well as limitations and future research. (For more information, please contact: Peter Magnusson, Northern Illinois University, USA: magnusson@niu.edu)

**Performance Implications of Marketing, Technological, and Production Capabilities: An Institutional Perspective**
Min Ju, St. Louis University
Kevin Zheng Zhou, University of Hong Kong
Gerald Yong Gao, University of Missouri-St. Louis

This study focuses on performance implications of firm capabilities in the emerging economy of China. We investigate the effects of marketing, technological, and production capabilities. We further integrate an institutional perspective with the traditional resource-based view and examine how firm capabilities and the institutional environment jointly shape firm performance. Using a four-year longitudinal data of both local private firms and foreign wholly-owned subsidiaries in China, we find that firm capabilities exhibit differential effects on financial performance and market performance for local and foreign firms. Moreover, the institutional environment moderates the performance impact of different types of firm capabilities. (For more information, please contact: Gerald Yong Gao, University of Missouri-St. Louis, USA: gaogy@umsl.edu)

**The Demographic Black Hole in the European Union**
Aaron W. Andreason, University of Montana
Douglas R. Miller, Washington State University
Low fertility rates in EU countries since the 1960s will soon bring about a number of economic and social consequences which may negatively impact productivity, economic growth, social-welfare programs, patterns of immigration, Europe's ability to pull its weight diplomatically, culturally and militarily in the 21st century; and the very survival of the EU itself. Because of current network of global trade and financial linkages international business and world prosperity could also be significantly impacted. Whether or not these consequences actually occur, however, depends on the actions governments take and how they are able to manage the factors that limit needed solutions. The conclusion in this study is that no single policy intervention will resolve the situation and that governments need to move quickly and aggressively on several fronts in order to avoid demographic collapse. (For more information, please contact: Aaron W. Andreason, University of Montana, USA: a.andreason@business.umt.edu)

Effect of Macro-Environmental Conditions on the Internationalization Strategies of Emerging Market Multinationals: A Managerial Discretion Perspective
Yannick Thams, Florida International University
Keith James Kelley, Florida International University
Nathan Hiller, Florida International University
Karl Kroeck, Florida International University

For the past 50 years, the IB literature has been enriched by many models that strive to explain the internationalization path, process, and growth of the multinational enterprise. In this paper, we first argue that senior executives possess differential capacities to make important decisions and act regarding internationalization – and that the level of discretion executives have is significantly determined by their home nation's macro-environmental forces. Second, considering the development of emerging-market multinationals and the peculiarities that characterize their internationalization process, we examine how various discretionary forces differentially impact the leeway that executives from Emerging Market Multinational Corporations (EM MNCs) possess compared to their counterparts from developed markets. We believe that understanding the latitude of action that executives possess and the macro-environmental forces that deter or augment this discretion will help us understand important differences in internationalization between developed and emerging markets as well as understanding how differences in discretionary forces between countries are related to firm internationalization (or not), as well as speed, trajectory, and process of internationalization. (For more information, please contact: Yannick Thams, Florida International University, USA: thamsy@fiu.edu)

Venkat Subramanian, Vlerick Leuven Gent Management School/University of Hong Kong
Michael Enright, University of Hong Kong

This paper investigates the relative importance of country, industry and firm factors on firm performance. Using a panel data set covering the years 1989-2008, we examine a data set of firms across an extensive range of countries and industries, depending on the performance measure. Simultaneously, we also examine the relative importance of firm and industry effects outside the US. We perform a number of robustness tests of splitting samples into global samples with and without US firms, across performance measures, including market measures. The results suggest that firm effects are still dominant, though external factors can be important in certain conditions. The results offer a contrast to existing set of results primarily based on US data sets. (For more information, please contact: Venkat Subramanian, Vlerick Leuven Gent Management School/University of Hong Kong, Belgium: venkat@vlerick.com)
Does the Stakeholder Theory of CSR Fit the Russian Reality?
Andrei Kuznetsov, University of Central Lancashire
Olga Kuznetsova, Manchester Metropolitan University

This paper investigates the sources of socially responsible behaviour of firms with reference to a survey of managers of medium and large firms in Russia. We argue that agency-oriented analysis is not a good fit for the institutional environment existing in Russia. Consequently, a meaningful management-stakeholder dialog acquires particular importance. Our results offer some support to the proposition of a link between the interests of the dominant stakeholder and the interpretation of CSR entertained by the management of the firm. However, more data are needed to increase the accuracy of results. (For more information, please contact: Andrei Kuznetsov, University of Central Lancashire, United Kingdom: akuznetsov@uclan.ac.uk)

Corporate Social Responsibility as a Major Lever for Increasing the Impact of Marketing on Performance in Highly Competitive Markets
Jan Kemper, RWTH Aachen University
Malte Brettel, RWTH Aachen University

Despite corporate social responsibility (CSR) having become a key strategy for firms to use in advancing on a sustainable path, the impact of CSR on firm performance remains poorly understood. Thus, in a large empirical study across several industries and countries, we examined CSR as moderator of the relationship between marketing capabilities and firm performance. Our study follows prior research that calls for an inclusion of competitive intensity as a boundary condition to this moderation effect. As hypothesized, three-way interactions among competitive intensity, CSR, and marketing capabilities had significant relationships with firm performance. It was found that, for firms in industries with high competitive intensity, marketing capabilities have a stronger positive impact on performance when CSR is high. This research sheds light on the interplay between sustainability and marketing by showing that vigorously competing firms should use CSR as a major lever for increasing the impact of marketing on performance. (For more information, please contact: Jan Kemper, RWTH Aachen University, Germany: kemper@win.rwth-aachen.de)

Multilevel Perspectives on Corporate Social Responsibility: Towards a Theory of Role Management
Arno Eerikki Kourula, Aalto University
Markus Pietari Paukku, Aalto University
Mikko Sakari Koria, Aalto University

This conceptual paper examines corporate social responsibility from a multilevel perspective and presents a novel role management approach. While current approaches to CSR and business-society management, such as stakeholder, issue, reputation and risk management, corporate political activity and corporate citizenship, are widely adopted, they remain focused on the company perspective. Through adopting a multilevel and multi-actor perspective, different roles can be identified in the development of CSR. These roles are assumed by various individuals, organizations and institutions. In this paper, these roles are identified and described. Managerial implications and avenues for further research are provided. (For more information, please contact: Arno Eerikki Kourula, Aalto University, Finland: arno.kourula@hse.fi)
**Top Management Support to Climate Change**
Siqueira Morais Neto, Federal University of Santa Catarina
Maurício Fernandes Pereira, Federal University of Santa Catarina
Alexandre Marino Costa, Federal University of Santa Catarina
Marcos Dalmau, Federal University of Santa Catarina
Gilberto de Oliveira Moritz, Federal University of Santa Catarina

The article theme is the Corporate Climate Change and aims to identify whether there is top management support on the companies attitudes related to the climate change, with a comparison between two groups of enterprises, “Brazil” and “S&P 500 MZ”, using the Carbon Disclosure Project (CDP) database. It was used descriptive nature based on secondary data collection, which was done through literature review, documentary analysis and the observation of the CDP’s questionnaires. It was observed that 62% of the Brazilian companies and 66% of the American corporations analyzed said they have an executive body with overall responsibility for climate change. (For more information, please contact: Maurício Fernandes Pereira, Federal University of Santa Catarina, Brazil: mfpcris@gmail.com)

**A Critical Understanding of Corporate Social Responsibility**
Ana Guedes, EBAPE-FGV
Alex Faria, EBAPE-FGV

There have been many academic debates about the definition, the business case, the discursive feature, and the universality of Corporate Social Responsibility (CSR). A major question is the argument that CSR does not fit the reality of developing countries. Despite those debates CSR achieved a strategic status in Brazil. It has been overlooked by researchers in international business. Drawing upon a framework based on the policy networks literature this paper shows that strategies and policies undertaken by Global Development Organizations (GDOs) - as the World Bank and United Nations - is a key issue to explain the trajectory of CSR in Brazil. (For more information, please contact: Ana Guedes, EBAPE-FGV, Brazil: guedes@fgv.br)

**Social Responsibility Networks (SRN) and Foreign Direct Investment (FDI) in Latin America**
Maria Alejandra Gonzalez-Perez, Universidad EAFIT
Franz Xaver Riegler, Universidad EAFIT
Stephanie Riegler, Universidad EAFIT
Maria Natalia Suarez Vallejo, Universidad EAFIT

This paper describes the relationship between Foreign Direct Investment (FDI) and Corporate Social Responsibility (CSR) in Latin America. This paper first presents the concept of Corporate Social Responsibility and defines Latin America's socio-political since the 1980's, explaining the FDI’s rise in the region and how this led to the consolidation of networks Social Responsibility Networks (SRN). Particularly, this research empirically examines the case of Colombia. For this paper, CSR is defined as the action of assuming responsibility for the negative externalities generated by a company. Therefore, this paper examines the relationship between FDI and CO2 emission in Colombia for the period 1970-2005. For this analysis a model Vector Autoregressive (VAR) was applied, and the results suggest that FDI tends to assume responsibility in Colombia for their negative externalities on the environment. In addition, this paper demonstrated that there is a causal relationship in the Granger sense of the impact of FDI on the CO2 emission in Colombia, but not in reverse. This paper provides insights for the region which could be explored in future comparative research amongst all Latin American countries. (For more information, please contact: Maria Alejandra Gonzalez-Perez, Universidad EAFIT, Colombia: mgonza40@eafit.edu.co)

**Corporate Social Responsibility in Japan: An Analysis of the Determinants for Success**
Carri Reisdorf Tolmie, Saint Louis University
Why have Japanese firms been more successful in implementing corporate social responsibility (CSR) practices than other firms in neighboring countries in Asia? This paper examines some of the key drivers of CSR as possible links to this success. Building on stakeholder theory and social capital theory, we argue that firms’ stakeholders play a vital role in corporations’ engagement and commitment to CSR. The paper concludes by highlighting questions for future empirical work. (For more information, please contact: Carri Reisdorf Tolmie, Saint Louis University, USA: creisdor@slu.edu)

Session: 3.3.1 - Competitive
Track: Track: 8 - Cross-cultural Management and International HRM

Managing Cross-national vs. Intra-national Diversity (State-of-the-Art Session)

Presented On: June 29, 2010 - 13:15-14:30

Chair: Mark F. Peterson, Florida Atlantic University

Managing Cross-national vis-a-vis Intra-national Diversity: The Roles of Ethnicity, Religious Affiliation and Levels of Income in Affecting Attitudes toward Money and Investment Decisions
Rosalie L. Tung, Simon Fraser University
Chris Markus Baumann, Macquarie University
Hamin Hamin, Macquarie University

This study examines the interplay between ethnicity, religious affiliation and levels of income to explain for differences in attitudes toward 'money', and asset allocation (i.e., investment decisions) among 730 Caucasian and ethnic Chinese respondents in Australia, Canada and China. Based on multivariate analysis, it was found that for the higher-income respondents, asset allocation decisions converged in spite of differences in ethnic and religious background. In the lower-income segment, however, asset allocation in terms of cash, savings, investments in stocks/bonds, and property varied along ethnic lines. Furthermore, the religious background of the respondents in the lower-income segment was also related to their cash holdings and investments in shares and bonds. The implications of these findings for both theory and practice are discussed. (For more information, please contact: Chris Markus Baumann, Macquarie University, Australia: cbaumann@efs.mq.edu.au)

Cultural and Personal Values in China: A Validation of Schwartz’s Value Types and Higher Order Dimensions
Johannes Schaaper, Bordeaux Management School (BEM) and Centre de Recherche et d'Etudes en Gestion (CREG), University of Pau et des Pays de l'Adour (UPPA)
Zhen Jiao,

China is nowadays one of the most important economies worldwide. However, there is a lack of empirical research on management issues in China. Our contribution aims at validating Schwartz's theoretical structure of personal values in value types and higher order dimensions for China. The empirical validation is done through three successive steps: qualitative interviews, a pretest of a questionnaire and a face-to-face administration of 1674 questionnaires in China in 2007. We find first that China is still a Confucian society with a collective oriented culture. We underline gender and age differences. In particular, we show that more western individualistic values penetrate slowly the Chinese society at level of the younger generation. Second, multivariate analysis positions eight value types in a circle following two directions: (i) individualistic versus collective value types (ii) the "openness to change" and "self-enhancement" dimensions, which partially overlap, versus the "conservation" and "self-transcendence" dimensions, which also partially overlap. (For more information, please contact: Johannes Schaaper, Bordeaux Management School (BEM) and Centre de Recherche et d'Etudes en Gestion (CREG), University of Pau et des Pays de l'Adour (UPPA), France: jan.schaaper@bem.edu)
Manager Collaboration with Subordinates and Colleagues across North America  
Mark F. Peterson, Florida Atlantic University  
Aycan Kara, Florida Atlantic University  
Tomasz Lenartowicz, Florida Atlantic University  
Lorena R. Perez-Floriano, El Colegio de la Frontera Norte  
Todd J. Weber, University of Nebraska

Many work systems being widely disseminated within North America and beyond are designed so that managers will intensively collaborate with their subordinates and colleagues. With data gathered from managers in the United States, English-speaking Canada, French-speaking Canada, Mexico and the Caribbean, we consider whether cultural differences among major societies of North America are likely to affect values and work experiences associated with such collaborative practices. Only partially consistent with earlier research, the results indicate that collaborative values and practices are more characteristic of Anglophone Canada and Francophone Canada and less of Mexico and the Caribbean than of the U.S. These differences have implications for organizations that transfer practices from one part of North America to another, particularly for multinationals seeking to balance uniform global control with adaptation to local requirements. (For more information, please contact: Mark F. Peterson, Florida Atlantic University, USA: mpeterso@fau.edu)

Work and Family Role Salience: Comparison of Individual Differences across and within Geographical Clusters  
Mihaela Nikolaeva Dimitrova, University of Wisconsin-Milwaukee  
Doan E. Winkel, University of Wisconsin-Milwaukee  
Janice R.W. Joplin, Southern Illinois University Edwardsville  
Anne Marie Francesco, Hong Kong Baptist University  
Theresa Lau, Hong Kong Polytechnic University

The necessity for MNCs to tailor their international HR practices to the local cultural contexts requires researchers to design culturally specific models of the work and family interface. This paper is concerned with assessing the differences between individuals from various cultures in terms of the salience of work and family roles to their identity. We conducted two separate studies with the first one comparing people across the four geographical regions of North America, South America, Asia and Eastern Europe and the second one across areas within two of those regions, North America(Mexico and USA) and Asia (China and Hong Kong). By using both exploratory techniques and hypothesis development through identity theory and past ethnological research, we found numerous differences within but not across the geographical regions. (For more information, please contact: Mihaela Nikolaeva Dimitrova, University of Wisconsin-Milwaukee, USA: mihaela@uwm.edu)

**Session:** 3.3.2 - Panel  
**Track:** Track: 1 - Institutions, Governance, and CSR  
**Cross Sector Partnerships in International Business**

**Presented On:** June 29, 2010 - 13:15-14:30

Chair: Rob Van Tulder, Erasmus University

*Introduction: The Importance of Cross Sector Partnerships for International Business - An Evolving Research Agenda*

Rob Van Tulder, Erasmus University
Increasingly, multinational enterprises ally with non-market actors (governments, NGOs) in order to achieve their business objectives. At the same time, governments and NGOs have identified partnerships with corporations as a means to increase the effectiveness of their actions. Since 2001, international organizations such as the World Bank or the United Nations have stimulated the formation of public-private partnerships for reaching for instance millennium development goals. As a result the number of international ‘cross sector’ partnerships has been booming around the world. They take three forms: (1) public-private in which primarily governments and firms are represented; (2) profit-non-profit in which primarily firms and NGOs are represented; and (3) tripartite partnerships in which all three parties are represented. The nature and effectiveness of these so called ‘cross sector partnerships’, however, is ill understood. Do they represent new forms of international governance and what determines their success? Can partnerships be considered the most sophisticated ambition of corporate responsibility? This panel tries to establish what we already know on international partnerships and what we need to know. All panelists will comment on a position paper (further introduced in the session) in which the importance of cross sector partnerships is further explained. (For more information, please contact: Rob Van Tulder, Erasmus University, Netherlands: rtulder@rsm.nl)

**Session: 3.3.3 - Competitive**  
**Track: Track: 1 - Institutions, Governance, and CSR**

**Strategic Alliances and the International Environment**

Presented On: June 29, 2010 - 13:15-14:30

Chair: Paul W. Beamish, University of Western Ontario

Institutional Arbitrage and the Strategic Choices of Multinational Firms: Assessing the Foreign Location Choices of U.S. MNCs’ International Joint Ventures  
Ricardo Gabriel Flores, University of Illinois at Urbana-Champaign

The location choices of the investments made by multinational firms are quite consequential not only for the organization themselves, but also for the countries receiving these investments. It is for this reason that several scholars have called for a renewed effort to enhance our current understanding of the drivers of these choices. While previous research has brought many insights on the determinants of these decisions, recent empirical evidence have stressed the importance of host and home country institutions in shaping these choices. However, some noted that, within the international business (IB) literature, institutional arguments have been quite narrow in depicting MNCs as unable to respond to these institutional influences. This investigation builds upon these ideas and suggests that certain firms (i.e., large, experienced MNCs) under certain circumstances (i.e., specific investment modes) can strategically respond to these institutional pressures. We test these arguments by studying the location choices made by a sample of the largest multinational (U.S.) firms when creating international joint ventures outside their own home country during the period 1986-2004. Our empirical results show in general, evidence supporting these arguments. We close this paper by discussing the implications of these results to future studies of the location choice of foreign investments of MNCs and more generally to the international business literature. (For more information, please contact: Ricardo Gabriel Flores, University of Illinois at Urbana-Champaign, USA: rgfloreis@illinois.edu)
MNE/NGO Strategic Alliances and the Legitimacy of the Firm
Valentina Marano, University of South Carolina
Pete Tashman, George Washington University

The present paper investigates the legitimating function of Multinational Enterprise (MNE)/Non-Governmental Organization (NGO) strategic alliances. First, it reviews the complexities inherent in the MNE's quest for legitimacy. Then it discusses the characteristics of MNE/NGO strategic alliances, and the growing anecdotal evidence about their positive contribution to corporate legitimacy. Propositions are then advanced to suggest how the complex legitimating environment of the MNE may drive its decision to partner with an NGO. Several examples of MNE/NGO alliances are presented to illustrate the legitimation potential of MNE/NGO alliances. (For more information, please contact: Valentina Marano, University of South Carolina, USA: valentina.marano@gmail.com)

Agency Problems and Foreign Market Exit
Heather Berry, University of Pennsylvania
Aseem Kaul, University of Minnesota
Ram Ranganathan, University of Pennsylvania

In this paper, we examine the relationship between agency problems and firm multinational scope. We consider firm foreign market exit decisions to be a function of country, industry and firm level factors and analyze how firm agency problems can moderate the influence of these factors. Examining a random sample of US manufacturing firms, we find that where external governance is strong and CEO incentives are aligned with shareholder interests, firms are more likely to remain in advanced, high potential markets, especially if they compete in global technologies. Conversely, firms with weaker governance and shorter-term CEO incentives are more likely to exit in response to growth in the home market or to follow peer exits. Taken together, these results show how the incentives of managers play an important role in influencing the foreign exit decisions of firms, thus extending both the literature on firm corporate governance and the literature on multinational scope of firms. (For more information, please contact: Heather Berry, University of Pennsylvania, USA: berryh@wharton.upenn.edu)

Past or Present? Drivers of Managerial International Business Decisions
Sokol Celo, Florida International University
Aya Chacar, Florida International University

Country locational choices are made by rationally bounded managers who are more likely to use in their decision-making salient geographic and historically acquired country information. Consequently, foreign direct investment decisions and the ensuing and observed pattern of country relatedness as well as trade are more likely to be driven by historic and geographic factors rather than the current state of time-varying institutions. Using data on international investment decisions by all publicly traded MNEs worldwide and country bilateral trade, we show that historic-geographic factors are highly significant and explain the majority of the variance in country relatedness and trade intensity. (For more information, please contact: Sokol Celo, Florida International University, USA: scelo001@fiu.edu)
Reverse Takeovers: Emerging Economy Companies Acquiring in Advanced Economies

Presented On: June 29, 2010 - 13:15-14:30

Chair: Peter James Williamson, University of Cambridge
Chair: Jose F.P. Santos, INSEAD

Reverse Takeovers: Emerging Economy Companies Acquiring in Advanced Economies

Peter James Williamson, University of Cambridge
Ravi Ramamurti, Northeastern University
Afonso Fleury, University of Sao Paulo
Jose F.P. Santos, INSEAD

This panel will explore the relatively new phenomenon of companies based in emerging economies taking over companies in advanced economies (what has popularly been termed a new form of “reverse takeovers”). This aspect of globalization that appears to be gathering momentum and yet, in some ways, it runs counter to traditional theories concerning the role of acquisitions in internationalization. These reverse takeovers cannot be explained by the accepted idea that acquirors add value by transferring know-how, systems and capabilities honed in advanced economies to less developed ones. On the other hand, pure resource-seeking explanations of these kinds of takeovers leave unanswered the question of why acquirors from emerging economies can out-bid their rivals in the market for corporate control in the developed world and still make such acquisitions profitable? We will compare and contrast the experience of acquirors from Brazil, China, and India, exploring the commonalities and differences across their acquisitions strategies, the characteristics of their target companies, and their approaches to post-acquisition integration. Based on these observations, the panel will address the issue of whether (and, if so how) we need to adjust accepted theories of internationalization to explain this phenomenon. (For more information, please contact: Peter James Williamson, University of Cambridge, United Kingdom: p.williamson@jbs.cam.ac.uk)

The Process of Developing International Operations

Presented On: June 29, 2010 - 13:15-14:30

Chair: Peter Liesch, University of Queensland

The Internationalization of Family Businesses: A Review of Extant Research

Tanja Kontinen, University of Jyväskylä
Arto Ojala, University of Jyväskylä

Among family businesses (FBs) internationalization has become a strategy for growth, and sometimes even for survival. This review article presents an analysis conducted on 25 refereed journal articles on FB internationalization. The articles typically portrayed the internationalization of FBs as a sequential process following the Uppsala model of internationalization; by contrast, some FBs were regarded as “born-again” global firms. In methodological terms, most of the articles focused on what-questions rather than why/how-questions. The articles did not make much use of internationalization theories. Our study takes a step towards clarifying the following issues: (i) the current state of knowledge of the phenomenon, (ii) the kinds of background theories applied, and (iii) the methodological approaches utilized. Based on our findings, we map out areas of
The Internationalisation of Immigrant Ethnic Entrepreneurs
Melanie Smans, University of Adelaide
Susan Freeman, University of Adelaide

This conceptual paper reviews the extant literature pertaining to immigrant ethnic entrepreneurs and their internationalisation activities. Immigrant ethnic entrepreneurs are loosely defined as immigrants who partake in business activities. However, while a recent focus on transnational entrepreneurs has shed new light on immigrant ethnic entrepreneurs whose internationalisation activities focus on their country of origin, this research stream contains an unfilled gap at the intersection of the literature between internationalisation processes and immigrant ethnic entrepreneurship literature: How are decisions made for the identification of foreign market opportunities, international market selection, and entry mode choice by immigrant ethnic entrepreneurs? We address this question by developing a conceptual framework based on three leading theories from internationalisation and entrepreneurship literature – social capital theory (and the related network theory), institutional theory and upper echelons theory. A series of propositions are proposed to explore the underlying logic behind the decisions made by immigrant ethnic entrepreneurs when internationalising to their country of origin or non country of origin and to provide assistance for future research in this field. (For more information, please contact: Melanie Smans, University of Adelaide, Australia: melanie.smans@hotmail.com)

Learning to Carry the Cat by the Tail: Firm Experience, Discontinuous Risk, and Multinational Subsidiary Entry and Expansion
Jennifer M Oetzel, American University
Chang Hoon Oh, Brock University

Building on research examining the relationship between firm experience and subsidiary entry and expansion, we examine whether firm experience with discontinuous risks – risks that can create major temporal shocks and are often hard to predict – is associated with entry and expansion into countries experiencing similar risks. Using a panel dataset of 116 large European MNCs and their subsidiaries (2001-2007) with 70,853 total observations, we find that although discontinuous risks negatively impact foreign entry and expansion, firms with experience in high-risk disasters are more likely to enter and expand into other countries experiencing disasters than other firms. (For more information, please contact: Jennifer M Oetzel, American University, USA: oetz@american.edu)

Services Exporting or Services FDI? The Role of Knowledge Intensity and Interactiveness
Runjuan Liu, University of Alberta
Barry Scholnick, University of Alberta

Despite the recent dramatic increase in US exports of services and US multinationals’ affiliate sales of services there is still a lack of studies of the determinants of US services exports and US multinationals’ affiliate sales of services, and more importantly, the choice between these two modes of selling services offshore. This study aims to tackle these questions using detailed data on US services exports data and US affiliate sales of services across about 31 countries and across 11 types of services during 1992-2006. We find that two unique service characteristics – knowledge intensity and interactiveness – play very important roles in explaining the mode of choices between service exporting and service FDI. (For more information, please contact: Runjuan Liu, University of Alberta, Canada: runjuan.liu@ualberta.ca)
**Governance, Transparency and Management Quality**

**Presented On:** June 29, 2010 - 13:15-14:30

Chair: Susan Perkins, Northwestern University

**Difference in Corporate Transparency between Multinational Corporation (MNC) Subsidiaries and Domestic Corporations (DCs): Empirical Evidence from India**

Chinmay Pattnaik, University of Sydney

This study examines the differences in corporate transparency between subsidiaries of Multinational Corporations (MNCs), and domestic corporations (DCs) in India. Based on previous research, we measured corporate transparency using equity analysts' forecast error and dispersion (Lang and Ludholm, 1996). We find that compared to domestic corporations; subsidiaries of MNCs disclose more information leading to higher level of corporate transparency and lower forecast error and dispersion by the equity analysts. Domestic corporations with higher level of internationalization are more transparent leading to lower forecast error and dispersion. Finally, domestic corporations affiliated with a business group have lower transparency level compared with unaffiliated or independent firms. The above evidences suggest that subsidiaries of MNCs and domestic corporations with higher degree of internationalization play a constructive role improving the information environment facilitating the development of market intermediaries, like equity analysts. However, domestic firms affiliated with business groups restrict the activities of such market intermediaries in emerging markets like India. *(For more information, please contact: Chinmay Pattnaik, University of Sydney, Australia: chinmay.pattnaik@sydney.edu.au)*

**Home Field Advantage: The Implications of Local Embeddedness on the Adoption of International Standards of Transparency and Disclosure**

Jean B. McGuire, Louisiana State University

This study investigates adoption of international standards of transparency and disclosure by firms from Japan and East Asia. I argue that the access to outside capital made possible by more stringent disclosure may jeopardize support from the firm’s traditional stakeholders. Using a sample of 281 firms from Japan and Emerging Asia, I find that firms controlled by local banks and those making use of an auditor unaffiliated with a major North American auditing firm are less likely to adopt more stringent disclosure than firms controlled by foreign banks or those making use of an affiliated auditor. Results document a positive performance effect of transparency disclosure. However, results do not support the moderating effects of ties with local shareholders, banks, and auditors on the transparency-disclosure relationship. *(For more information, please contact: Jean B. McGuire, Louisiana State University, USA: mcguire@lsu.edu)*

**The Impact of Corporate Reputation on Firm Internationalization and Foreign Market Profitability: A Longitudinal Analysis**

Deepak K. Datta, University of Texas Arlington
Martina Musteen, San Diego State University

Our study draws on the resource based view (RBV) to postulate relationships between corporate reputation and firm internationalization among manufacturing firms featured in Fortune’s AMAC (America’s most admired companies) survey. Based on a sample of 555 firm year observations, our findings indicate that corporate reputation is significantly associated with firm internationalization. Specifically, we found that more reputable
firms in the AMAC list exhibited higher levels of internationalization than those with weaker reputation. In addition, our findings indicate a strong positive relationship between corporate reputation and profitability in foreign markets, suggesting that reputation not only motivates and facilitates internationalization but is also instrumental in firms being able to realize higher profits from their international operations. (For more information, please contact: Martina Musteen, San Diego State University, USA: mmusteen@mail.sdsu.edu)

Session: 3.3.8 - Competitive
Track: 12 - Methods in International Business Research

Text Analysis and Longitudinal Qualitative Analysis

Presented On: June 29, 2010 - 13:15-14:30

Chair: Ian Alam, State University of New York

Mixed Methods in International Business
Leila Tellervo Hurmerinta, Turku School of Economics
Niina Nummela, Turku School of Economics

International business as a research field offers a promising platform for mixed methods but the knowledge of mixed-method strategy and its value potential for IB research has been quite limited so far. Mixed-method strategy involves the collection and/or analysis of both quantitative and/or qualitative data in a single study in which the data are collected concurrently or sequentially and are combined at one or more stages in the research process. The potential obtained with mixed methods has been related to facilitation of the study, validity check and knowledge creation. The potential of mixed methods is, however, multi-faceted and it can be utilised during several phases of the research process. In our presentation we aim at identifying mixed-method strategy and its potential value for IB researchers through a meta-analysis, examples and exercises. After the presentation the participants understand what a mixed-method strategy is, what value it can provide for research, and how to conduct a mixed-method study. The participants are also given tools for evaluating the use of mixed methods in IB research. (For more information, please contact: Leila Tellervo Hurmerinta, Turku School of Economics, Finland: leila.hurmerinta-peltomaki@tse.fi)

Qualitative Data Analysis with GABEK-WinRelan - A Qualitative Model of Intercultural Competences of German Expatriates in China
Stefanie Paluch, TU Dortmund University
Thomas Wittkop, Business and Information Technology School

This proposal is concerned with the presentation of a qualitative research method, called GABEK and its software application WinRelan. The central idea of this paper is to demonstrate the analytical procedure with GABEK step-by-step based on interview material from an international research project. Participants will be introduced to state-of-the-art data analysis and learn how this method is used. GABEK is extremely beneficial in an international research context where different cultures or groups are compared. Besides the data analysis with a PC-supported method, the quality criteria of qualitative data are a subtopic in this proposal.

During the special track it is possible to present a combination of method description and live demonstration of every analytical step, so that the participants can follow the process description. That would be a possibility to create an interactive session and integrate the participants in the data analysis. (For more information, please contact: Stefanie Paluch, TU Dortmund University, Germany: stefanie.paluch@tu-dortmund.de)
The Integration Responsiveness Model from a Linguistic Textual Perspective as Cited in JIBS 25 Most Cited Openly Available Papers
Brian Hilton, Nottingham University Business School
John McKenny, Nottingham University

An outline of a presentation on the use of corpus linguistics to analyze the use of language and concepts by members of the International Business community and others. It uses the concepts and supporting language produced by the Integration-Responsiveness Model as illustration of the methodology and the 25 most cited public domain papers from JIBS as its main data base.

The presentation will show how to construct a corpus of language and analyze it both from within itself and in comparison to other corpora. It intends to demonstrate the use of the main tools of corpus linguistics highlighting their uses actually and potentially to support the discipline's development (For more information, please contact: Brian Hilton, Nottingham University Business School, China: brian.hilton@nottingham.edu.cn)

A Longitudinal Analysis of Customer Interaction in New Service Development in Emerging Markets
Ian Alam, State University of New York

Globalization has a major impact on the practice of innovation across a wide range of service industries. Yet, only limited attention has been paid to the issue of service innovation in a global context. To address this critique of the literature a case study of new service development and customer interaction was conducted in a multinational financial services firm based in the US. The case study investigates the development of new services with inputs from company's customers in India. We followed a longitudinal field research method to trace the roles of local Indian subsidiary and local managers in developing and managing the overall innovation process. (For more information, please contact: Ian Alam, State University of New York, USA: alam@geneseo.edu)

Session: 3.3.9 - Competitive
Track: Track: 4 - Global Strategy, Alliances, and Competitiveness

M&A, Institutions and Uncertainty

Presented On: June 29, 2010 - 13:15-14:30

Chair: William Newburry, Florida International University

What should I do next? CEO Succession, M&A deals, and company performance
Maria Carapeto, City University London
Scott Moeller, City University London
Anna Faelten, City University London

This paper examines deal activity (M&A and divestitures) during the first year in office of newly-appointed CEOs and its effect on medium-term firm performance using a sample of large companies listed on the main European stock exchanges. The results show that CEOs hired with a 'mandate to change' use deal-making as a strategic tool to modify the course of their firms, particularly when performance has been poor prior to their appointment, resulting in them favoring divestitures over acquisitions. CEOs of firms with strong board power are more likely to perform more deals during their first year in office than those without similar board power, especially divestitures. Outside recruitment, strong boards, and deal-making (particularly divestitures) all have a positive impact on firm performance during a newly-appointed CEO’s first two years in office. The paper also shows that CEOs of UK firms execute more deals than their international counterparts, a reflection of both a
more aggressive attitude to deal-making and differences in legal environments, and finds evidence of more non-routine successions and outside recruitment in the UK and Spain than elsewhere, an indication of higher surveillance and disciplinary action. *(For more information, please contact: Maria Carapeto, City University London, United Kingdom: mcarapeto@city.ac.uk)*

**Equity Participation in Cross Border Acquisitions: The Impact of Target Country Uncertainty and Acquirer Tactics**

Shavin Malhotra, Ryerson University  
Xiaohua Lin, Ryerson University  
Carlyle Farrell, Ryerson University

This paper investigates the relationship between target country uncertainty and equity participation in cross border acquisitions (CBAs). The paper also explores the role of acquirer tactics in moderating this relationship. We focus on three facets of target country uncertainty, i.e. cultural distance, geographic distance and corruption levels in the target country. In our analysis acquirer tactics are defined in terms of the use of contingent payments, toehold investments and acquisitions in related industries. In the development of our hypotheses we draw on three well established theoretical frameworks, i.e. hostage theory, real options theory and organizational learning. Based on the above we hypothesize that increased target country uncertainty reduces an acquirer's equity participation in CBAs but that the firm may deploy a number of tactics to moderate this negative relationship. We test our hypotheses on a data set of over 24,000 CBAs completed over a 30 year period, 1978-2008. Using a fixed effects regression model we find that equity participation is negatively related to target country uncertainty and that the use of stock payments and the pursuit of acquisitions in related industries effectively moderate this relationship. The managerial implications of our findings are developed and an agenda for future research outlined. *(For more information, please contact: Shavin Malhotra, Ryerson University, Canada: shavin.malhotra@ryerson.ca)*

**Environmental Uncertainty and the Relationship between Formal Contracts and Relational Governance in International Alliances**

Majid Abdi, York University  
Anoop Madhok, York University

The relationship between formal contracts and relational governance in inter-organizational relationships has been subject to an ongoing debate. This paper adds to this debate by proposing that the governance mechanisms can be both substitutes and complements depending upon the contingencies posed by two different dimensions of environmental uncertainty: volatility and ambiguity. We hypothesize that formal contracts and relational governance tend to be substitutable in volatile environments where governance mechanisms mainly target hold up hazards. Contrastingly, governance mechanisms are more complementary in ambiguous environments where they mainly address coordination hazards. Empirical results from 175 international relationships of large US firms support a moderating role for ambiguity (cultural distance) in driving governance mechanisms into a mutually reinforcing relationship. Volatility, on the other hand, underlies a situation where contractual governance substitutes for relational governance but not vice versa. *(For more information, please contact: Majid Abdi, York University, Canada: mabdi06@schulich.yorku.ca)*

**Developing a Market Orientation in a Global Context: The role of Host Country Institutional Environment and Intra-organizational Context**

Ahmet H. Kirca, Michigan State University  
William O. Bearden, University of South Carolina  
Kendall Roth, University of South Carolina

This study examines the factors that affect the market orientation of the subsidiaries of global companies using data gathered from multiple informants and multiple sources in seventy-nine subsidiaries located in forty-five
countries. Findings indicate that the implementation of market oriented-behaviors in the subsidiaries of global companies is positively related to the favorability of host country institutional profiles, competitive intensity, and headquarters’ market orientation. Also, the findings suggest that the internalization of market-oriented values and norms is affected by the headquarters’ market orientation and identification with headquarters. These findings provide unique insights concerning the importance of intra-organizational and host-country factors in enabling firms to develop a market orientation in a global context. As such, this study addresses an important concern among researchers and global managers that is related to how to increase the market orientation and, thereby, the performance of their subsidiaries located in foreign countries. (For more information, please contact: Ahmet H. Kirca, Michigan State University, USA: kirca@msu.edu)

Session: 3.3.10 - Competitive
Track: Track: 6 - Innovation and Knowledge Management

**Knowledge Strategies in MNCs**

**Presented On:** June 29, 2010 - 13:15-14:30

Chair: Randi Lunnan, BI Norwegian School of Management

*Tracking a Moving Arrow Core: Replication-As-Strategy In IKEA*

Anna Jonsson, Lund University
Nicolai Foss, Copenhagen Business School

Based on a qualitative study of Swedish home furnishing giant, IKEA, we discuss the role of replication as a strategy for international expansion. As conventionally described, this strategy is based on two phases, one of exploration and a subsequent one of exploitation by means of replication. We describe the evolution of a template for replication in IKEA, and describe how IKEA has moved beyond the two-phase strategy. Thus, IKEA has developed organizational mechanisms and principles that enable an ongoing learning process that result in frequent modifications of the template. IKEA may thus be seen as a successful example of an ambidextrous MNC. (For more information, please contact: Anna Jonsson, Lund University, Sweden: anna.jonsson@fek.lu.se)

*Organizing for Knowledge Sharing: The Case of Percy Barnevik’s Matrix Management at ABB*

C Lakshman, BEM Management School

This paper examines the impact of executive knowledge leadership and the utilization of a global matrix structure, in an organization that grew through a series of mergers and acquisitions across borders, on the resulting efficacy of knowledge management and hence the organization's performance. The case study detailed in this paper draws attention to both the adoption and abandonment of a matrix structure to cope with information and knowledge processing demands of large, complex organizations, spanning numerous businesses and country locations. The case (global electrical engineering giant ABB) serves to illustrate the need for a combination of executive leadership and appropriate organizational design for the efficacy of knowledge sharing initiatives across organizational and knowledge boundaries. The paper then provides some implications for researchers and managers in the realm of knowledge management initiatives in such contexts. (For more information, please contact: C Lakshman, BEM Management School, France: c.lakshman@bem.edu)

*A Resource Dependence Perspective on MNC Subsidiary Knowledge Protection - Do Mandates and Reciprocity Matter?*

Wolfgang Sofka, Tilburg University
Edlira Shehu, University of Hamburg
Pedro de Faria, University of Groningen
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. We challenge this assumption 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 endogenously determined by the subsidiary mandate and exogenously by the opportunities and challenges of the host country. We hypothesize that competence creating mandates increase the importance of legal knowledge protection while competence exploiting ones lead to market-based knowledge protection. Besides, technologically leading host country industries can be expected to provide opportunities for knowledge sourcing which may benefit from reciprocity. The latter can be signaled through lower levels of knowledge protection. However, the importance of legal knowledge protection may increase if key employees have multiple job opportunities in technologically leading host country regions. We hypothesize for a broad panel dataset of more than 918 firms in Germany between 1997 and 2005. Our hypotheses are largely supported. We develop recommendations for managers and policy makers based on these results. (For more information, please contact: Wolfgang Sofka, Tilburg University, Netherlands: w.e.j.sofka@uvt.nl)

Foreign Technology Licensing and Payment Modes: Evidence from Taiwan
Peter J. Sher, National Chi Nan University
Hsinyu Shih, National Chi Nan University
Beryl L. Kuo, National Chi Nan University
Yi-Chen Lu, National Taiwan University
Chien-Hsin Lin, Yu Da University

This study tries to explore the effect of knowledge stickiness and recipient learning on payment modes of foreign technology licensing in the context of newly industrializing economies. We apply the transaction cost economics and knowledge-based perspective to examine the payment modes of international license-in. As payment modes are outcome of negotiation, we hypothesize that the choice of actual and expected payment modes are associated with knowledge tacitness, resource dependence and recipient learning capability. Based on a survey of Taiwanese 84 firms in ICT and biotechnology industries, we found transaction cost perspective and resource-based of knowledge view provide useful insights into the choice of licensing-in payment modes. The results suggest that the actual and expected payment modes of more proportional royalties-payment is negatively associated with tacitness but positively associated with resource dependence and recipient learning. Further implication and suggestions are offered in this paper. (For more information, please contact: Beryl L. Kuo, National Chi Nan University, Taiwan: lhkuo@ncnu.edu.tw)

Session: 3.3.11 - Interactive
Track: Track: 4 - Global Strategy, Alliances, and Competitiveness

Strategic Alliance - Characteristics and Performance

Presented On: June 29, 2010 - 13:15-14:30

Chair: Anju Seth, Virginia Tech

Horizontal Alliances in International Business and Firm Performance: Should Inter-firm Dependence Matter?
Ji Li, Hong Kong Baptist University
Yuanyi Chen, Hong Kong Baptist University
Gongming Qian, Chinese University of Hong Kong
Guiyao Tang, Hong Kong Baptist University
Comparing the perspective of transaction-cost theory with that of resource dependence theory, we study the issue of inter-firm dependence in international business and develop a new approach to test the predictive validities of these perspectives. Empirical data from a service industry in China are analyzed. The results support the prediction of resource dependence theory on the significance of inter-firm dependence, and partially support both theories on the relationship between the horizontal alliances and firm performance. (For more information, please contact: Ji Li, Hong Kong Baptist University, Hong Kong, SAR-PRC: jili@hkbu.edu.hk)

The Role of Partnering Factors in International Learning Alliance Success
Jeffrey L. Cummings, Loyola University Maryland
Stevan R. Holmberg, American University

Recent empirical findings and conceptual work point to the importance of partnering-related criteria in learning alliance outcomes. Consistent with extant research on alliance partner selection, and based on a synthesis of literature from organizational learning, knowledge transfer, alliances and international management, we develop a multi-component model of the key partnering factors linked to learning outcomes. Attendant to delineation of the model, we develop propositions with the aim of identifying a set of partnering-related criteria that can be used to evaluate potential international learning alliance partners, and we explore the role of knowledge embeddedness and knowledge articulability as potential moderators in the relationships between these partnering factors and knowledge internalization. Scholars interested in learning alliance partner selection processes and the factors affecting alliance learning outcomes would benefit from this new multi-component model and the embedded analysis of partnering-related criteria specific to learning alliances. (For more information, please contact: Jeffrey L. Cummings, Loyola University Maryland, USA: jcummings@loyola.edu)

Cooperative Strategy in Cross Border Business: Partners’ conflict and Strategic Control by Foreign Parent Firms
Huu Le Nguyen, University of Vaasa

This paper develops control models for foreign parent firms to deal with partner’s conflicts in international joint ventures (IJVs). Foreign parent firm control is conceptualized across three dimensions including control mechanism, control focus, and extent of control. Partner conflict is divided into two groups including destructive conflict and productive conflict. The empirical evidence is based on a survey of Finnish which established firms having established IJVs with local firms from the 1990s. We suggest that different control structures are required in order to cope with different kind of conflicts between partners and thus it helps to increase cooperation and performance in IJVs. As such, the paper takes a step further from just being concerned about parent firms’ control leading to partners’ conflict but it moves our thinking toward understanding how firms can use control to prevent further conflict and increase cooperation between partners resulting in improving IJV performance. (For more information, please contact: Huu Le Nguyen, University of Vaasa, Finland: nghl@uwasa.fi)

The Relational Architecture of the Business Group: A Distinct Form of Governance Structure for Strategic Alliances
Bice Della Piana, University of Salerno
Alessandra Vecchi, University of London Arts
Claudia Cacia, University of Salerno

This paper investigates the notion of business group as a distinctive governance structure and a strategic tool used by firms engaged in interfirm alliances and that requires distinctive relational capabilities. The paper relies on the in-depth analysis of a case-study of a well established business group in the textile and clothing sector - the MaxMaraFashion Group. From the findings it emerges that business groups can be seen as more flexible forms of governance when compared with directly financial control. (For more information, please contact: Alessandra Vecchi, University of London Arts, United Kingdom: a.vecchi@fashion.arts.ac.uk)
Alliance Intensity and Parent Performance: A Three-Stage Model and the Moderating Effect of Firm Diversification
Chiung-Hui Tseng, National Cheng Kung University
Shih-Fen S. Chen, University of Western Ontario

The extent to which firms rely on cross-organizational alliances to achieve certain strategic goals, which we call alliance intensity, is an important business decision. Since strategic alliances bring about not only benefits but also costs, it is essential to ask whether firms allying more intensively also perform better and whether they have an optimal level of alliance intensity to maintain—two questions to which extant literature has limited and conflicting answers. In this study, we propose a three-stage framework to address these two critical issues. Our analysis establishes an S-shaped relationship between the number of strategic alliances a firm has established and the performance of the parent company. Given that strategic alliances are often formed by a firm to diversify into unfamiliar industries or nations, we also argue that this S-shaped relationship is moderated by the levels of product and geographic diversification. We conclude the paper by outlining its research and management implications. (For more information, please contact: Shih-Fen S. Chen, University of Western Ontario, Canada: sfchen@ivey.uwo.ca)

International Strategic Alliance Formations of International New Ventures: A Signaling Theory Perspective
Yu-Kai Wang, Florida International University

Prior research is mostly concerned about the outcome of international new ventures but neglects to investigate the value-added activities of these international new ventures in global markets. Since international cooperative activities of international new ventures, international strategic alliances, can aid international new ventures to access external resources globally, they should be emphasized. However, since international new ventures suffer from liabilities of newness and foreignness, their potential alliance partners may lack satisfactory organizational information to evaluate these international new ventures. Based on signal theory, this study argues that alternative sources can play a role in signaling the organizational legitimacy of international new ventures. This study, especially, proposes that the prestigious traits of top management and outside directors, such as top executives’ prior experience in prestigious multinational enterprises or outside directors representing prestigious venture capitalists, can exert their symbolic role, and assist international new ventures to form international strategic alliances. In sum, the study contributes by showing the effects of prestigious signals of international new ventures on their formations of international strategic alliances. (For more information, please contact: Yu-Kai Wang, Florida International University, USA: ywang012@fiu.edu)

Strategic Group and International Alliance Forming - An Exploratory Model
Wei He, Florida International University

Extending the original work of Garcia-Pont and Nohria (2002), this paper tries to investigate which partner multinational firms prefer to orient when they pursue in international alliance formation. We particularly apply strategic group theory as the fundamental tool and integrate institutional theory as well as resource dependency theory as the basic building-block for theoretical model construction. The model established especially examines how strategic groups related factors can influence the likelihood of international alliance formation from the perspectives of both institutional theory and resource dependency theory. (For more information, please contact: Wei He, Florida International University, USA: whe001@fiu.edu)
The Effect of Country-of-Origin Image and Ethnocentric Bias in Consumers' Perception of Ingredient Branding
Subramanian Sivaramakrishnan, University of Manitoba
Sergio W. Carvalho, University of Manitoba

In this research, we examined the effect of the country of origin of an ingredient brand on consumers’ evaluation of a host brand. Using airlines as host products and aircrafts as ingredients, two experiments were conducted in Brazil and Canada respectively, to assess the effect of the country of origin of an ingredient brand on the host brand. Results show that a host brand from the home country with a favorable image (Canada) is unaffected by an ingredient brand from a country with an unfavorable image (Brazil), whereas a host brand from the home country with an unfavorable image is benefited by an ingredient brand from a country with a favorable image. This effect is moderated by the ethnocentric bias of consumers. Evaluation of the local brand was unaffected by the country of origin of the ingredient brand among those with a high ethnocentric bias toward local brands. (For more information, please contact: Subramanian Sivaramakrishnan, University of Manitoba, Canada: subbu@cc.umanitoba.ca)

Culturally Customizing Websites for Immigrant Communities: An Application of Levels of Acculturation Differences
Daniel W. Baack, University of Denver
Nitish Singh, Saint Louis University

Recent research has explored the customization of online marketing messages to meet the culture-preferences of immigrant communities, and how acculturation level is an effective segmentation variable for these communities. The objective of this study is to expand upon this research through an investigation of Asian-American web content preferences. The study also compares Asian- and Hispanic-American preferences across levels of acculturation testing possible convergence in preferences through acculturation. The results indicate that Asian-Americans have culturally-rooted preferences for web content, that acculturation levels can be used to segment Asian-American, and that the web content preferences of Asian- and Hispanic-American consumers converge as they acculturate. (For more information, please contact: Daniel W. Baack, University of Denver, USA: dbaack@du.edu)

Direct Sales, Gender and Micro-Entrepreneurship in Amazonian Brazil
Jessica Chelekis, Indiana University
Susan M. Mudambi, Temple University

This study examines MNCs and micro-entrepreneurship through an in-depth case study of Avon in an Amazonian region of Brazil. Building on the concept of the global structure of common difference (Wilk, 1995), we conceptualized the sales representatives as the translators of brand value, the intermediaries between the benefits sought by customers and the brand attributes. The representatives leverage a system in which consumers can simultaneously identify with global ideals of beauty and express locally-based ideals. Findings from 10 months of field research illustrate 3 preliminary propositions: (P1) In emerging economies, participation in direct selling is higher in areas with few income opportunities for women and with higher consumer access to information technology and global media; (P2) The higher the customer identification with
global ideals of beauty, the wider the product choices and the lower the level of product adaptation; and (P3) The higher the customer desire to express local differences in ideals and values, the narrower the product choices, and the higher the level of product adaptation. MNCs can compete with local firms, even in rural areas lacking basic infrastructure, to the economic benefit of communities and individuals. The culture and brand-bridging role of the sales representative is the key. (For more information, please contact: Susan M. Mudambi, Temple University, USA: susan.mudambi@temple.edu)

The Impact of Negative Information on Perceptions of Own Country Products: A New Perspective on Country of Origin and Its Influence on Consumer Behavior
Mike Chen-ho Chao, Baruch College, CUNY
Rania Semaan, Baruch College, CUNY
Andreas Grein, Baruch College, CUNY

Past research on the country-of-origin construct leaves a number of questions as to the role this plays in consumer purchase decisions. This research considers the role of social and group identity in determining product choices, and whether this is affected by feelings of anger toward outsiders. Specifically, we use an experimental design where respondents are randomly assigned to conditions which manipulate feelings of social / group identity and feelings of anger towards the “out-group”. We develop a conceptual framework and research propositions to show how these might affect willingness to buy of own country products. Data is being gathered using Chinese respondents. (For more information, please contact: Mike Chen-ho Chao, Baruch College, CUNY, USA: chen-ho.chao@baruch.cuny.edu)

Explicit and Implicit Ethnocentric Bias and Product Typicality
Ting-Hsiang Tseng, Feng Chia University
George Balabanis, City University London

With the use of a mixed experiment, the present study examines how variation of attitudes towards domestic and foreign product can be explained by product typicality. Both explicit and implicit measures of attitudes towards the products are examined. Results indicate that domestic and foreign typical products are both more favorably evaluated than atypical ones. Similarly, discrimination against foreign products and in favor of domestic ones (i.e., ethnocentric bias) was found to be more prevalent to atypical products than typical ones. (For more information, please contact: Ting-Hsiang Tseng, Feng Chia University, Taiwan: dinshang1@yahoo.com.tw)

Organizational Response to Product Failure Complaints: -The Moderating Influence of Consumer Cultural Value Orientation on Perceptions of Justice
Etayankara (Murli) Muralidharan, University of Manitoba

A number of studies have attempted to evaluate the impact of organizational response on consumer satisfaction in the event of a product failure complaint. However despite growing globalization and free movement of capital and labour across national borders, except for a few studies related to service recovery, none have studied the impact of consumers’ cultural value orientation on the evaluation of organizational responses to a product failure complaint. This is a proposal to study data from different cultures to investigate how evaluations of organization’s responses are influenced by the interplay of consumer’s value orientation and response characteristics. Adapting extant research conducted in the service recovery area to the current proposal the results of the proposed study are expected to show that values of individual Power Distance, Uncertainty Avoidance and Collectivism interact with the organizational responses to influence consumer perception of justice. This perception of justice is expected to then impact the overall consumer satisfaction and post complaint buying behaviour. (For more information, please contact: Etayankara (Murli) Muralidharan, University of Manitoba, Canada: ummurale@cc.umanitoba.ca)
Black Marketing: Diffusion and Glocalization of Telephone Scams  
D’Arcy Caskey, National Taiwan University  
Homin Chen, National Taiwan University

Considering the economic scale and global scope of the black market, the lack of related international business research on the topic is surprising. We make a call to action to research the black market, and then take up the challenge by investigating one aspect: the telephone scam. We formulate several propositions about telephone scams and their international transfer, localization, diffusion and marketing to local consumers. Realism of the scam story, which must be matched to heterogeneous realities amongst different cultures, is seen as the main factor determining scam success. Discussion of the implications of these propositions and the need for expansion of international business research into the black market concludes our paper. (For more information, please contact: D’Arcy Caskey, National Taiwan University, Taiwan: d97724013@ntu.edu.tw)

Retail Opportunity in Luxury Brands: An Empirical Study from a Gulf Country Perspective  
Norizan Mohd Kassim, Qatar University  
Noor Fauziah Sulaiman, Qatar University

In order to form a basis for retail opportunity decisions, we need to fully understand the implications of culture on consumer behaviors. This study investigates the influence of demographic characteristics on lifestyle of 176 consumers in Qatar, which in turn influence their interest in purchasing designer and luxury products and services. Results of a questionnaire survey found that there were strong supports for the positive main effects of nationality, gender and education on quantity of life (materialism and wishing). Also, there were significant positive impacts of materialism and wishing on interest in purchasing designer or luxury product and services. Qatari nationals who were less educated were found to be more attracted by prestigious and well-known brands. This finding also suggests that Qatari women are more interested in purchasing designer or luxury product and services. It is worth mentioning that an emerging trend towards a more balance masculine/feminine society was identified as the impetus for the changing lifestyle and greater materialistic values among Qatari women. A number of implications of the findings to practice are also given. (For more information, please contact: Norizan Mohd Kassim, Qatar University, Qatar: norizanmk@qu.edu.qa)

Session: 3.3.13 - Interactive  
Track: Track: 6 - Innovation and Knowledge Management

The Role of Clusters and Local Innovation Systems

Presented On: June 29, 2010 - 13:15-14:30

Chair: Elizabeth L Rose, Aalto University

Growth and Renewal in Innovation Systems  
Niklas Arvidsson, KTH Royal Institute of Technology  
Ulf Mannervik, Templeton College, Oxford University

This study addresses the need for a better understanding of evolution in innovation systems by using an engaged methodological approach. The results are manifested in a framework of innovation system dynamics based on the conceptual constructs exploitation and exploration. We also identify two additional dynamics that are of particular importance in innovation systems: transitions from exploitation to exploration as well as from exploration to exploitation. The insights on dynamics have important implications for studies of innovation systems and the practice of innovation policy-making. Our research also advocates the benefits of using an engaged methodological approach in this field of research. (For more information, please contact: Niklas Arvidsson, KTH Royal Institute of Technology, Sweden: niklas.arvidsson@infra.kth.se)
Effect of International Linkages and Government Policy on National Innovation
Srividya Jandhyala, George Washington University
Anupama Phene, George Washington University

As global competition among countries becomes increasingly driven by technological innovation, incentives to facilitate and enable national innovation are receiving renewed attention. Departing from prior studies that have focused on domestic institutional characteristics in explaining the cross-national variation in innovative output, we broaden the scope of enquiry by addressing international policy mechanisms. We present a model of innovation by considering how international economic trade linkages forged by firms as well as international political linkages generated by government policy influence national innovation rates. We argue that a country’s exports allow firms to learn from their more technologically prolific peers while political agreements stabilize and protect the extent of trade between countries. We test our arguments by examining the patents filed in the semiconductor industry by 53 countries over the time period 1990-2000. The analyses provide support for our hypotheses. We find exports to highly innovative countries to be a significant predictor of semiconductor patents filed by a country. Further, exports have a significant effect on innovation when the home and host countries have a political agreement that stabilizes trade between them. Thus, we find evidence of synergies between government policy initiatives and private firm linkages in determining a country’s innovative output. (For more information, please contact: Srividya Jandhyala, George Washington University, USA: srividya@gwu.edu)

Systems of Innovation and Value Chains: An Empirical Assessment of MNC Location Strategies in the European Regions
Roberta Rabellotti, Università del piemonte Orientale
Carlo Pietrobelli, Inter-American Development Bank
Riccardo Crescenzi, London School of Economics

This paper combines the theoretical insights from the systems of innovation approach with the analysis of global value chains in order to shed some light on the strategies of Multinational Corporations investing in the EU. MNCs strategically manage their value chains by taking into account a complex set of factors, involving not only the ‘traditional’ sources of location advantage (i.e. raw materials, factor costs, market access) but also the search for localised (tacit) knowledge, specialised skilled labour and developed systems of innovation. The empirical analysis models the decision of MNCs to invest in different locations at different stages of their value chains as a result of the interaction of investment-specific and location-specific conditions. In particular the model singles out the role of local innovative dynamism, localised knowledge flows and the characteristics of the systems of innovation as drivers of new investments at different stages of the value chain. The empirical analysis is undertaken on the EU countries and regions. Data on MNCs are from the FDi markets and Euromonitor datasets. From the empirical analysis, some policy implications for national and regional governments are suggested aiming at attracting with the most suitable foreign investments for the development of the local economy. (For more information, please contact: Roberta Rabellotti, Università del piemonte Orientale, Italy: rabellotti@eco.unipmn.it)

Policy-Driven Clusters and Internationalization: The Missing Link
Christopher Richardson, University of Manchester
Mo Yamin, University of Manchester

This paper investigates whether clusters created by policymakers are able to enhance the internationalization of firms by generating knowledge flows through regular, face-to-face social interaction between cluster members, as seen in many successful, ‘organic’ clusters. Based on in-depth interviews with 10 firms operating in Malaysia’s Multimedia Super Corridor cluster, we reveal that knowledge that may enhance internationalization does not readily diffuse within a policy-driven cluster through spontaneous social interaction, because such
interaction does not occur automatically or instantaneously in such clusters. However, authorities may compensate for this somewhat by organising regular trade shows, conferences, workshops, and other events in the cluster, through which firms can acquire some knowledge about conducting international business. (For more information, please contact: Mo Yamin, University of Manchester, United Kingdom: mo.yamin@mbs.ac.uk)

The Interaction Between Technological Resources and Host Country’s Factors: The Impact on the Number, Location and Survival of Subsidiaries
Armando Juan Borda, Florida International University

IB research has used country specific factors to analyze market selection decisions. Traditionally, it is assumed that MNCs will enter particular countries depending upon country level characteristics. While the importance of resources and capabilities has been largely recognized in entry mode decisions, their impact on location choice decisions has been largely ignored. By using the RBV as a theoretical background, I argued that MNCs location strategies should include the evaluation of the environment given a particular configuration of resources that they possessed. The type of resources will impact decisions regarding the number, location and survival of foreign subsidiaries. (For more information, please contact: Armando Juan Borda, Florida International University, USA: abord001@fiu.edu)

Evolution of a Global Cluster through Local and Diaspora Ties: A Case Study of Bangalore Information Technology Cluster
Florian A. Täube, European Business School
Petra Sonderegger, Indian Institute of Management Bangalore
Amit Karna, European Business School

Geographic clusters play an increasingly significant role due to the presence of globally oriented MNCs and SMEs located there, particularly in knowledge-intensive industries –yet they have been understudied by IB researchers. Clusters draw on local (and increasingly also on non-local) networks to access knowledge and resources for superior performance and innovation. We undertake a longitudinal case study of Bangalore IT cluster to explore the effect of different network ties on its evolution. We find that that the role of local and non-local ties is contingent on cluster evolution, and that Diaspora networks moderate each of these effects. (For more information, please contact: Florian A. Täube, European Business School, Germany: florian.taeube@ebs-siie.de)

Beyond a Knowledge Competitive Advantage: Knowledge Sharing in Clusters and Clustering as a Parity Strategy
Manuel Portugal Ferreira, Instituto Politécnico de Leiria
Fernando Ribeiro Serra, Universidade do Sul de Santa Catarina

The extant research often treats the access to knowledge as an important location advantage. Firms may locate in regional clusters to benefit from the proximity to other rival and complementary firms and institutions but also to access a pool of qualified personnel, innovations and the broad knowledge that is “in the air”. Hence, location in clusters may be viewed as a possible source of competitive advantage for firms. We discuss several issues related to the innovative potential of clustered firms, the types of innovations generated in clusters and particularly the effect of knowledge sharing - through the social and professional ties that connect firms, managers and entrepreneurs in clusters - on clustered firms’ ability to capture the rents from their innovations. In this paper, we suggest a view of clusters that is beyond the development of a knowledge-based competitive advantage to argue that clustering may lead firms to a competitive parity situation. Notwithstanding we conclude defining a set of conditions that may lead certain firms to cluster. (For more information, please contact: Manuel Portugal Ferreira, Instituto Politécnico de Leiria, Portugal: portugal@estg.ipleiria.pt)
**MNE Strategies for Emerging Economies**

**Presented On:** June 29, 2010 - 13:15-14:30

Chair: Ram Mudambi, Temple University

**Dutch MNE Foreign Expansion into Developed and Emerging Economies**

Christopher Williams, University of Amsterdam  
Lars Galesloot, University of Amsterdam  
Elwin Gastelaars, University of Amsterdam  
Dante van de Kerke, University of Amsterdam

We investigate the differences in entry mode strategy for MNEs from a highly developed country (The Netherlands) when expanding abroad into developed and emerging economies. We examine the impact of national culture differences, institutional quality and constraints in terms of rules discouraging FDI on foreign expansion decisions. Our analysis is based on 427 foreign expansion decisions by all MNEs active on the Amsterdam Exchange Index (AEX) between 2004-2007 inclusive. The expansion moves relate to 50 countries in total. We find that, when expanding into other developed countries, cultural distance plays a stronger role in MNE expansion strategy; institutional quality and rules discouraging FDI are not relevant. When expanding into emerging economies, cultural distance becomes irrelevant; the effects of local laws discouraging FDI become stronger. We advance the body of research on firm foreign expansion by demonstrating contrary effects of cultural distance and legal constraints when MNEs from developed countries enter other developed and emerging countries in the same period of time. Our findings also suggest that, in the presence of large cultural distances and legal constraints on FDI, institutional quality plays a weaker role than prior studies suggest. *(For more information, please contact: Christopher Williams, University of Amsterdam, Netherlands: c.williams@uva.nl)*

**When to Move Fast? Pace and Performance of Foreign Expansion**

Ruihua Joy Jiang, Oakland University  
Ravi Parameswaran, Oakland University  
Yuan Ding, Hohail University

With China as the context, this paper investigates what factors will lead to a fast expansion strategy in a foreign market, and whether fast expansion benefit or hurt firms’ performance in the market. Combining theory and insights from field interviews, we develop hypotheses on relevant factors that affect firms’ pace of expansion and the relationship between pace and performance. Hypotheses were then tested with a survey study. Together, the two-stage study shows that internally, firms’ investment goals, resource commitment and externally the growth in the demand market will push firms to expand fast in the foreign market. Faster pace of expansion is positively associated with firms’ performance in the emerging market. *(For more information, please contact: Ruihua Joy Jiang, Oakland University, USA: jiang@oakland.edu)*

**Change of Subsidiary Mandates in Emerging Markets: The Case of Danish MNCs in India**

Michael W. Hansen, Copenhagen Business School  
Peter Wad, Copenhagen Business School  
Bent Petersen, Copenhagen Business School

In recent years, the activities of Danish MNCs in India have expanded dramatically. Previously dormant subsidiaries have had a revival and have been transformed into integral components in the global strategies of Danish MNCs, either as crucial cash cows catering to the rapidly growing Indian markets, or as bases for the sourcing of increasingly advanced value chain activities. This paper aims to provide an understanding of the
change in mandates of Danish subsidiaries in India. A review of the literature on subsidiary mandates reveals that it rarely explicitly relates change of mandates to the influence of the specific emerging market context. To address this problem, the paper develops a model for change in subsidiary mandate that explicitly relates such changes to the dynamics of the host country context in which the MNC operates. An empirical analysis of mandate evolution of Danish MNCs in India reveals that recent years' rapid market growth, institutional reforms and the structural transformation of Indian industry has propelled Danish subsidiaries on to trajectories that defy the predictions of received theory. (For more information, please contact: Michael W. Hansen, Copenhagen Business School, Denmark: mwh.ikl@cbs.dk)

**TMT Diversity and Firm Performance: Testing an Integrative Model in China**

Li-Qun Wei, Hong Kong Baptist University
Longzeng Wu, Hong Kong Baptist University
Kun J. Qiao, Dalian University of Technology

Research of the impact of TMT diversity on firm performance has been concluded inconsistently. It has been suggested more efforts should be made to understand the TMT process influences the TMT diversity-firm performance relationship. Based on the integrative model provided by Van Knippenberg et al. (2004), this study examined the contextual factors influencing the TMT diversity-performance relationship. Specifically, both team cohesion and team interdependence were examined as moderating the relationships between TMT cognitive diversity and performance. Moreover, elaboration of task-related information was proposed to mediate these moderated relationships. Results with a sample of top management teams from 133 Chinese firms indicate that team cohesion and team interdependence moderate the relationships between TMT cognitive diversity and performance, and the positive moderating effects are further mediated by the elaboration of task-related information of the TMT. (For more information, please contact: Li-Qun Wei, Hong Kong Baptist University, Hong Kong, SAR-PRC: weiliqun@hkbu.edu.hk)

**Emergent Strategies in Emerging Economies: From Investment Motives to Subsidiary Strategy**

Grazia D. Santangelo, University of Catania
Klaus E. Meyer, University of Bath

Businesses frequently reassess and modify their strategies. In consequence, realized subsidiary strategies may deviate from the initial intended strategy. We integrate the Internationalization Process model of Johanson and Vahlne with Mintzberg’s emergent strategy perspective to investigate this phenomenon. We propose and test a conceptual framework concerning the drivers that may lead foreign investors to deviate from their entry motivations, and either enhance or reduce their subsidiary scope. Drawing on a sample of 327 subsidiaries in three Central and East European countries, we find that both strategic and institutional influences affect firm deviation from their original entry motives. (For more information, please contact: Grazia D. Santangelo, University of Catania, Italy: grsanta@unict.it)

**Japanese Business in the Bottom Market: Sources, High Potential and Some Issues**

Hideyuki Sugawara, Hokkai-Gakuen University

This paper seeks an origin of BOP (Base of the Pyramid) business. As a result, I revealed that the Japanese companies have a particular aptitude and strength for BOP business, and the time is ripe to break into this market. Japanese companies have five strengths that make it possible for them to succeed in BOP business: (1) a steadfast philosophy, (2) a strong sense of mission, (3) a long-term perspective, (4) a Gemba-oriented stance, and (5) high-quality goods and services. Considering BOP success factors, it is clear that Japanese companies have much more of a base for BOP business than do Western companies. Building unconventional partnerships is the key to success in BOP business for Japanese companies. (For more information, please contact: Hideyuki Sugawara, Hokkai-Gakuen University, Japan: hideyuki@ba.hokkai-s-u.ac.jp)
Evolution of an OEM Firm’s Power: The Influence of Emerging Markets
Angeline, Te-Yi Lin, National ChengChi University
Tom, Cheng-Wen Yao, Yuan Ze University

Traditionally, OEM firms are in a weaker position in the relationships between brand firms and OEM firms. Brand firms have the power to ask their OEM firms make some more risky investment abroad. Therefore, these OEM firms usually reactively investment in emerging markets to fulfill the brand firms’ request. However, with the rapidly economic growth, these new markets become high potential markets that these brand firms eager to enter. The emergence of these markets and the different institutions in these markets provide some opportunities for OEM firms to position in favor of them. The phenomenon of Taiwanese OEM firms in China provides a real example for us. Based on the argument and the phenomenon above, this study develops two propositions regarding the evolution of OEM firms. We propose that an OEM firm may be forced to reactively invest abroad, but with the influence of emerging markets, the OEM firm can actively change its position and have more power than before. (For more information, please contact: Angeline, Te-Yi Lin, National ChengChi University, Taiwan: linteli@nccu.edu.tw)

Business Process Offshoring in an Emerging Market: Unique Properties and Operational Modes
Yadong Luo, University of Miami
Vaidyanathan Jayaraman, University of Miami
Stephanie C. Lu, University of Miami

This study examines an important yet understudied issue - the operational mode for business process offshoring (BPO). It addresses how BPO differs from traditional foreign direct investment in selecting an entry mode and how this mode is chosen to align with BPO-related transactional and cultural traits. We elucidate that the BPO firm’s operational modes, such as captive, joint venture, and third party, are determined by process codifiability, quality measurability and knowledge specificity, in addition to cultural attributes. Using a uniquely compiled archival database, we empirically validate our analysis using data collected from over 400 global BPO units located in India and found general support for our premise. We conclude that the likelihood of using a foreign captive mode increases when knowledge specialization is higher, while the joint venture mode is preferred if cultural assertiveness is higher. The third-party vendor mode is more likely to be chosen when process quality is easier to measure and when performance orientation is lower (For more information, please contact: Vaidyanathan Jayaraman, University of Miami, USA: vaidy@miami.edu)

Strategy of Multinational Companies (MNC) for the Brazilian Bottom of the Pyramid Market
Silvia Novaes Zilber, UNINOVE
Francisco Lourenço da Silva, UNINOVE

This study aims at increasing knowledge about the phenomenon of ascension of the lower purchasing power classes to the Brazilian consumer market and the strategies used in Brazil by the major companies to succeed in such industry. The case study method was applied to four major corporations operating in Brazil, three of which subsidiaries of Multinational Corporations (MNCs) that produce commodities (J&J, Nestlé and UNILEVER). Content analysis was used for data treatment, with the help of a software tool named Atlas TI. The result revealed that those companies are not operating in the so-called “Bottom of the Pyramid” (BOP) market the same way as in other emerging countries. The big companies prefer trying to penetrate only in the so-called “Tier 3” of the Brazilian market, because they consider that the economical stratification below that tier is not attractive enough, especially because of its reduced size. This research concluded that the studied companies adjusted operational strategies by promoting small changes, such as adaptation of products and distribution channels, using a combination of generic strategies of cost leadership and the concepts of the Resource-Based View (RBV) theory. (For more information, please contact: Silvia Novaes Zilber, UNINOVE, Brazil: silviazilber@gmail.com)
Session: 3.4.1 - Plenary

Farmer Dissertation Award Presentations

Presented On: June 29, 2010 - 14:45-16:00

Chair: Shige Makino, Chinese University of Hong Kong

Foreign Acquisition of Banks (Ph.D. Awarded by University of Michigan)
Hein Bogaard, George Washington University

Essays on Equity Joint Ventures, Uncertainty and Experience (Ph.D. Awarded by Tilburg University)
Ilya Cuypers, Singapore Management University

The Paradox of Foreignness: Norm-Breaking MNEs in the Japanese Banking Industry (Ph.D. Awarded by Stockholm School of Economics)
Jesper Edman, Stockholm School of Economics

International Investment Regimes: De Jure Policies, De Facto Practices, and MNC Strategic Choices (Ph.D. Awarded by University of Pennsylvania)
Srividya Jandhyala, George Washington University

Session: 3.4.2 - Competitive
Track: Track: 1 - Institutions, Governance, and CSR

Current Research on Boards of Directors and Compensation (State-of-the-Art Session)

Presented On: June 29, 2010 - 14:45-16:00

Chair: Ruth V. Aguilera, University of Illinois at Urbana-Champaign

Executive Directors Pay and Networks: The Governance of Spanish Listed Corporations
Rafel Crespi-Cladera, Universitat de les Illes Balears
Bartolome Pascual-Fuster, Universitat de les Illes Balears

This paper examines the role of social networks among board directors to determine the executive directors’ compensation. For a peculiar sample of firms, combining structures with large significant shareholdings with disperse ownership we find empirical evidence suggesting than higher network centrality of executive directors is associated with larger compensation figures. Furthermore, when the network centrality is evaluated by the relevance of directors as intermediaries among other directors, this centrality measures is negatively related to future firm performance. Corporate governance variables as the existence of independent directors non-proposed by the nomination committee, and the existence of golden parachutes protecting top executives against firing, become significant and positive explaining the relation with executive director’s pay. (For more information, please contact: Rafel Crespi-Cladera, Universitat de les Illes Balears, Spain: rafel.crespi@uib.es)

Board of Directors and Firm Diversification in Business Group Affiliates
Weiwei Xu, National University of Singapore

We investigate the internal governance which constrains the power of large business group shareholders. Boards of directors are widely viewed as the central internal control mechanism in public corporations. Existing
literature on directors, however, focus on their resource and control roles. We add to this literature by arguing that directors are also responsible for monitoring the controlling shareholder. We propose a finer taxonomy of directors by adding their affiliation with the controlling business groups as well as considering their related background: affiliated insiders, affiliated outsiders, nonaffiliated insiders, representatives from other large shareholders, and independent directors. We investigate their respective impact on the diversification-performance relationship in business group affiliated firms. We test the hypotheses using 18,300 director-year data of 942 business group affiliated listed firms in China over a 3 year period from 2003 to 2005. We found that insider directors (whether affiliated or not) and outside directors who represent other large shareholders serve a constraining effect on the power of controlling business groups in investment decisions. We also found that affiliated outside directors facilitate the group owners' expropriation behaviors while the independent directors have no significant effect in protecting the interests of minority shareholders. (For more information, please contact: Weiwei Xu, National University of Singapore, Singapore: rmixw@nus.edu.sg)

Nordic Board Diversity and Company Economic Performance
Steen Thomsen, Copenhagen Business School
Aleksandra Gregoric, Copenhagen Business School
Trond Randoy, Agder University
Lars Oxelheim, Lund University

Corporate boards in the Nordic countries (Denmark, Norway, Sweden, Finland) are becoming increasingly diverse as a consequence of legal changes, globalization and social trends. A mandatory gender quota in Norway has generated a large scale natural experiment. A similar quota was announced, but later cancelled in Sweden up to 2005. In this paper we examine the business case for these changes. We analyze effect of board diversity on the economic performance of publicly listed Scandinavian companies over the period 2001-2007. (For more information, please contact: Steen Thomsen, Copenhagen Business School, Denmark: st.int@cbs.dk)

The Effects of Managing MNE’s Institutional Complexity on Top Executives Compensation
Yu-Kai Wang, Florida International University
Aya Chacar, Florida International University

The purpose of this study is to investigate the impact of MNE’s institutional complexity, or the diversity of national institutions facing an MNE’s network of subsidiaries, on the compensation of top executives of multinational enterprises (MNEs). MNEs facing greater international institutional complexity need to operate in, and hence understand, the national environments of each of their subsidiaries which may be largely different from the environments of their home countries. The greater these differences are the less likely executives will be to use already established competencies and the greater the amount of information needed to manage the MNE’s businesses abroad. Drawing from the information-processing demands school, this study proposes that CEOs and top management teams of MNEs facing greater institutional complexity will be more highly compensated. Using data from 421 U.S. MNEs, we demonstrate that greater political, economic, and sociocultural complexity lead to greater compensation. These results are in line with research demonstrating the importance of institutions on strategic decision making and firm performance. This research also is in line with research demonstrating that compensation likely varies with international diversification. (For more information, please contact: Yu-Kai Wang, Florida International University, USA: ywang012@fiu.edu)
Session: 3.4.3 - Competitive
Track: Track: 12 - Methods in International Business Research

Structural Equation Approaches for Cross-Cultural Comparisons

Presented On: June 29, 2010 - 14:45-16:00

Chair: Tomas Hult, Michigan State University

Developing Intermediate Constructs for International Comparative Research: Measurement and Methodological Problems and Remedies
Jagdip Singh, Case Western Reserve University

An Assessment of the Use of SEM in IB Research
Tomas Hult, Michigan State University

Session: 3.4.4 - Competitive
Track: Track: 7 - Emerging, Transition, and Developing Economies

International Trade and Emerging Economies

Presented On: June 29, 2010 - 14:45-16:00

Chair: L. Jeremy Clegg, University of Leeds

CAFTA-DR effects on FDI Inflows, Growth and Distribution of the Workforce: A System Dynamics Approach
Dinorah Frutos, Southern New Hampshire University
Pard Teekasap, Southern New Hampshire University
Massood Samii, Southern New Hampshire University

As regional trading arrangements have spread over the last decades, the study of the relation between trade agreements and foreign direct investment still presents difficulties due to the multi-dimensional character of such relationship. This paper presents a system dynamics model that attempts to shed new light on the effects of some of the provisions of the Central American Free Trade Agreement (CAFTA-DR). Specifically we look at the effects import/export tariff reductions and stronger protections for investors will have on the growth and distribution of the workforce in the non-agricultural (or industrial) and agricultural sectors in six CAFTA-DR country members. The model results indicate that the provisions we considered tend to industrialize member countries as well as expand the agricultural sector in some countries in the long run. In addition, the model indicates that the treaty provisions drive up the GDP per capita for all member countries. (For more information, please contact: Dinorah Frutos, Southern New Hampshire University, USA: dinorah.frutos@snhu.edu)

Absorptive Capacity, Firm Capabilities & Destination in Learning by Exporting: New Evidence from Indian Pharmaceutical Producers, 1994-2007
Chirantan Chatterjee, Carnegie Mellon University
Anand Nandkumar, Indian School of Business

This paper offers new insights on learning by exporting in emerging economy firms based on a novel dataset of Indian pharmaceutical producers between 1994 and 2007. We find that, exporting per se, results in enhanced firm level technical efficiency as measured through reduced costs. Exporting also betters firm-level ability to launch new products in domestic markets. These broad gains in addition to improved R&D efficiency are manifested especially when firms export to US rather than to non-US destinations. Finally, among exporting
Trade from Emerging Markets: The Effects of Aspirations, Slacks and Inertia
Hongyan Qu, Peking University

Trade nowadays are significantly different, especially for emerging markets, and this has posed new challenges for existing international trade theories. As a response to the recent call for firm-level analysis in international trade field, this study looks at the effects of performance-aspiration levels, slack resources and firm inertia on firms’ risk-taking behavior (export in this paper). Using a dataset of 1904 firm-year observations from Chinese pharmaceutical industry, I conclude that export would increase the further the focal firm’s performance is below or above their aspiration levels. But firm size, as an indicator of inertia, can moderate the relationship between performance-aspiration levels and export behavior. Generally speaking, no matter performance is below or above aspiration levels, larger firms are more risk-averse and less likely to export or export less than other firms. I also distinguish between performance-aspiration levels and find that firms are also more likely to export when they have accumulated slack resources. (For more information, please contact: Hongyan Qu, Peking University, China: maylynnchiu@gmail.com)

The Impacts of Export Market and Entrepreneurial Orientations on Export Performance: The Mediating Effects of Resource Reconfiguration Strategy
Nathaniel Boso, Loughborough University
John Cadogan, Loughborough University
Vicky Story, University of Nottingham

Export market orientation and export entrepreneurial orientation are important determinants of export performance. Research shows that the orientations drive export performance in varying organizational and environment contexts. However, an important missing link in the export literature is the role of export resource reconfiguration strategy in mediating the association of export market orientation and export entrepreneurial orientation with export performance. Using data from 212 exporting firms, we establish that export resource reconfiguration strategy mediates the impacts of export market and entrepreneurial orientations on export performance. Several implications for theory and export managerial practice are discussed, and suggestions for future research outlook are identified. (For more information, please contact: Nathaniel Boso, Loughborough University, United Kingdom: n.boso2@lboro.ac.uk)

The International Expansion of New Ventures: Reconciling Different Theories
Renato Cotta de Mello, Federal University of Rio de Janeiro
Angela Da Rocha, Pontifical Catholic University of Rio de Janeiro (PUC-Rio)
Anne-Marie Maculan, Federal University of Rio de Janeiro
The objective of this study was to investigate to what extent certain theories on the firm international process (the Uppsala Internationalization Process Model, Network theory, International Entrepreneurship theory and the Born Global approach) could explain the development over time of the international activities of small high-tech ventures. To do so, a study was undertaken of six case studies of Brazilian software firms, looking at the period from their inception until the present. Information was surveyed relative to 11 analysis categories, covering 39 theoretical propositions posited by four theories. Data sources used included personal telephone interviews, questionnaires, information available on websites, published news stories and company documents. The results showed that there is no single internationalization trajectory for all of the firms studied (even within a single sector); further, all of the theories are capable of explaining for one or more of the cases studied; three "pure" (i.e., completely explained by a single theory) cases were identified, as well as three "mixed" (i.e., that required more than one theory to understand the international trajectory of the firm over time) cases. It is concluded that the trajectory of new international ventures cannot be explained by a single theory. (For more information, please contact: Angela Da Rocha, Pontifical Catholic University of Rio de Janeiro (PUC-Rio), Brazil: amc.darocha@gmail.com)

Beyond International New Ventures: Evidence from International Entrepreneurial Small Firms
Pavlos Dimitratos, Athens University of Economics and Business
Jeffrey E. Johnson, St. Mary's University
Emmanuella Plakoyiannaki, Aristotle University of Thessaloniki
Stephen Young, University of Glasgow

This study is based on the idea that entrepreneurial firms identify and act upon opportunities in different ways compared with their conservative counterparts. It provides evidence on internationalized small firms in the USA, UK and Greece. This evidence attests to the existence of global small firms and micromultinational enterprises, which along with international new ventures, have dissimilar organizational characteristics; and, pursue opportunities differently than their conservative competitors. Therefore, international new ventures, global small firms and micromultinationals qualify to be international entrepreneurial small firms. The study of international entrepreneurship can be extended through the examination of activities of these aforementioned entrepreneurial firms (rather than solely international new ventures), as well as provide managers alternative ways to grow abroad. (For more information, please contact: Jeffrey E. Johnson, St. Mary's University, USA: jjohnson6@stmarytx.edu)

A Theoretical Framework of International New Venture Learning Capabilities and Growth: From a Multilevel Domestic Social Embeddedness Perspective
Fiona Xiaoying Ji, Virginia Polytechnic Institute and State University
Hanko K. Zeitzmann, Virginia Polytechnic Institute and State University

While the importance of social embeddedness has long been recognized in both international and entrepreneur literatures, its effects on international new ventures learning and ultimately international firms’ growth remains undeveloped. In this paper, by building on the literature about social capital, social network and organizational learning, we identify and discuss factors influencing international learning decision and the effectiveness of such learning for new ventures’ growth. Our multi-level conceptual model incorporates founder's domestic social ties, firms' structural and relational ties in domestic country and contextual factors. We stress the importance of examining a multitude of factors in understanding what predicts new ventures’ international learning and how well the learning will facilitate international growth. We then extend our conceptual model to consider how knowledge creation ties and competition ties moderate the effectiveness of new venture learning for international new ventures’ growth. (For more information, please contact: Fiona Xiaoying Ji, Virginia Polytechnic Institute and State University, USA: jixy@vt.edu)

Session: 3.4.6 - Competitive
The Geography of FDI

Presented On: June 29, 2010 - 14:45-16:00

Chair: Pervez Ghauri, King’s College London

Varieties of Capitalism: A Firm-Level Test of the Complementarity Hypothesis
Andrei Kuznetsov, University of Central Lancashire
Marcus Jacob, Harvard University

By investigating the pathways of institutional change at the micro level, this paper contributes to creating a more dynamic variant of comparative capitalism (CC) theory leading to a better understanding of global convergence dynamics. Our focus is on the concept of institutional complementarity. Data are drawn from a survey of the subsidiaries of German firms in the UK and subsidiaries of British firms in Germany. Our results suggest that at the micro level the primacy of national institutions and institutional complementarity as determinants of the organizational behavior of MNCs could be overstated. At the same time, evidence that MNCs seek to adapt to host country institutional systems suggests that complementarity is functional enough to incite adjustment even in the absence of strong formal pressure. (For more information, please contact: Andrei Kuznetsov, University of Central Lancashire, United Kingdom: akuznetsov@uclan.ac.uk)

An Institutional Perspective of Foreign Affiliate Performance
Christine M. Chan, University of Hong Kong

Drawing on the institutional perspective, this paper shows that the performance of foreign affiliates varies greatly in host country and local industry markets where there are a few foreign affiliates, which signal a strong institutional pressure in the markets and that the variation in foreign affiliate performance will be greater in the markets where there are many foreign affiliates, which signal that the institutional pressures give way to the competitive pressures. Our longitudinal analysis of 8,313 affiliates shows that the relative strength of the local industry-level institutional and competitive pressures is stronger than that of the host country-level pressures. (For more information, please contact: Christine M. Chan, University of Hong Kong, Hong Kong, SAR-PRC: mkchan@business.hku.hk)

Caught in the Crossfire: Multinational Enterprises in Warring Host Countries
Li Dai, Texas A&M University
Lorraine Eden, Texas A&M University

Multinational enterprises (MNEs) 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. We introduce a four-dimensional framework and adopt Hirschman’s (1970) exit-voice-loyalty framework to identify and explore the implications of wars for MNEs. Using an institutional perspective, we explore how the influence and uncertainty of war can interact with firm-specific characteristics to affect an MNE’s organizational legitimacy in a hostile context. We apply our analysis to the investment and divestment decisions. (For more information, please contact: Li Dai, Texas A&M University, USA: ldai@mays.tamu.edu)

Agglomeration Externalities, Sub-national Institutional Constraints, and Foreign Firm Performance
Xiaoying Li, University of St Andrews
Laixiang Sun, University of London
This paper examines the impact of agglomeration externality and its interaction with sub-national institutional constraints on foreign firm performance. Drawing from the literatures on competitor analysis and agglomeration externalities, we argue that in an emerging economy, foreign and domestic firms compete in segmented markets and the agglomeration of foreign and domestic firms has different impact on foreign firm performance, which is moderated by sub-national institutional constraints. Our hypotheses are tested on a comprehensive dataset consisting of 8640 foreign firms from 20 countries located in 104 cities in China over the period 1999-2005. We find that there is a negative relationship between the degree of agglomeration with other foreign firms and foreign firm performance. Sub-national institutional constraints at city level further amplify this negative relationship. By contrast, we find that the degree of agglomeration with domestic firms in the same industry is positively related to foreign firm performance. (For more information, please contact: Xiaoying Li, University of St Andrews, United Kingdom: xiaoying.li@st-andrews.ac.uk)

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Session: 3.4.7 - Competitive
Track: Track: 11 - Teaching International Business

**Experiential Learning - Short-Term Study Abroad**

**Presented On:** June 29, 2010 - 14:45-16:00

Chair: James M. Hagen, Hamline University

*Using Experiential Learning Projects to Teach International Business Principles and International Human Resources and Build Social Responsibility Awareness*

- Eileen Kwesiga, Bryant University
- Madan Annavarjula, Bryant University
- Diya Das, Bryant University
- Marshall Pattie, James Madison University

This workshop will focus on discussing innovative and engaging pedagogical and job oriented experiences that can awaken passion among students and also foster a sense of caring for communities. The panel will discuss teaching methods that incorporate real time field experiences such as service learning, practica and consulting projects. The panel will discuss the advantages and disadvantages of these methods and how to further improve on them. Below, we profile three critical innovative methods that academics can use to generate understanding are international service learning projects, global business practica, and international human resources consulting. (For more information, please contact: Eileen Kwesiga, Bryant University, USA: ekwesiga@bryant.edu)

**Internationalization of Business Curriculum: The Role of Short-Term Study Abroad Program**

Gordana Pesakovic, Argosy University

I have organized and realized 15 short term-study abroad programs from 2002-2009. Visited countries include the following: Czech Republic, Switzerland, Hungary, Serbia, Argentina, Chile, India, Thailand, and Singapore. I will present my experience as well as students reflections related to the short-term study abroad program. Topic to be covered: (1) Organization of the international project: from start to finish. (2) Preparation of the short-term study abroad program: pre-travel assignments, travel, and post-travel assignments: What works, What doesn’t. (3) Educational goals and learning objectives with assigned readings and assignments. (4) Post travel reflection (5) Impact and benefits to the students and faculty. (For more information, please contact: Gordana Pesakovic, Argosy University, USA: pesakovic@msn.com)
Short Term International Study Trips for Business Students: The Ultimate Experiential Learning Tool
James M. Hagen, Hamline University
David M. Berg, Hamline University

The authors present insights from having led over a dozen international business study trips for MBA students of three different U.S. universities. They make the case for the value of short-term study trips as an experiential learning tool for international business students, suggesting strategies to assure that the pedagogical potential of the travel is realized. This session includes discussion of the development, implementation, and evaluation of international business study trips, and it provides examples from several trips to countries in Asia and Europe. (For more information, please contact: James M. Hagen, Hamline University, USA: jhagen05@hamline.edu)

Session: 3.4.8 - Competitive
Track: Track: 8 - Cross-cultural Management and International HRM

Cross-Cultural Studies of HRM

Presented On: June 29, 2010 - 14:45-16:00

Chair: Alfred M. Jaeger, McGill University

Leadership Effectiveness across Thailand and Germany: A Dyadic Study on Employee and Corporate Level
Bastian Winkenbach, RWTH Aachen University

We demonstrate the cultural contingency of leadership effects, based on the full-range leadership theory. Focusing on effectiveness, we incorporate employee-, team- and corporate-level criteria. Our results contribute to bridging controversial views on leadership and culture, arguing for co-existing universal and culture-specific effects of leadership. Based on our large-scale dyadic cross-cultural survey, we find support for the universal applicability of the full-range leadership theory. Investigating the differences in leadership effectiveness between Thailand and Germany, transformational leadership is significantly more effective in the context of Germany’s high-individualism and low power-distance. Thus, for managerial practice, we recommend leaders to have a strong focus on national culture and to adapt their leadership behavior accordingly. (For more information, please contact: Bastian Winkenbach, RWTH Aachen University, Germany: winkenbach@win.rwth-aachen.de)

Culture and Satisfaction: A Meta-Analytic Review
Rebecca S Merkin, City University of New York
Vas Taras, University of North Carolina at Greensboro
Piers Steel, University of Calgary

On the basis of meta-analytic analysis, this study examined the relationship between culture and satisfaction using national and individual levels of analysis. Results showed support for the predictive power of culture with regard to satisfaction overall. Other findings showed that effects of culture on satisfaction differs across cultural values, namely individualism-collectivism, power distance, uncertainty avoidance, and masculinity-femininity. In addition, the predictive power of culture with regard to satisfaction was shown to differ across facets of satisfaction, namely work, co-worker, supervisor, performance, family, and life satisfaction. Finally, the predictive power of culture with respect to satisfaction compared favorably to that of other popular predictors of satisfaction, namely demographics, pay satisfaction, personality, organizational tenure, work characteristics, and work-family balance. Moderator analysis indicated that national-level studies tend to report greater relationship coefficients than individual-level studies. Furthermore, studies based on student samples tend to report weaker relationships and studies based on samples drawn from more culturally tights societies are likely to report stronger correlations than from more culturally loose societies. (For more information, please contact: Rebecca S Merkin, City University of New York, USA: rebecca.merkin@baruch.cuny.edu)
National Differences or Sector Effects? HRM in Japanese and UK Retail Multinationals in China
Jos Gamble, University of London
Qihai Huang, Manchester Metropolitan University

This paper seeks to assess whether national differences or sector effects best account for the pattern of HRM found in multinational firms. From a theoretical perspective, UK and Japanese firms are constituted by significantly different institutional and business logics. While the former is an exemplar liberal market economy, the latter is a coordinated market economy. Japanese firms are considered to have a long-term orientation, with labour regarded as a fixed cost, extensive training and strong internal labour markets. The UK system is typically characterised by firms operating on a more short-term basis, with high labour mobility and limited investments in human resource development. Sector effects, by contrast, would suggest that firms operating in the same business sector, using similar categories of employees, are likely to exhibit similar modes of HRM.

Using survey data from 859 staff and managers at the subsidiaries of UK and Japanese retail multinational firms in China, the findings indicate little support for either the effect of sector or anticipated ‘national models’. Instead, while some results are contrary to expectations, most are characterised by lack of consistency. (For more information, please contact: Jos Gamble, University of London, United Kingdom: j.gamble@rhul.ac.uk)

Studying the Whole Organisation: Ethnography as a Tool for Integrated and Embedded Perspectives on Cross-Cultural Management in MNCs
Fiona Moore, University of London

Ethnographic research in international business studies and cross-cultural management often focuses on small-group case studies, ignoring other genres of ethnography and thus artificially limiting its role. I argue, based on a study of BMW MINI, that holistic ethnography, considering the perspective of many groups within the organisational context, can allow both a fragmented and integrated perspective, on the organisation. It can therefore be of particular value in situations such as cross-border mergers and acquisitions, where it is necessary to simultaneously understand the lived experience of groups working in the MNC, the interactions of these groups, and their impact on the wider organisation. (For more information, please contact: Fiona Moore, University of London, United Kingdom: fiona.moore@rhul.ac.uk)

Session: 3.4.9 - Competitive
Track: Track: 9 - International Economics, Finance and Accounting

Environment, Networks and Performance

Markets and Networks in International Trade: On the Role of Distances in Globalization
Lars Hakanson, University of Queensland
Douglas Dow, University of Melbourne

The continuing and possibly rising importance of distance for international trade has recently become recognized as an empirical fact in need of explanation. A number of plausible but partly competing hypotheses have been advanced as possible explanations. One line of argument - the ‘networks view’ - emphasizes the continuing need for extensive information exchange and personal interaction between buyers and sellers, an alternative - ‘the markets view’ - contends that improved availability of information and increasing transparency of markets have facilitated the matching of geographically more proximate buyers and sellers. This paper examines empirically the relative merits of the two arguments based on a longitudinal analysis of bilateral trade between 25 major trading nations for the period 1962-2008. It compares the development of the
relative importance of ‘psychic distance’ – a proxy for information related transaction costs – and geographical
distance – a proxy for transportation costs – in three categories of goods. The results are generally in support
of the ‘market view’. They confirm that the distance sensitivity of trade has generally increased and
demonstrate that this increase is associated with a growing importance of geographical distance. The role of
‘psychic’ distance has declined – dramatically in the case of standardized goods, somewhat less so for
differentiated goods. (For more information, please contact: Lars Hakanson, University of Queensland, Australia:
l.hakanson@business.uq.edu.au)

National Culture and Debt Maturity
Xiaolan Zheng, University of South Carolina
Sadok El Ghoul, University of Alberta
Omrane Guedhami, University of South Carolina
Chuck C. Y. Kwok, University of South Carolina

In this study, we investigate the influence of national culture on corporate debt maturity choice. Based on the
Hofstede’s four culture dimensions and previous debt maturity literature, we hypothesize the potential
mechanisms through which the influence is exerted. The rationale behind the argument is that national culture
could condition the managers/shareholders minds and behaviors as well as altering the perceptions of creditors
towards such issues as agency problems and asymmetric information. With a panel data set of 115,629 firms
from 43 countries over a period from 1991 to 2006, our empirical findings present strong evidence that firms in
countries with high uncertainty avoidance, high collectivism, high power distance or high masculinity tend to
use more short-term debt. The findings are robust to sample composition, alternative culture measures, and
additional control variables. (For more information, please contact: Omrane Guedhami, University of South
Carolina, USA: omrane.guedhami@moore.sc.edu)

Natural Disasters and Corporate Cash Holdings
Andres Ramirez, Bryant University
Nezih Altay, DePaul University

Natural disasters devastate people, damage economies and cause uncertainty. We examine the relationship
between natural disaster damage and corporate cash holdings. We present four main findings; first, earthquake
and windstorm damage is positively correlated with corporate cash holdings. Second, the effect of disaster
damage is persistent over time. Third, when faced with a disaster, multinational corporations increase their cash
holdings less than their domestic counterparts. And fourth, insurance consumption does not seem to be a
substitute for increased cash holding. This study is important for two main reasons; first, it is the first look into
the impact of natural disasters on the liquidity of the firm. We introduce a timely and very relevant topic to
mainstream international finance. Second, results presented here have important implications for policy makers
and academics. Cash “hoarding” after a disaster, while rational at the firm level could be detrimental for
economic recovery. Another concern relates to the apparent irrelevance of insurance consumption at mitigating
cash increases. For academics this is a field that is greatly understudied. The impact of disasters at the firm
level has largely been ignored. (For more information, please contact: Andres Ramirez, Bryant University, USA:
aramirez@bryant.edu)
Session: 3.4.10 - Competitive
Track: Track: 6 - Innovation and Knowledge Management

Learning Across Borders

Presented On: June 29, 2010 - 14:45-16:00

Chair: Torben Pedersen, Copenhagen Business School

Accumulative & Assimilative Learning, Institutional Infrastructure and Innovation Orientation of Developing Economy Firms

Raveendra Chittoor, Indian School of Business, Hyderabad
Preet S. Aulakh, York University
Sougata Ray, Indian Institute of Management Calcutta

This study examines drivers of investment in innovation in developing economies in the post-liberalization era characterized by institutional changes and global competition. Drawing from economic growth theories, evolutionary economics, and the international business literature, we develop a model incorporating the role of internationally acquired knowledge and supra-firm institutional infrastructure on innovation orientation of indigenous firms and empirically test the hypothesized relationships on a panel data of firms from the Indian pharmaceutical industry. Our results show that firms use international resources to pursue product market internationalization, and it is a combination of technology acquisition and experiential knowledge from global markets that provides the impetus for investment in innovation. This supports recent articulations in the literature regarding the importance of both external knowledge accumulation and assimilation as drivers of innovation for developing economy firms. We further theorize and find support for the conditioning role of business group affiliation on the relationship between sources of knowledge and innovation orientation. In particular, we find that business groups provide the institutional infrastructure which substitutes for external accumulative learning in the case of affiliate firms. (For more information, please contact: Raveendra Chittoor, Indian School of Business, Hyderabad, India: raveendra_chittoor@isb.edu)

Institutional Knowledge in Ongoing International Business Relationships

Kent Eriksson, KTH - Royal Institute of Technology
Angelika Lindstrand, Stockholm School of Economics
Deo Sharma, Stockholm School of Economics
Jessica Lindbergh, KTH - Royal Institute of Technology

The aim of this paper is to study the importance of ongoing international business relationships for firms’ institutional knowledge. This is carried out on a sample of 255 international firms. This paper finds that lack of institutional knowledge becomes less of an obstacle for international business relationship development as the firm gains knowledge of its ongoing international business relationship. We also find that lack of institutional knowledge becomes more of an obstacle for international business development as the firm commits to its ongoing international business relationship. Finally, the firms also find that lack of institutional knowledge in an ongoing international business relationship becomes more of an obstacle for international business development the more dependent the ongoing international business relationship is on the business network. (For more information, please contact: Jessica Lindbergh, KTH - Royal Institute of Technology, Sweden: jelindbe@infra.kth.se)

Avoiding Context Traps: Making ‘Invisible’ Context Salient

James Nebus, University of North Carolina Charlotte
Kah Hin Chai, National University of Singapore
All knowledge is embedded in and complemented by its context. Context implies how this knowledge is to be interpreted and why it was created. Context is practically significant because it contains the assumptions for the proper application of, or prerequisites for the proper functioning of, practice knowledge. We treat context as an overarching construct defined as a setting, locale, or environment. This paper’s contribution is developing a theory which sheds light on the research questions: why is context often invisible, and thus ignored? why is the same context invisible to some and salient to others? And what can be done to make organizations more aware of relevant context? We explain that context ‘invisibility’ stems from lack of context awareness, which we posit is determined by the interaction between attention to and salience of local context. However, once one becomes aware of a context, the length of a person's continued immersion in it causes one to lose awareness. Furthermore, we posit that context saliency is positively affected by the context’s novelty, but negatively affected by the dispersedness and ambiguity of context. Finally, we prescribe capabilities that organizations can develop to increase context awareness. (For more information, please contact: James Nebus, University of North Carolina Charlotte, USA: jfnebus@uncc.edu)

**Toward a Better Understanding of the Dynamics of Cross-Border Inter-Unit Learning: Insights from a Young Subsidiary in China**

Nora Ramadan, University of Birmingham
John Child, University of Birmingham

Research into the dynamics of organizational learning remains sparse, especially concerning external sources of knowledge. This paper reports a qualitative investigation of the process dynamics of cross-border inter-unit learning (CBIUL) in the recently-formed Chinese subsidiary of a multinational company. The study has two main aims: (1) to investigate the process of cross-border inter-unit knowledge transfer and the process of learning and absorption of the transferred knowledge; and (2) to identify the organizational mechanisms and strategies employed and to assess the enablers and barriers that might influence the CBIUL process. It supports previous research indicating that access to knowledge does not mean that it is learned. It highlights the impact on learning of the mechanisms and context of knowledge transfer. Social interaction between staff was a very important vehicle for knowledge sharing and learning. For social interaction to be successful, an appropriate organizational context and personal attributes are required. The interaction between formal and informal mechanisms was also found to be vital for CBIUL to take place. Finally, contrary to the common belief that absorptive capacity is the main and only impediment for successful knowledge transfer, two other influential factors were relevant, namely perceived relevance and time constraints. (For more information, please contact: John Child, University of Birmingham, United Kingdom: j.child@bham.ac.uk)
capital as an important micro-level origin of four marketing capabilities: pricing, product development, distribution and marketing communication. Further, the moderating effect of national culture on the social capital-organizational capability link is investigated through examination of survey data from 891 firms from four countries (China, Germany, Hong Kong and the USA). Results indicate that social capital is a key antecedent to marketing capabilities across all cultures, while national culture is an important moderator of the relationship between social capital and organizational capabilities. Firms operating in national cultures characterized by high collectivism, high power distance and low uncertainty avoidance should be able to better leverage their social capital in the creation and maintenance of organizational capabilities. (For more information, please contact: Jan Kemper, RWTH Aachen University, Germany: kemper@win.rwth-aachen.de)

Strategic Relevance in Subsidiary: Social Networks Analysis of Patents in a Brazilian MNC
Belmiro N. João, Pontifical Catholic University of São Paulo (PUC/SP)
Matheus I. Oshikiri, Pontifical Catholic University of São Paulo (PUC/SP)
Alexandre K. Ligo, EAESP - FGV

The objective of this study is to present a vision of strategic relevance of a subsidiary of a Brazilian multinational in the auto parts industry which has its business model based on technology, resources and knowledge, through the analysis of patents requests placed between 1978 and 2008. The following were used: a single case study of the MNC in question, interviews with executives, and social network analysis for quantitative analysis. The paper starts with a brief review of core competences and the review on international business and, more specifically, the role of networks. We argue that the flow of knowledge generated by a subsidiary is important for a MNC whose headquarter is located in an emerging market and whose main subsidiary becomes a center of excellence. We have mapped the flow of patents between headquarter and the German subsidiary and all actors (inventors) involved. We have analyzed their networks with the Social Networks Analysis (SNA). The strategic relevance of the German subsidiary is emphasized by the company's overall strategy. This article examines the core competencies developed by the subsidiary and the network metrics, emphasizing the role of key actors. (For more information, please contact: Belmiro N. João, Pontifical Catholic University of São Paulo (PUC/SP), Brazil: bjoao@pucsp.br)

The Mutual Effect on Knowledge Flow and Social Network Theory of MNE’s Performance in the Semiconductor Industry
Yvonne Ho, Tamkang University

Extending previous studies, our research focuses not only on the relation between knowledge flow and social network but also on further specific patent citation variables and the social network centrality measurement. Overall, our findings might have some implications for both MNE and academic research, as documented below. First, based on the empirical results, MNE might realize which kind of patent citation patterns have influence on its position of centrality. Second, in our study, patent citation is not only an index for constructing a knowledge flow network; it also helps MNE’s performance in different ways. Third, the corresponding effects of patent citation and centrality measurement both have a positive influence on MNE’s performance. This paper’s findings, as they clearly describe the shape of a knowledge flow network in the semiconductor industry, will help MNE build up a competitive advantage. (For more information, please contact: Yvonne Ho, Tamkang University, Taiwan: ifyvo@msn.com)

Managing the Embedded MNC: Exploring the Shared Value Approach
Johanna Kristiina Raitis, University of Turku

This paper discusses the management of a multinational company (MNC) focusing on corporate values as a management mechanism. The purpose of this paper is two-fold. First, the study aims to investigate the role and relevance of corporate values in the every-day lives of the employees in a multinational company. Second, the
study will look into whether shared values approach can be considered as a vital mechanism in MNC management. The study is conducted as a qualitative research with one multinational case company. For collecting the data 232 semi-structured face-to-face interviews were conducted at the case company's units in Chile, Mexico, Peru, Argentina, Brazil, Australia, France, Germany, USA and Canada. Based on the preliminary findings the researcher argues that corporate values can have a relatively strong effect on an organizational code of conduct, although the role and relevance of the values as well as their level of application does vary between geographical areas. In any case, the preliminary findings do suggest that the power of headquarters does reach different levels of an organization via shared values that consequently, increases the headquarters actual, in-direct influence on subsidiary operations. (For more information, please contact: Johanna Kristiina Raitis, University of Turku, Finland: johanna.raitis@tse.fi)

Subsidiary Embeddedness as a Determinant of Divisional Headquarters Involvement in Innovation Transfer Processes
Henrik Dellestrand, Uppsala University

This paper deals with divisional headquarters as an important hub-type firm within the MNE, orchestrating innovation transfer processes between subsidiaries. It is argued that divisional headquarters involves itself in transfer projects owing to the internal and external embeddedness of the subsidiaries hosting the innovation development and transfer. This highlights divisional headquarters as an active participant of local subsidiary business networks. Using data from 169 innovation transfer projects, and 146 internal and 121 externally embedded relationships at the subsidiary level, support is found for the argument of embeddedness as a driver of divisional headquarters involvement in subsidiary innovation transfer projects. (For more information, please contact: Henrik Dellestrand, Uppsala University, Sweden: henrik.dellestrand@fek.uu.se)

Complexity within Business Networks and Its Influence on Relation-Specific Investments
Phillip C. Nell, Copenhagen Business School
Ulf Andersson, Copenhagen Business School

The phenomenon of relational embeddedness in customer-supplier dyads has received lots of attention in recent years. However, little attention has been given to the antecedents of such relation-specific investments. Furthermore, simultaneously investigating the relational embeddedness dimensions in dyads as well as structural characteristics of the wider network has scarcely been done. This has led to a neglect of the issue of over-embeddedness. In this paper we try to fill this gap with a unique data set including the relational embeddedness of MNC subsidiaries and their most important suppliers and customers. We investigate the extent to which such relation-specific investments can be explained by the characteristics of the wider network, i.e. its complexity. In the study of 94 subsidiaries we find an inverted u-shaped relationship between the extent of environmental complexity and the relation-specific investments of MNC subsidiaries and their primary partners in the business network. We discuss implications with regard to network change and over-embeddedness of organizations and formulate managerial implications. (For more information, please contact: Phillip C. Nell, Copenhagen Business School, Denmark: pcn.smg@cbs.dk)
Institutions, Institutional Distance and the Liability of Foreignness

Presented On: June 29, 2010 - 14:45-16:00

Chair: Lilach Nachum, Baruch College/CUNY

Exploring the Complementarity between Home and Host Country Linkages with the Eclectic Paradigm

Peter J. Buckley, University of Leeds
Nicolas Forsans, University of Leeds
Surender Munjal, University of Leeds

The neo-classical approach to internationalisation dominated by the eclectic paradigm has constantly faced challenges in gaining acceptance as a holistic framework in explaining outward foreign direct investment (OFDI). In 2006 John Dunning acknowledged that the role of networks and linkages is not explicitly covered or is beyond the boundaries of the eclectic paradigm (Dunning, 2006). In this paper we explore the view that the role of linkages should be appended to the eclectic paradigm to add to its richness and improve the explanatory power of the paradigm (Dunning, 2006). This paper showcases the complementarity of country-specific linkages with country-specific advantages in explaining the foreign acquisitions by Indian MNE's over the period 2000 to 2007. (For more information, please contact: Surender Munjal, University of Leeds, United Kingdom: smu@lubs.leeds.ac.uk)

Firm-Specific Advantages of High-Technology Multinational Enterprises as a Means to Overcome Liabilities of Inter-Regional Foreignness and the Moderating Role of Top Management Team Experiences

Lars Matysiak, Friedrich-Schiller-Universität Jena
Michael Hunoldt, Friedrich-Schiller-Universität Jena
Andreas Bausch, Friedrich-Schiller-Universität Jena

Recent research indicates that the vast majority of large, established MNEs must be considered regional rather than global. One explanation is that multinationality beyond the home region is inhibited by particularly high liabilities of inter-regional foreignness. According to internalization theory, firm-specific advantages (FSAs) and country-specific advantages (CSAs) serve to overcome liabilities of foreignness. The stronger a firm's FSA-CSA combination, and the less it has to rely on location bound FSAs, the more likely this firm is to have a high degree of multinationality beyond the home region. One of our contributions is to reveal that a strong relevant FSA in technology is a means for high-technology MNEs to overcome liabilities of inter-regional foreignness. Building on strategic leadership theory, we further elaborate that top management team (TMT) experiences which bias TMT perception of the strength of FSAs and CSAs moderate the relationship between an FSA in technology and the degree of multinationality beyond the home region. We find significant moderator effects of TMT technological experience and TMT diversity regarding firm-internal and firm-external background. Finally, while TMT international diversity does not constitute the expected moderator, it has a strong direct effect, indicating that it is another important FSA in and of itself. (For more information, please contact: Lars Matysiak, Friedrich-Schiller-Universität Jena, Germany: research@matysiak.com)

Foreign Direct Investment Growth in China: Implications for Politics, the Economy and Culture

Yingtao Xiao, Wayne State University
Attila Yaprak, Wayne State University

Foreign direct investment (FDI) is an essential ingredient in the economic growth of nations. FDI in China has experienced rapid growth in the past three decades. The current study aims to analyze the political, economic,
and cultural influences on FDI development at four stages of China’s economy growth: the Isolation (1949-1978), Initial Growth (1979-1989), Rapid Growth (1990-2001), and the Slowing Growth (2002-present) stages. Political (key leadership, governing ideology, and legislation), economic (policy, general growth, FDI performance and consumer behaviors), and cultural issues (social ideology, corruption and bureaucracy) are examined and their effects on FDI performance at various stages are analyzed. We propose that FDI in China will continue to increase at a slower rate in general. However, FDI in the form of wholly foreign-owned enterprises, especially in the service sectors, and in the Western regions, will develop faster. Investment from large MNEs will increase, resulting in more technology- and capital-intensive FDI projects. Overall, the better investment environment including encouraging policies, enhanced political transparency, and increased market capacities in China will continue to attract foreign investors. However, existing and emerging problems such as wealth disparity, corruption, and nationalist consumerism will pose challenges to future investors. (For more information, please contact: Attila Yaprak, Wayne State University, USA: attila.yaprak@wayne.edu)

Formal and Informal Institutions and the Entry Strategies of Multinationals
Arash Amirkhany, Concordia University
Mehdi Farashahi, Concordia University

It is believed that host countries institutional environment affects the entry strategy of Multinational Enterprises (MNEs). These environments are not the same everywhere and vary across countries. The power of institutional context is not the only dimension that differentiates institutional environments. Countries are made up of both formal and informal institutions, and MNEs may experience powerful forces from both informal and formal institutions across countries. Formal and informal forces may affect firms’ behaviors and strategies in different ways. Therefore, the distinction between formal and informal institutions and considering their interplay in the institutional context is important for MNEs. They should be able to not only understand the nature of institutional forces in a given country but also differentiate it from those of other countries in their decisions on entry and expansion strategies. In this article, we introduce a two-dimensional framework to differentiate countries and their institutional environments, and identify their implications for MNEs. We examine how formal and informal aspects of institutional environments can affect an MNE’s organizational legitimacy and strategic decision making. We apply our analysis to the decisions on mode of entry strategies. (For more information, please contact: Arash Amirkhany, Concordia University, Canada: ar_amirk@jmsb.concordia.ca)

Immigrant Entrepreneurship and Foreigners Liability
Jörg Zimmermann, Max Planck Institute of Economics
Diemo Urbig, University of Antwerp

Considering individual cognitions, this study adds a new perspective to research on liability of foreignness by using the context of immigrant entrepreneurship. Based on Fox and Tversky’s (2001) comparative ignorance hypothesis, we argue that independent of their actual level of knowledge foreigners tend to perceive situations under uncertainty as more ambiguous than locals, which, everything else kept equal, results in a more accentuated avoidance of uncertain situations and a smaller influence of attitudes towards risk in contrast to ambiguity. Moreover, based on dual process theories we argue that foreigners’ perceptions of ambiguity are less hurting in situations where they do not need to make substantial commitments, such as mere statements of interest. Empirical findings based on two independent datasets support our hypotheses on the smaller influence of foreigners’ risk attitudes on the decision to become an entrepreneur and the moderating impact of personal commitment. The results confirm that the perception of ambiguity depends on an individuals’ degree of embeddedness and the personal involvement mirrored by the commitment made. (For more information, please contact: Jörg Zimmermann, Max Planck Institute of Economics, Germany: zimmermann@econ.mpg.de)
This paper establishes a causal relationship between cultural distance (CD) and future entry mode. While the majority of research on CD is based on Hofstede’s dimensions, this study uses the bimodal Globe Project’s perspective. A sample of 31 Brazilian firms was surveyed in 2009. The results indicate that high levels of current CD have a negative impact on future expansion plans via the acquisition mode of entry. Size was found to moderate the relationship between CD and choice of entry mode. Finally, CD values and practices have different impacts on the entry mode choice. (For more information, please contact: Livia Barakat, Fundação Dom Cabral, Brazil: liviabarakat@fdc.org.br)

Building on social capital theory, we develop a model that emphasizes the value of interorganizational ties and relationships for multinational corporations (MNCs) to mitigate liabilities of foreignness in institutionally distant markets. The model suggests that the three pillars of institutional distance –regulatory, normative and cultural differences– cause foreign MNCs to encounter liabilities of foreignness in local markets, and that the formation and mobilization of corporate social capital in these markets mitigates this effect. Corporate social capital is conceptualized in this paper as social relationships and network ties between an MNC’s subsidiaries in a focal market and local governments and business partners, and may stem from an MNC’s choice of foreign market entry modes that inhere such network ties, and from the deliberate efforts by an MNC’s local subsidiaries to establish such social relationships. In so doing, this paper takes both an MNC headquarters and a subsidiary perspective on how to establish corporate social capital, and delineates strategies for how to curtail the liabilities of foreignness MNCs are confronted with in institutionally distant environments. (For more information, please contact: Daniel Rottig, Florida Gulf Coast University, USA: drottig@fgcu.edu)

Using traditional business functions such as sales and marketing, strategic decision-making and research and development, management and leadership, human capital recruiting, and financing, this paper will apply the tenets of both discovery and creation theories to specific institutional voids commonly found in an emerging economy setting. Through the application of NIE to these current theories of entrepreneurial opportunity formation, it can be seen how the implications of the assumptions of these theories may differ within the setting of an institutional void. This conceptual article posits that the creation opportunity entrepreneur will have an advantage in the absence of the ‘traditional’ formal institutions relied upon in developed nation contexts, while the discovery opportunity entrepreneur will actually be hindered in the same context. It is further suggested...
that the adaptability of the creation opportunity entrepreneur allows for a more successful exploitation of an opportunity in the presence of institutional voids.  (For more information, please contact: Susan Young, Ohio State University, USA: young.1232@osu.edu)

**Effectuation and International Entrepreneurship: Evidence from Italian SMEs**

Igor Kalinic, University of Padova
Saras D. Sarasvathy, University of Virginia
Cipriano Forza, University of Padova

This inductive study analyzes the entrepreneurial cognitive process during the Small-Medium Enterprises’ internationalization of operations. By analyzing 5 case studies we show that the internationalization process can be explained through Effectuation lens. We argue that in the situation of high uncertainty, goal ambiguity, and isotropy even experienced entrepreneurs of already existing organizations tend to adopt effectuation logic during the decision-making process, rather than causal one.  (For more information, please contact: Igor Kalinic, University of Padova, Italy: igor.kalinic@unipd.it)

**A Qualitative Assessment of Culture and Opportunity Recognition in Sweden and Russia**

Alice J. de Koning, Salem State College
Rachel Doern, University of London
Carl F. Fey, Stockholm School of Economics

In this paper we explore how cultural dimensions affect entrepreneurial behaviour, and specifically the opportunity recognition process. We examine some systematic differences in the development and implementation of e-business opportunities by Russian and Swedish business managers and owners, and show how these differences can be explained by GLOBE “as is” cultural dimensions. The study is a qualitative assessment of interviews conducted with 52 business managers and owners. The findings suggest that differences in collectivism, uncertainty avoidance, power distance and future orientation affected the domain and scope of opportunities recognized and how strategies to implement opportunities were recognized. The paper discusses the possible explanations for these findings, including possible cognitive mechanisms, institutional context or resource constraints.  (For more information, please contact: Alice J. de Koning, Salem State College, USA: adekoning@salemstate.edu)

**Institutions and International Entrepreneurship**

Luis Alfonso Dau, Northeastern University

In this study, I reanalyze the confirmatory factor analysis (CFA) first studied by Busenitz, Gomez, & Spencer (2000). As in the original study, I develop a 3-factor model for the Country Institutional Profile (CIP) for entrepreneurship. This measure is designed to assess the institutional makeup of a given country and its population in terms of three domains: regulatory (state policies and legal frameworks), cognitive (shared social knowledge), and normative (common value systems). More specifically, the measure focuses on how each of these relates to entrepreneurship. In addition, I test several competing models with different factor structures based on institutional theory. I conclude that the three-factor model presented in the original study provides the best fit for the data. However, I also caution that it only affords a modest fit and does not provide invariance across the countries tested. In its current state the instrument may not prove directly useful for future research.  (For more information, please contact: Luis Alfonso Dau, Northeastern University, USA: luisdau@gmail.com)

**International Opportunity Recognition among Small and Medium-Sized Family Firms**

Arto Ojala, University of Jyväskylä
Tanja Kontinen, University of Jyväskylä
Current research in the field of entrepreneurship emphasizes the importance of opportunity recognition as a key element in the entrepreneurial process. It has been recognized that network ties, activeness and alertness, and prior knowledge are related to how entrepreneurs recognize new opportunities. However, it is unclear how important these factors are when a firm explores opportunities for entry into a foreign market. In this exploratory case study, covering the international opportunity recognition of eight family-owned SMEs, we found that the firms in question mainly recognized international opportunities by establishing new formal ties rather than using existing informal or family ties. The findings also indicated that due to the small size and the flexibility of the management team in family SMEs, these firms were able to react quickly to new international opportunities. However, there was no direct relationship between the prior knowledge of the firms and their international opportunity recognition. In addition, we found that trade exhibitions formed the primary context for the international opportunity recognition of the SMEs in this study. These findings motivate a set of six propositions that may lead to further studies on this topic. (For more information, please contact: Arto Ojala, University of Jyväskylä, Finland: arto.k.ojala@jyu.fi)

Entrepreneurship in Socioeconomic and Political Instability
Newton M Campos, Fundacao Getulio Vargas

Within the academic territory of Economic Sociology, this study explores the existence of Schumpeterian (innovative) entrepreneurs in socioeconomic and politically unstable regions of the Earth at the beginning of the 21st century. Entrepreneurship literature within Economic Sociology opens the door for this kind of exploratory ethnographic field research that may lead us to a better comprehension of the phenomenon of entrepreneurship and development in different societies. A visit to one of the most underdeveloped and politically unstable countries of the world – Haiti – in the end of 2007 served as a very straightforward method of locating key informants and exploring possible answers to the research question. Evidences show that not only is it possible to find Schumpeterian entrepreneurs under such extreme circumstances but also innovative business practices that could be employed even in materially developed and developing societies. (For more information, please contact: Newton M Campos, Fundacao Getulio Vargas, Brazil: newtoncampos@gvmail.br)

Session: 3.4.14 - Interactive
Track: Track: 7 - Emerging, Transition, and Developing Economies

Institutional Context and Corporate Governance - 2

Presented On: June 29, 2010 - 14:45-16:00

Chair: Wade M Danis, Georgia State University

University-Industry Relationships in Taiwan: The Perspective of Firms
Sheng-Hsien Lee, Yu Da University
Shihmin Lo, National Chi Nan University
Peter J. Sher, National Chi Nan University
Hsiao Chen Mei, National Chi Nan University
Joseph Che, Christ's College

Building linkages between universities and industry to stimulate innovation activities has received much attention both from academia and policy makers. Prior literature has paid disproportionate attention to the engagement of university-industry relationship (UIR). Little is known about the assessment of the UIR as well as the policy impact. This study aims to explore the firm’s perception of UIR experiences and the UIR promotion policy. A survey on science/industrial parks in Taiwan generates 162 responses. Several findings emerge from the results. First, the stability of university-industry relationship is identified as a critical dimension of the
relationship performance. Second, relational factors (i.e. trust and commitment) and economic factors (i.e. delivery of outcomes and commercial concerns) perceived by the firms are relevant variables affecting the perception of UIR experiences. Third, the impact of UIR promotion policy is limited. Financial incentives and intermediary organizations alone are not effective in enhancing the expectation of future cooperation with universities. Theoretical and policy implications are offered. (For more information, please contact: Shihmin Lo, National Chi Nan University, Taiwan: smlo@ncnu.edu.tw)

Business Groups and High-Tech Entrepreneurship in Emerging Markets
Santiago Mingo, University of Miami

What role can business groups play in high-tech entrepreneurship in emerging markets? In this study, I describe and analyze the creation and early life of two biotechnology start-ups at the time they were controlled by a major Latin American business group. Based on detailed fieldwork, I discuss the role played by the business group in the interaction of the start-ups with their business, institutional, and political environment. This work shows how an unconventional organizational solution provides an interesting way to deal with high-tech ventures in emerging markets. (For more information, please contact: Santiago Mingo, University of Miami, USA: smingo@miami.edu)

The Emergence of the Informal Sector Firms in International Business: A Study of the Globally Distributed Diamond Industry
Indu Rao Kaveti, Indian Institute of Management Ahmedabad
Mary Ann Von Glinow, Florida International University

This paper highlights the emergence of Informal Sector Firms (ISFs) in international business. Due to increasing size and significance of the informal economy in the global context (particularly emerging markets), we attempt to understand the characteristics and relevance of the ISFs. The globally distributed diamond industry thrives in the atmosphere of secrecy and informality that envelops the diamond trade and has for long been labeled as an unorganized sector of the world economy. However, it resembles a close-knit community, composed of thousands of informal sector firms (ISFs) which exports cut and polished diamonds worth USD 20 billion annually while the collective output of ISFs in an emerging economy (India) enjoys a 95 percent market share of net global exports. It is suggested that due to lack of formal systems, ISFs may be largely influenced by their societal cultures which in turn plays a role in the internationalization of ISFs. (For more information, please contact: Indu Rao Kaveti, Indian Institute of Management Ahmedabad, India: indurao@iimahd.ernet.in)

Shareholder Base Management: Depicting the Companies' Practices in Bovespa Stock Market
Bruno Cals de Oliveira, University of Sao Paulo
Marcelle Colares Oliveira, Universidade de Fortaleza
Vinicio de Souza e Almeida, Federal University of Rio de Janeiro

This work analyzes the characteristics of the investor relations departments in Brazilian companies listed in the New Market segment of the Bovespa stock market and their shareholder base management practices. Data were collected through questionnaires sent to 100 companies in this segment in June, 2008, 21 of whom responded. The results show that most companies are still managing their shareholders base inefficiently and making inconsistent use of performance indicators. The study also revealed that there are few options of technological IR tools on the market to help IR departments to obtain the potential benefits of shareholders base. Although not directly extrapolable, the results offer interesting insights into the characteristics of IR activities and shareholder base management practices in the companies in the New Market listing segment of the Bovespa stock market. (For more information, please contact: Marcelle Colares Oliveira, Universidade de Fortaleza, Brazil: marcellecolares@unifor.br)
Internationalization Agents: Wolves or Sheep?
Erica Piros Kovacs, Universidade Federal Rural de Pernambuco - UFRPE
Walter Fernando Araújo de Moraes, Universidade Federal de Pernambuco - UFPE
Brigitte Renata Bezerra de Oliveira, Universidade Federal do Vale do São Francisco - UNIVASF
Rodrigo Bandeira-de-Mello, Fundacao Getulio Vargas

This manuscript has the objective of investigating the influence of external agents throughout the internationalization course of companies in Northeastern Brazil. Parting from the six dominant models of internationalization, the key concept external agents is compared, in a transversal manner, in order to uphold the empirical analysis of the Netuno Alimentos SA and Queiroz Galvão Alimentos SA cases. The research is characterized by a longitudinal approach and by the methodological procedures based on Layer’s (1993, 1998) adaptive theory and 22 interviews were held. Data analysis was performed in two stages: descriptive and through the constant comparison method, with the aid of the ATLAS/ti software. Based on the concept’s properties, four significant manifestations emerged, with distinct predominance over time: international opportunistic agents, international trustworthy agents, industrial cooperation agents and company hired agents. The industrial cooperation agents were decisive for the beginning of internationalization, when competitors united to stimulate mutual learning. On its turn, the opportunistic agents emerged as motivators of greater commitment to internationalization. The trustworthy agents established themselves with the gathering of international experience, mainly through the opening of subsidiaries. Lastly, the hired agents made themselves present in more recent phases due to the search for greater professionalization. (For more information, please contact: Erica Piros Kovacs, Universidade Federal Rural de Pernambuco - UFRPE, Brazil: ericapk@hotmail.com)

Institutional Distance and the Emerging Markets Multinational Corporation
Yannick Thams, Florida International University
Sumit Kundu, Florida International University

Emerging Markets Multinationals (EM MNCs) have sparked many debates during the past few years. Responding to the call made by several theorists to incorporate the institutional perspective to the forefront of EM MNCs research, the authors attempt to elucidate the influence of institutional distance on the internationalization pace of the late entrants of the global arena. Specifically, the authors theorize on the impact of cognitive, regulative, and normative distance on different types of EM MNCs’ global expansion speed. The paper was developed by employing the generic internationalization strategies introduced by Ramamurti (2009) who distinguishes the global consolidator, the natural-resource vertical integrator, the local optimizer, the global first-mover, and the low-cost partner. Considering the complexities inherent in managing across borders and the liability of foreignness to which multinationals are exposed, we believe that shedding light on the speed of internationalization of these firms taking the institutional distance theoretical lens might help us further understand the influence of the institutional element. In addition, elucidating some of the factors that impact of the EM MNCs internationalization is essential to further appreciate the competitive threat posed by these late entrants. (For more information, please contact: Yannick Thams, Florida International University, USA: thamsy@fiu.edu)

Understanding Training and Networking Needs of the Female Chinese Executive: An Exploratory Look at Management Issues
Carol Carter, Louisiana State University

Over the past twenty years, an economic boom has taken over China. With this economic boom has come a new force in the workplace. Whereas before, women were mainly relegated to low status in the family and unrewarding positions as laborers or bottom rung assistants to male middle managers, another cultural revolution began to take place as millions of highly educated Chinese female executives flocked into the workplace. This research goal is to explore the possibility of designing and providing a successful and profitable training package to this specific cohort of Chinese female executives. In order to more fully understand the
training needs and opportunities for providing coaching and assistance, the researcher conducted basic exploratory research to get answers to some basic questions. What specific kinds of career issues do female Chinese executives face? What types of career and management training topics would benefit female Chinese executives? while at the same time work within the cultural confines that control the behavior and norms for this group of women. What is the most effective way (ie - acceptable and viable) to deliver the training and to facilitate networking since no framework currently exists in this culture? (For more information, please contact: Carol Carter, Louisiana State University, USA: loubnab@lsu.edu)

Session: 3.5 - Plenary

AIB Awards Ceremony and Business Meeting

Presented On: June 29, 2010 - 16:30-18:00

Chair: Yves Doz, INSEAD
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