



Emerging Frontiers in International Business Research and Theory

2nd Annual Research Frontiers
in International Business Conference

September 16-19, 2004

Michigan State University
East Lansing, MI





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By

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Chapter 1

Introduction

Although considerable progress has been recorded in the pursuit of knowledge in international business (IB), the second annual conference on emerging research frontiers has shown once again that much more work remains to be done. The field is entering a fresh phase of evolution. In the new era, success will emanate from studies based on questions native to the discipline. The methodological bar will go higher to ensure rigor; and progressiveness will be the central driver for scholars.

Growth can be expected in the area of knowledge refinement as well as discovery and development of integrative frameworks. On the refinement side, knowledge will be reformed and fine tuned. Research will focus on: (1) divergent findings in empirical investigations indigenous to IB; (2) paradoxes arising because of what is known in sister fields, such as marketing, sociology, anthropology, and economics; for example, standardization across international markets dampens operational costs at the expense of strategic flexibility; and (3) skepticism about empirical findings and patterns of managerial practices, such as the fact that seemingly minor innovations can undermine the usefulness of embedded knowledge in the system because core capabilities simultaneously enhance and inhibit development.

As for discovery, rather than extend studies borrowed from elsewhere, scholars will be creative along three research avenues: (1) paradoxes embedded in the field, such as increased centralization improves control, but increased control stimulates opportunistic behavior; (2) contrasting conclusions between empirical findings and theoretical frameworks, such as the empirical challenge to the popular belief that intrafirm collaboration is beneficial (Mitchell and Singh 1996); and (3) inspirational cognitions. The results of these discoveries will coalesce schools of thought, and new frameworks will emerge.

Progressiveness requires high expectations, and in IB the amount of self-critique attests to the desire to excel. Questions about current scholarship help raise the bar for the future. Examples abound. IB studies are criticized as limited by U.S. history, values, and institutions (Vernon, 1994). The findings are deemed trivial (Inkpen and Beamish, 1994), the scope and the content too narrow (Schollhammer, 1994; Thomas et al., 1994; Wright and Ricks, 1994). On a more serious note, Toyne and Nigh (1997) calls for greater rigor in IB and underscores the possibility of extinction for an infertile field.

The assessment of methods used in IB research also point to higher goals. Many scholars lament

that too many studies are based on cross-sectional correlation, with consequent problems of reliability and construct validity. Scandure and Williams (2000) emphasize the sacrifice of rigor in general. In particular, they point to the difficulty of triangulating research over time. Sullivan (1996) selected a random set of articles from *JIBS* and finds such flaws as too much reliance on raw empirical observations, poor associative relations, and inadequate hypothesis-testing procedures.

As a fledgling field, IB has much to accomplish. Selecting a sample from two countries will no longer be sufficient for an IB study. Mediocre methods will not be permitted. The naïve assumption of flawless measurement will not pass muster in scholarly journals. The second annual emerging frontiers conference evidences ways in which the field has been progressing. IB shows promise of coalescing into a broad school of thought, and meta-scientific frameworks.

At the Frontiers Conference discussants delved into issues pertinent to theory, methods and practice. Concerns were expressed that the field should be an independent and progressive scholarly community. There were roughly four areas of consideration. One group of scholars covered epistemological aspects, such as construct development, theorizing, and knowledge convergence. Methodological rigor was a second thread, ranging from scholarly standards to techniques for acquiring and accumulating knowledge. The third area related to broad theorizing, such as meta frameworks and integrative approaches, with particular emphasis on institutional frameworks, and strategic fit perspectives. Finally, there were issues related to practices, an eclectic bundle of studies that dealt with theorizing about managing, implementing, and strategizing.

It is not easy to assess theorizing in a field. We need a higher system, above the studies in that field, but such a yardstick would come to be another paradigm. The new one would pose the same questions it intends to resolve about the first one. A more pragmatic approach is to evaluate theorizing in terms of its (1) comprehensiveness, or level of inclusivity within the field; (2) rigor, or epistemological strictness; and (3) progressiveness, or how open the field to dynamic expansion of the discovery frontier. One can think of these as umbrella terms to capture a range of theoretical qualities. For example, comprehensiveness deals with issues such as demarcation and breadth; rigor embraces considerations from validity to precision. In all, the essence of explanation becomes the ultimate goal as we make the Popperian mesh finer, so that we net a “catch” that explains the world better.



At any given time in a field, theories have different features. They may emphasize rigor or comprehensiveness, but not both. We know from Godel's Incompleteness Theorem that theory systems cannot be perfectly complete and at the same time comprehensive. There is an inevitable trade off. We can conceptualize a horizon that marks the edge for the highest level of theorizing in the field. This imaginary frontier constantly shifts as newer theories become

more rigorous or comprehensive. Progressiveness is a notion that pushes theorizing to higher levels of rigor and scope. During the transformation we witness the progress in the field.

In this compendium the discussants show sensitivity to the quality and scope of their work. In addition to intrinsic qualities there is a clear concern for positioning each study within a constellation of previous research. Indeed, the scholars indicate repeatedly the importance of convergence in knowledge along with its advancement. We find not only a concern to produce rigorous research but also, a willingness to be part of a larger body of scholarship that is consistent, powerful, and constantly moving forward.



Footnote

The outcomes of the conference may be better assessed if we define three elusive terms: paradigm, theory, and school of thought.

We take a paradigm to be a set of assumptions, concepts, values, and practices that together constitute a way of viewing scholarship within the community that shares them. It is a self-reinforcing norm system that informally governs scholarly activities. A paradigm provides answers to what, how, and where questions. The unspoken norms of the paradigm form a launching pad for research and spare us the trouble of theorizing each time from scratch.

A theory is an expression of an abstraction. It is a “net to catch what we call ‘the world’” to rationalize, explain, and master it. Because it makes substantive claims about the world, a theory is subsumed under a paradigm, which may host a constellation of theories. These may differ in terms of contexts or question or focus but tend to be complementary. Each theory offers a partial explanation by examining the same phenomenon from a different perspective. We call such a theory-cluster a school. The neoclassical school is a good example.



Chapter 2

Epistemological Issues: Developing Perspectives, Conceptualizing, and Theorizing

Theorizing in a field like IB is not easy. Context and content morph as theory touches them. Isolated snapshots have little explanatory power. These issues have presented challenges in the effort to develop fundamentals for the field. At the conference a number of speakers delved into concept development as the first step of theorizing.

Cavusgil et al. attempt to model the extent of globalization in multinational firms. They offer a framework comprised of six dimensions and explore the effect of globalization on firm performance. Next, Kirca examines the very fundamental question of how to conceptualize and measure the multinationality of the firm. The index he proposes has two main dimensions. First, the depth of multinationality pertains to how significant are the tangible and intangible assets the firm commits to its international operations. Second, the dispersion dimension covers how wide a firm's activities are across different countries.

In the following article, Hashai attempts to provide an original viewpoint. As much of the theory in IB remains descriptive, Hashai proposes a normative approach and examines less explored possibilities in IB research. In the subsequent piece, Tse et al. makes a conceptual contribution to theory development. They introduce a new construct to IB theorizing, national animosity. Very much like concepts defined by Hofstede, national animosity may support theories related to the behavioral aspects of crossing national boundaries.

In the final two pieces, Deligonul and then Soderqvist and Toyne take a meta view of theorizing and explore from different angles the theoretical status of IB as a progressive field of study. Soderqvist and Toyne find that there has been scant interest in discussion of paradigm issues and methods. In addition, there is a growing gap between the diversity of methods used by domestic and IB researchers.

As these presentations make clear, IB theorizing is in its infancy. It faces the typical dilemmas of a fledgling field, and the various challenges both stimulate and inhibit scholarship. Several dilemmas are described below.

Multidisciplinary but independent.

The legitimacy of a field is established by the distinctness of its questions, theories, schools, and paradigms. Every field of inquiry has to demarcate itself from neighboring fields. Scholarly survival depends on establishing the academy as an independent area of scientific inquiry. IB is no exception. It has to deal with the basic issue of what makes scholarship in this field different from applied psychology, applied statistics, anthropology, and applied economics. This issue, like its counterparts in many interdisciplinary fields, threatens to infect IB research. Constructs from various origins are injected into theorizing at different levels, and ultimately the convergence of findings suffers.

IB scholars come from a wide variety of backgrounds. This diversity is an asset. It adds horsepower to the creative process. But a hidden price may be possible disorientation. When paradigmatic bases grounded in other fields creep into a fledgling one, incommensurable theorizing creates disconnected knowledge. Theories proliferate on their own with little or no interest in alternative explanations. Their meta value suffers as cross-validation and triangulation collapse. Field-specific knowledge then splits into chapters from an anthology rather than coalesces into an integrated whole. It is no surprise that method variance remains one of the most pervasive culprits in IB research.

In order for a sub discipline to gain independence as a field, there must be reliable and valid modeling of core concepts, processes, and recognition of actors. The description of the international enterprise is perhaps one of the first. Yet, it remains inconclusive in the IB discipline, as do many other core issues. In response to the seemingly fundamental question of whether overseas activities are profitable, we have jumble results. Among seventeen empirical studies, seven report a positive, six are an indeterminate, and five a negative relationship between a firm's financial performance and the degree of its international involvement (see Sullivan, 1994). As this divergence testifies, the common penchant for overlooking flaws in our studies cause findings to be contradictory. Compounding the matter is our inability to state with confidence exactly what we have measured. Studies may distort actual relationships or confirm a relationship where none exists; their meta value degrades, and findings diverge. This is one area in which IB research has not scored high.

Cross functional but self-contained.

Scholarly work in IB is characterized as cross-functional, cross-disciplinary, and cross-cultural. Early researchers followed the "extension" path. They perceived the task as an attempt to project existing knowledge into the international context. During the 1960s, they were concerned with explaining business activities in foreign countries. A comparative framework was adopted. Often, the focus was on exploring whether familiar concepts applied equally well in foreign as in domestic markets. The emphasis was on structure and institutions as well as cross-country studies. IB pioneers tended toward descriptive work and simple forms of data collection and analytical techniques. Much of this work appeared in a limited number of mainstream outlets.

Review of earlier work raises a compelling question: Has IB been able to ascertain whether cross-border business is a subcategory or a unique phenomenon? The former entails projection from an existing body of knowledge to cross-border cases. The latter requires novel thinking and new modes

of inquiry. In future work, neither sampling from two countries, nor tagging all hypotheses with the qualifier “cross-border” will make research international. The field of IB must show that an international enterprise is more than just an extended type of domestic corporation.

Generalized but contingent.

Sound generalizations are considered to be a scientific goal (Hunt, 1991), but IB research is contextual. Because the concepts are not carried into paradigm development with contingent conditions, theorizing suffers. If generalizations are too broad, they are little more than common sense statements that lead to hypotheses not worthy of testing. For example, if valuable resources are defined as those that increase efficiency and effectiveness, and competitive advantage is defined as achieving an increase in efficiency and effectiveness, then anything that increases efficiency and effectiveness (such as innovation) is expected to be associated with increased efficiency and effectiveness (competitive advantage). But why hypothesize about whether innovation increases competitive advantage? That is an issue, which hardly requires testing.

One way to avoid this problem is to form hypotheses around additional conditions. Within the proper context, an analytical statement can be turned into a testable hypothesis. For example: “Innovation increases competitive advantage for international joint ventures in comparison to alliances.” This statement can be tested. The IB preference for the general (universal) as opposed to the contingent proposition presents a real dilemma for the field. Although the problem does not get much attention in published work, the failure to address it handicaps the value of findings in the IB area.

Progress despite infertile incrementalism.

Since the early days of IB, research has made great strides. In their assessment of the last three decades of work, Wright and Ricks (1994) observe a growing breath and diversity in IB topics, more sophistication in methods, a move beyond traditional functional boundaries, and development of such areas as information technology, and international alliances. They point to attempts to view transnational firms as complete systems, and they note that the globalization of research is widening the geographical base of studies.

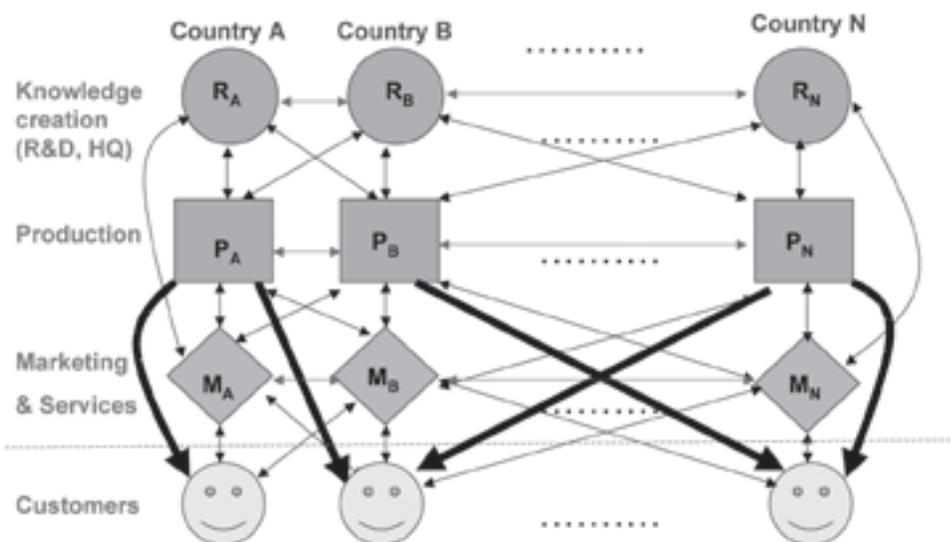
Despite these advances, IB research interests seem to mirror business school curriculum (Wright and Ricks, 1994, Table 5). Daniels (1991a) indicates that IB studies evoke a sense of *deja vu* with respect to research questions, methods, and findings. This is disturbing. The goal is not to build consensus through iterative replication or trivial refinements but to establish a creative process that prompts genuine shifts in intellectual direction (see also Sullivan, 1994). That is how the advancement envelope will shift upward, which in turn will mark progress in the field.

Advancing the Modeling of the MNC

Niron Hashai (Hebrew University, Jerusalem)

Multicountry, multiactivity modeling issues are addressed. The work demonstrates how linear programming can be employed to map a firm's multinational value flows for determining optimal local and control configurations. The model is unique in that knowledge diffuses over key value-adding activities across countries in the global supply chain. It demonstrates that normative techniques in IB allow researchers to offer potential solutions to a number of management decisions related to the firm's key competitive advantages.

Niron Hashai applies linear programming, a well-known operations research tool, to the IB context. The model pertains to optimal global location and control configurations. It considers MNC and key value-adding activities across countries in the global supply chain. From Hashai's perspective the multinational enterprise becomes a "focus of value-adding activities linked by knowledge and product flows." The author covers diverse and complex interrelationships between cost variables as he presents a broader view of not only R&D but also specific proprietary knowledge, marketing, services, and the related interactions. According to him, these interactions take place as services stream forward to customers and as knowledge flows both in vertical and horizontal directions. Hashai demonstrates that his model offers potential solutions to a number of pertinent global management decisions related to the optimizing the firm's key competitive advantages through internationalization.



Hashai adopts a global system view in that the decisions about the location and organizational boundaries of value-adding activities minimize the total system cost to the firm. His optimization

suggests that there will be one international business at one extreme, and up to three at the other extreme. The optimal configuration in any case offers predictions of which activities to internalize or externalize. The study takes into account expected customer demand, expected differences in the cost of executing various value-adding activities, and differences between internal and external knowledge flow costs. The model for optimization has three cost variables: (1) operating costs, or the cost of executing value-adding activities; (2) knowledge flow costs, or the cost of the vertical and horizontal flow of R&D and product knowledge both inter and intrafirm; and (3) product flow costs, or the cost of getting the product to the customer. Consistent with prior IB research, the value-adding activities are: (1) R&D, that is, creation of knowledge and consumable technology; (2) production, or transforming inputs into outputs; and (3) marketing, which means pre- and post sales services.

Hashai points out several industry/product characteristics with the greatest influence on location and control configurations. Knowledge intensity captures stores of knowledge created and used in R&D and marketing activities. In a dynamic fashion, the horizontal and vertical knowledge flows between activities and countries become the focal variables. Distance sensitivity reflects transportation costs between MNC locations. Economies of scale are also in view at each step in the supply chain.

An analysis that uses the model to hold operating costs (of knowledge creation, marketing, product flow, and transportation) constant while increasing the wedge between inter- and intraregional knowledge flow costs results in three possible regional configurations. According to Hashai, regional configurations apply when knowledge cost flows are the prime exponential measure, that is, the cost constitutes more than 25% of total costs.

Hashai suggests that the model is applicable in more dynamic situations, such as product introduction in a new market. Drawing on product life cycle theory, he notes that the four stages of a new product incur relative costs of knowledge creation, production, and marketing costs. A version of this model can then include resource considerations and can address such questions as: "How do firms sequence internationalization and product diversification moves according to comparative costs?" Another suggestion is to expand the model to value creation and related capabilities, where value-multiplying activities are measured. One of the limitations to applying this model includes the challenge of measuring vertical and horizontal knowledge flow costs.

The study advances several research and methodological questions. First, what is the effect of the home country in terms of heterogeneous market sizes and institutional environments and asymmetric knowledge costs? Second, how can we model competition? "Follow the leader" or Beterand/Coutrand type competition models offer a starting point. Third, how would changes in country, industry, or product characteristics affect optimal configurations? Fourth, is there a better way to measure horizontal knowledge flow costs? These questions remain to be answered.

In the session the ensuing discussion underlined a number of issues related to MNC modeling.

- ◆ Models addressing both cost minimization and value maximization fail to incorporate relationship marketing constructs, such as norms and culture. In addition, these models may too narrowly define the firm in terms of its management. Firm stakeholders include customers, workers, the community, and so forth.

- ◆ Our models may be too biased toward firm-level investment and business risks at the expense of other social variables.
- ◆ One modeling difficulty may lie in untangling the correlations between the highest levels of resistance from the most dysfunctional governments.
- ◆ How are small local “born globals” changing the rules of engagement?
- ◆ To explain and predict the complexities of international business, is a systems approach required?
- ◆ More process-based theories relating to firm evolution are needed.

Multinationality of the Firm: Conceptualization and Measurement

Ahmet Kirca (George Washington University)

The proposed measure for internationalization is a formative index. Scale construction is precluded because multinationality is considered a variable that emerges from a set of indicators rather than a latent variable reflecting certain manifestations. The index has two main dimensions: the depth and dispersion of multinationality. Depth pertains to the firm’s commitment to its multinational operations, or how significant are the tangible and intangible assets the firm dedicates to its international operations. Transaction-cost economies would term this the degree of specificity of these assets. The second dimension, dispersion, covers how widely spread a firm’s activities across different countries.

The concept of multinationality is of utmost significance in the IB discipline, but its delineation is hardly consistent in the literature. The issue is important because misinterpretation may distort the relationship between multinationality and other key constructs, such as performance. Kirca offers a measure that he hopes can be endorsed by the IB community.

A review of literature found 31 different ways of operationalizing multinationality in the literature. The process ranges from a sequential and orderly involvement in international business activities to withdrawal from foreign operations. The author warns that construct inconsistencies will distort empirical results.

Kirca broadly views multinationality as “a firm-level characteristic that refers to the level of involvement of the firm in markets outside its home country.” The two dimensions of multinationality are its depth and dispersion. In other words, how many tangible and intangible assets does the firm commit to its international operations, and how widely spread are a firm’s international activities.

The study offers a meta-analysis to specify the two dimensions and related indicators. To measure depth, he proposes ratio of foreign assets to total assets, number of foreign subsidiaries, top managers’ international experience, ratio of overseas subsidiaries to total subsidiaries, ratio of foreign sales to total sales, and ratio of foreign revenues to total revenues. For dispersion, the author considers the number of foreign countries, geographic proximity of the firm’s markets, and psychic distance between the home and foreign markets.

It is essential to clarify what it means to be multinational. Kirca's index can be a first step, but it requires refinement and validation. Future work should assign weights to the index items based upon expert opinion both from academe and the corporate world.

A Framework for the Study of the Integrated MNC

*S. Tamer Cavusgil (Michigan State University), G. Tomas M. Hult (Michigan State University),
and Seyda Deligonul (St. John Fisher College)*

A model for specifying the extent of globalization in cross-border firms is tested. The framework has six dimensions that explore the effect of globalization on firm performance. Globalization is viewed as the degree of competency an enterprise attains by configuring itself along the six dimensions. The resultant configuration specifies the level of economic rents.

This study focuses on features of globalizing companies. The purpose is to explain global integration within MNCs and to delineate a set of dimensions of globalizing. These dimensions gauge the extent of market-based globalization for a firm and link it to firm performance. Cavusgil et al. first outline three transformation dimensions for international companies. This is followed by a discussion of the general model and methods. The authors then describe the features of a global organization and link the pertinent dimensions to firm performance. At the end, implications derived from empirical findings are presented, and a research agenda on the global company is offered.

Cavusgil et al. note three important aspects of the current globalization scene. First, MNCs increasingly integrate and coordinate subsidiaries through such practices as procurement, supply chain management, product development, product launch, branding, and account management. They set up lead centers of excellence, build global teams, and develop global talent pools. The diffusion of common practices within MNCs not only rationalizes manufacturing and sourcing activities on a cost and scale basis but also establishes a strong world brand presence to meet the demands of customers across countries.

Second, companies tend to pursue global integration with greater determination than in the past. This may partly be due to industry consolidation and an increased level of competition. In their desire to achieve global scale efficiency, rationalize global strategy, and use cross-fertilization, companies relentlessly seek every competitive opportunity. Improved information technology enables tighter global linkages.

Third, MNCs have shifted from a loose federation of subsidiaries with much local autonomy to a new regime of tightly coupled networks. The headquarters-subsidiary relationship is being redefined. Foreign units increasingly experience cross-fertilization from sister nodes and contribute to others as well. A synergistic multilateral diffusion takes place that enhances value via activities at points where value can best be created.

Based on these observations, the study aims to develop a model of the common features of a global firm. Such a profile, the authors propose, can be used to relate organizational dimensions to firm

performance. Also, it can be a way to benchmark performance by industry, and it can serve as a general diagnostic tool.

In a pilot study the authors interviewed senior business executives in MNCs to elicit their opinion on what constitutes a global company. Then they used a web-based survey to validate the proposed model.

The first dimension identified by Cavusgil et al. is global corporate strategy, which is defined as the plan or pattern that integrates an organization's major objectives, policies, and actions into a cohesive whole. Such integration is aimed at the global marketplace and not necessarily on a particular international market. The second dimension is global structure, or the reporting relationships in the organization that specify the global linkages among people, functions, and processes. Third, global leadership is the top-level human capital to provide visionary guidance to manage complexity, adaptability, uncertainty, and learning in the international marketplace. Fourth, global process specifies activities that center primarily on knowledge sharing, coordination, core operations, and planning at the global level. The fifth dimension delineates the role of global culture, which is the pattern of shared values and beliefs that help individuals understand global functioning. It provides norms for global behavior. The sixth dimension is standardization that embodies the plan or patterns for integrating marketing objectives, policies, and marketing mix actions into a cohesive whole in the global marketplace.

The underlying theme is integration. Only after an organization can standardize actions, create the proper processes, configure its structure, invest in culture, and align disparate goals can it enhance value with synergy. Rents ensue, and the transformation is truly global. Empirical evidence supports the framework, and the six dimensions in the study appear to be first-order indicators of globalization. The extent of globalization, in turn, has a direct positive effect on firm performance.

The study attempts to conceptualize and test the effect of the degree of globalization in cross-border firms. Globalization is viewed as the degree of competency an enterprise attains by configuring itself along six dimensions for the purpose of deliberately seeking additional economic rents. This framework facilitates future research by offering a concept of the extent of globalization. It also helps MNCs understand the unique set of elements that encompass globalization.

National Animosity: Conceptualization, Measurement Characteristics, and Salience in International Business Decisions

*David K. Tse (Hong Kong University), Bennett C.K. Yim (Hong Kong University),
and Flora F. Gu (Hong Kong University)*

Consumer behavior can be impacted when consumers in one country experience anger stemming from the behavior of another country, which results in those consumers choosing to avoid purchasing goods or services from the offending nation. This type of behavior is termed National Animosity (NA). NA has several characteristics:

- ◆ it is provoked by unique sets of strongly negative nation-to-nation acts or events
- ◆ the acts are caused by trade, economic or financial disputes (such as product dumping) or military actions and political conflicts

- ◆ they cut across social, political, and business spheres with strong sentiments
- ◆ they are often reported in newspapers, magazines and may experience a high level of discussion in Internet chat rooms
- ◆ they result in strong opinions and sentiments

The authors postulate that NA is a distinct construct as compared to other IB constructs (such as cultural distance, country stereotypes and ethnocentrism) because it is a dynamic, emotion-laden construct that affects how consumers behave and therefore how business managers evaluate and make international business (IB) decisions.

Cultural distance conceptualizes ways of measuring how various countries/cultural differ and is country specific and multi-dimensional, built primarily upon the four dimensions of collectivism, power distance, risk-taking and masculinity. An individual's cultural distance is a relatively stable, country specific and cognitive construct since shifts are relatively difficult to accomplish. Country stereotypes measure how individuals perceive countries and are often formed by personal experiences and word-of-mouth communications. Ethnocentrism represents biased perceptions favoring one's home country over that of others and is often rooted in patriotic beliefs and or desire to 'defend' one's country or culture. It is inward focused on home country/culture biases rather than a bias that is directed at another country or culture, and is relatively stable over time. In contrast to the above constructs, NA is dynamic and easily provoked representing an individual's emotional response sparked by the hostile behaviors carried out by one nation onto another. NA can be spontaneously sparked by current events that bring up historical incidents or events between the two nations.

To test the implicit hypothesis that NA is a separate construct, the authors used exploratory content analysis to examine Internet chat-room discussions in China on two separate hostile incidents that occurred between China and the U.S. and Japan. Both incidents were widely reported in the mass media. The transcripts of the randomly selected discussions were analyzed to determine the salience and nature of NA. Overall the comments were highly negative, but three observations are important:

- ◆ The NA acts had over 3 times more comments than other topics
- ◆ Over 50% of the comments were short, strong, punchy, and emotionally negative, indicating a need to unload strong feelings (the college student chat room contained longer comments with detailed justifications and thought processes that may indicate that education mediates how people express their NA emotions)
- ◆ About 30% of the discussions called for specific action such as demanding a governmental apology or a boycott of products from the offending country

NA appears to represent a construct that is different from the others that are more cognitive or affective in nature and that tend to be more stable. NA is an emotion-laden construct that reflects the individual's strongly negative and highly aroused emotional state of anger, frustration and a desperate sense of injustice. The NA event appears to eclipse any past favorable events between countries and to create a bias that affects judgment. It also appears to spur people to suggest specific retaliatory courses of action that are consequences rather than structural components.

The authors wanted to determine the possible correlation between NA and IJV. As a second study, the authors surveyed Chinese business executives that had sufficient knowledge of how China interacts

with other countries, and asked them to respond to an 8-item 7-point Likert scale that covered the areas of military, economic and political animosity. A third study was conducted in a major Chinese city and a smaller, more remote city to compare possible differences in individual's NA attitudes. The results of both of these studies indicated a good overall fit, composite reliability, convergent validity and discriminate validity, and supported NA as a unique construct.

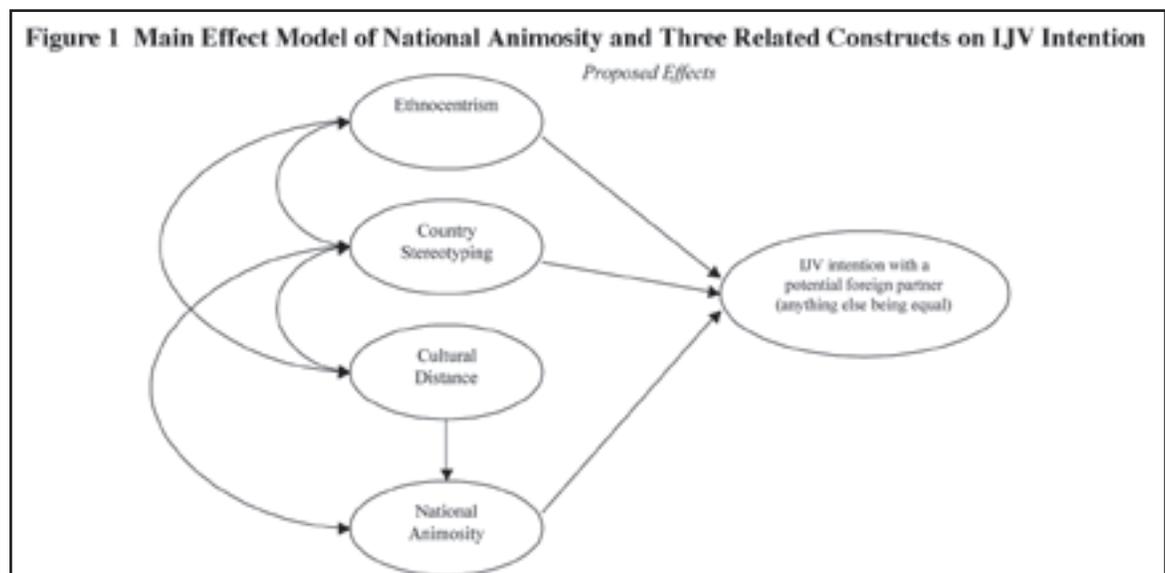
The authors then constructed the a model to explain the following propositions:

P1: NA would have a significant negative impact on IJV intention

P2: Effects of ethnocentrism on IJV would not be strong

P3: Because of strong economic ties between China and the U.S. and Japan, there will be a strong positive effect pf country stereotypes on IJV intentions

P4: CD does not have a significant direct effect on IJV decisions



Given the results of the three studies, NA appears to a potential new construct in IB research, at least within the context of IJV decisions. The studies indicate that NA elicits strong feelings of disgust, anger and disgrace in individuals, but that executive business decisions are more complicated than consumption decisions. These results can spur further research into better understanding of the impact of NA on consumer behavior actions, on the actions of managers in making IB decisions and how firms can manage national level animosities.

A Self-Critical Look at the Status of Current Research in IB *Seyda Deligonul (St. John Fisher College)*

This is an overview of epistemological considerations in IB work. The author presents a framework to assess IB scholarship and critiques the current stage of research in the field.

The focus is on how academic researchers in IB can add value to our understanding of IB as a new field. Deligonul proposes that development in any scientific field can be captured by three dimensions: comprehensiveness, rigor, and progression. IB faces a trade-off, since perfect rigor and absolute comprehensiveness cannot be attained jointly. In fact, a typical theory is either very precise, if it favors rigor, or conceptually comprehensive, if it favors richer explanation.

IB as a young field faces a number of other dilemmas, which Deligonul examines in the context of current IB research streams. IB as an interdisciplinary field remains at the intersection of many sister communities of scholarship. Researchers come from different backgrounds and infuse the field with inherited patterns. The work tends to be cross-functional but at the same time aspires to be self-contained. The methods seek to be progressive, but the infrastructure (such as publication outlets) favors the status quo. IB borrows too heavily from sister fields and lacks broad frameworks. The adoption of disparate views on theorizing, questions, tools, and conduct hampers a convergent knowledge stock. Further, IB research is contextual. When the concepts are not carried into theory development with contingent conditions, theorizing suffers. As the studies form hypotheses around additional conditions, research tends to be too specific to permit generalizations.

Although IB has made considerable progress, its scope is too universal, imprecise, and expansive in comparison to sister fields. The author believes IB needs metaframeworks so that inquiries can attain explanatory coherence. Deligonul suggests several research avenues for fertile exploration: global versus nonglobal companies, focused versus diversified configurations, standardization versus adaptation, control versus self-enforced goal alignment processes, homogeneity versus heterogeneity of markets, added value, and integration versus localization.

Deligonul also suggests improvements in methods. He cites the equivalence issue as significant problem and presents it in terms of construct, measurement, and sample and sampling angles. Another concern is method variances in cross-border research. He underscores that such issues are road blocks to theory testing in IB.

The author concludes that much progress has been made in the pursuit of knowledge in IB, but much more work remains to be done. The field is entering a fresh phase of its evolution. In the new era success will emanate from studies based on questions native to the field. Progress will occur in three areas: discovery, development, and refinement of metaframeworks.

A Discourse Analysis of IB research, 1972-2004

Minna Soderqvist (Helsinki Business Polytechnic) and Brian Toyne (St. Mary's University)

Articles in the JIBS between 1972 and 2004 were analyzed for the words ontology, epistemology, methodology, and methods. Three discourses were found: validation of IB as a research field, the focus of IB research, and the right type of IB research. The authors also revealed what was not addressed in research streams. The first observation was a scant interest in paradigm issues and methods used. The second was the growing gap between the diversity of methods used by domestic and IB researchers. Through their novel approach, the authors make significant points about IB research. The results can be useful guides for research agendas in the years ahead.

As part of the overall constructionist approach, discourse analysis is a loose theoretical framework that is applicable in several ways. In general, any type of text can be the object of study, and these texts can be interpreted as an outline of reality as experienced by the social group under investigation. The discourses can be analyzed for the concrete and changing meanings people attach to specific expressions and can be used to specify the current actions of the social group. The discourse is always bound to a particular time and situation and is produced in a particular social, historical, and institutional context. The interpretation is, of course, partial.

The authors searched for the key words ontology, epistemology, methodology, and methods in the *JIBS* archives from 1972-2004. Among the 46 articles chosen for a detailed analysis, three discourses were found: validation of IB as a research field, the focus of IB research, and the right type of IB research. In the first category are arguments, both implicit and explicit, that seek to refute criticism that IB is not a valid research area. With respect to focus, the authors observe that since the 1950s the field of IB has grown into an extensive, multidimensional, and complex area. Research scope extends beyond the firm level and across national boundaries. As for the “right” type of IB research, a number of cross-cultural studies were found to touch upon epistemological and ontological issues. Generally, however, research seeks to answer why, what, and how questions. On the methodological side, there has been a great deal of nomothetic research: why questions, law-like claims, a conceptual phase, and an essential empirical phase.

The scant interest in paradigm issues and methods may reflect the short history of the field. As for the growing gap between the diversity of methods used by domestic and IB researchers, if this observation is valid, then there will be significant repercussions and special challenges to IB researchers.



Chapter 3

Modus Operandi: Methodological Rigor, Measurement, and Techniques

The methods used in IB research come from sister fields. The first presentation asks the right question: “Do We Need to Create Our Own Methodologies?” Bernard Yeung underscores the need to anchor IB studies with methods borrowed from other fields.

Yeung’s question is answered at different levels in other presentations, which view traditional tools through the lens of IB scholarship. Devinney espouses “direct experimentation” as a powerful means. He argues that this method reveals underlying problems, exposes direct and interaction effects, and untangles causal relationships and feedback loops. Another traditional but neglected tool is qualitative research and, Eden et al. draw attention to the status of case studies in top journals. Although case work is underrepresented in print, they argue that qualitative research has much to offer IB studies. They point out that case studies are very suitable for analyzing interwoven relationships and variables. The phenomena involved in IB are complex, with cross-border and cross-cultural peculiarities. The pertinent theories are often cross-disciplinary and cross-functional. In those situations qualitative methods have a comparative advantage in deciphering the underlying dynamics. Gibbert concurs and offers his view on under representation of qualitative research in scholarly journals. According to him, improved methodological rigor will eventually give these studies their deserved status.

On the topic of newer approaches, there are several presentations. Murmann suggests a research method entitled comparative industry evolution studies. He argues that most work in IB does not observe enough variation in the outcome. The scant interest in variation hinders the capability to determine an accurate cause-and-effect relationship. He maintains that longitudinal data can be sliced to attain a variety of outcomes, and then each slice can be examined along the time line. Next, Zou focuses on measurement equivalence in IB studies. Penz and Stöttinger develop EUROCOB(S), an example of scale construction in consumer behavior with cultural peculiarities.

The “Issues in IB Research” session focuses on methods, a topic important to all IB scholars regardless of disciplinary background and research interests. Zou examines quantitative research issues, especially the need for researchers to be more rigorous in specifying and testing for invariance in cross-national studies. Also, there is extensive discussion of the dearth of good qualitative research in IB. Both

Eden et al. and Gibbert outline ways in which more good qualitative work should be done in order to increase its representation in top journals. Overall, this session stresses the need for both quantitative and qualitative approaches to be more rigorous in their methods, and it exposes the adverse effects that publishing conventions have had on research methods in general.

In all three presentations, the concerns about getting published are mentioned. Also noted are the conflicting incentives in the publications process for quantitative research and qualitative research. In terms of quantitative work, reviewers are often overly stringent in the level of invariance they require for publication. Overly rigorous standards also seem to be a hurdle for qualitative research. Consequently, assessments must consider the nature of the research, and the process must acknowledge other possible superior features of this kind of work.

Qualitative scholarship seems to be currently and historically underrepresented in top journals, and there is a decided preference for deductive and quantitative methods. The suggestions provided in the Eden et al. and Gibbert presentations are aimed at improving the quality of case studies through added rigor to increase their acceptance in leading journals. In open discussion, Peter Buckley noted that the length constraint in many publications is another concern. Due to the richness of qualitative methods and the relative lack of methodological conventions, case studies generally require more deliberation and often are more suited to a less restrictive medium, such as books. Furthermore, since qualitative research is so time consuming and relatively risky in terms of publication likelihood, the tenure system creates a disincentive for engaging in case study research. This disincentive leads to the overrepresentation of quantitative studies, even when the nature of a topic suggests a more qualitative approach.

The discussion below parallels the issues presented. We look at the symptoms of weaknesses, which diffuse IB research. Mostly these have origins elsewhere. We also consider measurement variance and equivalence, perhaps the two most significant problems in IB studies. Finally, we offer some comments on underlying issues from a meta perspective.

Methodological Rigor And Refinement

As more and more scholars have noted, the current limitations in research are not particularly unique to IB. For example, concerns about research design, incomplete measures of performance, and simplistic and incomplete analysis are common to much of the “domestic” management literature. It might be pragmatic to evaluate the shortcomings in light of realistic limitations on doing research across borders. But more important is the issue of equivalence, which limits any cross-cultural research of consumers, salespersons, or managers. It is easy to discard cross-cultural research on the grounds that samples are not equivalent, but the issue is not raised when samples from different industries, regions, and demographic groups are pooled within the domestic setting, even though there might be questions pertaining to equivalence. There is certainly a need for better methods to ensure equivalence, but realistically, cross-cultural samples can never be perfectly equivalent. Access to and availability of data are additional bottlenecks, not to mention the higher cost of gathering cross-national data (even if concerns of equivalence are relaxed). Similarly, method variance presents a challenge for the researcher in IB. These subjects are explored below.

Equivalence And Method Variance

The Equivalence Issue. One of the most significant methodological concerns in any cross-border study is whether the perceived similarities or differences between markets are real (see, for example, Hui and Triandis, 1985; Mintu, Calantone, and Gassenheimer, 1994; Mullen, 1995; Sekeran, 1983; Singh, 1995). Such problems are placed under the umbrella term “equivalence.” The rich variety includes construct, measurement, and sample and sampling equivalences. Each category has finer divisions. For example, the measurement area encompasses scale, calibration, response, and translation equivalences, and the construct category involves functional, conceptual, and instrument equivalences.

Construct equivalency pertains to “true” differences among societies on the underlying concepts and all the issues related to valid, reliable, and unbiased ways of capturing them. That entails ontological and epistemological considerations: Concepts between the cultures may or may not be transferable (Inglehart and Baker, 2000). A construct may not serve the same function across borders (a bicycle may be recreational or a basic mode of transportation); it may have a different categorical interpretation (pizza may be chic in Europe but a convenience food in the United States) (Craig and Douglas, 2000) or the concept may not be part of the “meanings repertoire” of a culture at all. Together with quantitative research using factor analysis, qualitative research with interpretative emphasis offers promise for resolving difficulties in construct equivalency.

Another issue is measurement equivalence. This problem is especially challenging (Steenkamp and Baumgartner, 1998): (1) a bewildering array of types of measurement invariance can be found in the literature; (2) consensus is lacking on the terminology for different kinds of measurement equivalence; (3) researchers are relatively unfamiliar with testing measurement models that incorporate latent variables; (4) considerable methodological complexities are involved in testing for different kinds of measurement invariance; (5) there are uncertainties about the extent to which measures have to be equivalent in order for particular cross-national comparisons to be meaningful; and (6) clear guidelines are lacking as to how to ascertain whether a measure exhibits cross-national invariance. Recently, structural equation modeling approaches have promised progress in tackling the problem of measurement equivalence (Myers, et al. 2000; Steenkamp and Baumgartner, 1998). Starting with simultaneous estimation of a baseline path model, the researcher then can use full and restricted model estimations to find an improved model.

Sample and sampling equivalence are neglected considerations in IB research. The scant interest stems not from the problem’s triviality but from researchers’ attitude toward sampling in general. Usually, better randomization and “the affordable largest size” are conveniently accepted as remediation for sampling problems, but this issue deserves more attention.

We need well-defined and valid constructs that are consistent across studies. Studies show that there is no systematic inclination for any certain national sample to record high or low reliability consistency across different types of measurements or variables. The incidence of reliability differentials seems to vary according to the type of variable (for example, Davis, Douglas, and Silk, 1981). Past studies also indicate that attaining measure equivalence in cross-national surveys is seemingly more difficult for attitudinal and perceptual variables than for demographic and other background variables (ibid.). Nevertheless, in the light of interesting studies we can be hopeful. Progress in the indigenous problems of a field, such as equivalence, is a sign of scientific maturity.

The Method Variance Issue. Method variance is attributable to the techniques employed. Examples are key informant prejudices, halo effects, and social desirability. Random error attenuates the statistical relationship among variables and induces inferential distortions. Less known is that random error may inflate estimates under certain conditions (Bollen, 1989). Method variance may also bias results by strengthening an observed relationship.

Method variance is compounded in international research. The textbook assumption that the traits and methods independently produce variation in measures does not hold in cross-border work. Interaction of traits and methods, for example, may point to a higher association among traits. Although the effects cannot be presumed additive, current studies overlook the interaction effect stemming from the dual nature of domestic/foreign separation. Such factors as the size and complexity of the organizations on two sides of the border, breadth of information sources, and the volatility of external and internal changes do not get due attention.

A theory in the international domain necessitates higher standards to validate measurement. This can be achieved by using multiple measures and multiple methods. A single measure does not permit one to distinguish the substantive (i.e., trait) variance from unwanted method variance, because each application of the measure is contaminated by irrelevant aspects of the methodological residues. Furthermore, to the extent that random and method errors distort judgments of key respondents, the correspondence between measures and concepts will be affected, and construct validity will suffer.

Symptoms Of Weak Research: Inherited Limitations

The methods used in IB research come from sister fields. Therefore, Yeung's article asks: "Do We Need to Create Our Own Methodologies?" The author presents the complexities of doing business in an international context at large, along with peculiarities for IB researchers. He discusses whether IB scholars need to create their own theories, given current conditions. His position is to combine indigenous problems with borrowed methods, but that may create problems. From the perspective of journal editors, the most typical weaknesses of IB are noted below.

Conceptual Considerations. At a conceptual level, the symptoms of weakness are numerous. Many studies reported in the literature lack a sound theoretical foundation. Key constructs do not have firm conceptual grounding and are not linked together well. Few agreed-upon constructs exist, and many researchers use idiosyncratic definitions. IB does not have theories of its own but borrows concepts from mother disciplines. Other limitations include the following.

- ◆ Many explanations tend to be static, shed limited light on the dynamic nature of cross-border business. Although much of our knowledge is contextual, the studies often overlook the effects of industry, firm experience, and even culture.
- ◆ Findings of current research are not convergent; there is relatively little meta analysis in the field.
- ◆ There is limited focus on modes of market entry other than foreign direct investment.
- ◆ Researchers often examine a single perspective instead of using dyadic analysis in the transactional situations.
- ◆ There is little concern for performance effects and model testing. Superior performance and its

antecedents do not get the deserved attention. In particular, strategy implementation issues are not well addressed. The ways in which firms can make their strategy work better warrant more attention.

- ◆ There is little emphasis on the managerial implications of activities. In addition to descriptive research, there is a need for normative work and predictive considerations.
- ◆ Structure, process, and strategy are often treated as islands. The principles that bridge them and their interaction demand more attention from IB scholars.

Constructs

- ◆ A great deal of new jargon is introduced without providing its place in the stream of past work. Many definitions are pretentious and do not clarify meaning.
- ◆ Concepts are confounded among themselves. Many new ones are introduced without recognizing their overlap or redundancy.
- ◆ Definitions are so broad that it is unclear (1) how they are distinct from the established concepts in the field and (2) how they fit with related constructs. With these flaws they cannot provide the precision needed for operationalization.
- ◆ Often, performance is evaluated as unidimensional. Much recent work focuses only on one aspect. The most popular measure of performance is economically oriented, although researchers acknowledge its multidimensional nature.

Theory and Models:

- ◆ Efforts from the past and the future for the theory are unexplored. How the research complements earlier work is left to the reader to discover. Research is not anchored to any stream, so it is not clear whether it challenges or extends existing knowledge in the field. The reader cannot position the research in the map of scientific advancement.
- ◆ Selection of the phenomenon studied is often justified with a remark about scant previous interest in the topic. Such a claim comes with an obligation to explain why the topic deserves investigation. It may not have drawn attention in the past simply because it was considered unimportant.
- ◆ There is a lack of a plausible theoretical explanation for the phenomenon. Concepts are related to each other without justification of why they are related that way. Alternative explanations are not provided. Associations are inadequately explained, with poor reasoning.
- ◆ Literature reviews tend to be exhaustive rather than a coherent synthesis. The accumulated knowledge in the field is not about the quantity of scholarly articles but the relationships among them. A simple listing of prior findings does not showcase the advancement in a topic. Often the role of prior work remains insulated from the subsequent development of hypotheses, methods, and results. Complementarities and extensions of findings are overlooked.
- ◆ The theory often does not show how it supports a scholarly tradition. Studies are obligated to contribute to a meta knowledge organized around schools. Scientific schools develop axioms about content and methodological issues, and they provide distinctive explanations. When

membership in a school is not clear, development of the fundamentals from scratch is expected. An article drawing on more than one school faces the challenge of exploring possible inconsistencies due to its multiple memberships

- ◆ A theory should be based on a coherent synthesis of research. A deductive account of the extant perspectives is necessary for a compelling description. Because the present state of knowledge is the benchmark for evaluating the contribution of new research in any area, authors should guard against the possibility of understating what is already known, either knowingly or unknowingly.
- ◆ The intended objectives are generally stated as ramblings about the topic. The introduction collapses when it fails to invigorate interest, does not establish the borders of the topic, and does not deliver clear objectives. The intended contribution of the work is gauged by whether it (1) identifies applicable theory, (2) extends, contributes to, alters, or replaces current theory, (3) provides evidence of variables that have implications for implementation, (4) offers mediational or moderation processes, (5) provides a coherent synthesis of its view, and (6) identifies boundary conditions for theory.
- ◆ The model specified is often a block diagram of ad hoc variables. Their exposition ignores the theoretical domain, and the unifying logic disappears. A potpourri of relationships is presented with no convincing arguments. The reader cannot see how these serve to explain the phenomenon under study.
- ◆ The model (1) lacks parsimony, relationships are scattered, (2) proposes tautological relationships, (3) does not follow the conceptual development, (4) is underspecified, (5) leaves out some of the hypotheses that are part of the conceptual discussion, and (6) attempts to test empirically the untestable.

Research Design and Measurement

- ◆ The design specifications of the study do not reflect the real world.
- ◆ Research designs are inadequate; for example, a single industry or country, insufficient variation in focal constructs, and inappropriate units of analysis.
- ◆ Elaborated measures are limited. Studies simply adopt measures developed for domestic issues and employ single-item measures.
- ◆ Although a hypothesis implies causation, the research design used to test it is not amenable to casual inferences.
- ◆ The research design looks forward to results. In particular, it tends to rule out alternative explanations for the findings.
- ◆ Studies fail to assess the measurement model adequately, fail to determine the cross-cultural equivalence of measures, and rely on items that do not adequately measure the intended constructs.
- ◆ Reporting of the technical adequacy of the study is flawed. The exposition does not explain.
- ◆ There is an overlap in the conceptual and empirical domains of explanatory constructs. The independent and dependent measures are often confounded in operationalization. It is not unusual

to find that a key explanatory item overlaps with an item in the dependent variable.

- ◆ Analysis of data often is simplistic and incomplete. Studies fail to check the assumptions behind the analytical techniques, and fail to adopt sophisticated methods that may have greater statistical power. Researchers may not fully report the findings or fail to interpret the findings in light of the research limitations.
- ◆ The operational measures employed do not follow the discussion at their introduction and even are not consistent with their descriptions. They also do not adequately reflect the domain of the construct, so that they do not lend themselves to assessment.
- ◆ The operational measures are based on scales prone to response bias; the respondent immediately recognizes the socially desirable direction of response.
- ◆ The scales borrowed from earlier work are modified without concern for loss of validity. Validity of the original scale is often compromised by adding or dropping items.
- ◆ The sample characteristics and key informant descriptions are vague. It is not clear whether the key informants are in positions that provide the information sought in the survey.

Dilemmas

Overall, IB scholars have been productive yet it is not always clear how their findings fit into a larger picture. This may be because divergent forces create tensions in IB research and because of limitations inherited from sister fields.

A theory, as a closed logical system, cannot be both perfectly comprehensive and completely precise. In IB, as in any other discipline, theories face this choice. For example, in the specification of globalization, certain scholars favor sales percentage as the sole indicator of the internationality of a business. Mostly trained in economics, members of this school consider precision a premier consideration. In contrast, born-global advocates point to such indicators as a company's structure, culture, strategy, and managerial processes, that is, a comprehensive approach. From the disparity, differences in scholarship ensue.

There is no doubt a field can grow in rigor and comprehensiveness as long as the findings enrich them. Rigor needs to be a feature of comprehensive theories in order to avoid overly simplistic indicators for complex phenomena as well as a perplexing epistemic imprecision. We must be careful about the use of such terms as "heterogeneous" demand, "temporal" behavior, "varying" preferences, "limited" information, "imperfectly" mobile resources, "intangible" resources, "superior" performance, and "tacit" knowledge. Each requires a theory in itself.

There are very few publishing outlets for scholarly work in IB. Pierce and Garven (1995) report a handful of journals with completely international content. An even smaller number is significant in terms of scholarly research. The premier publication is *JIBS*. This implies that a significant portion of scholarly work is being screened by *JIBS* editors and reviewers, which creates another dilemma. A wide variety of issues, whether content specific or methodological, are passing through the scrutiny of a small group of gatekeepers.

Do We Need to Create Our Own Methodologies?

Bernard Yeung (New York University)

The author points out the complexities of doing business in an international context. He underscores the implications of these peculiarities to IB researchers. Also, he discusses whether IB scholars need to create their own methods, given the current conditions. Yeung suggests a study should be anchored in a sister field so that the contribution will be dual sided. As long as the “multiness” of the field is preserved, IB cannot alienate itself from other disciplines.

Yeung argues that IB, by definition, entails doing business across borders, so both IB practitioners and academics are obliged to comprehend the dynamics of multiple cultures as well as multiple economic, political, social, and institutional systems. Given this high heterogeneity, IB researchers must “choose a rock to stand on,” or it will be very difficult, if not impossible, to come up with sound analyses and recommendations.

The author suggests as candidates for a “rock” one of the basic disciplines, such as psychology, sociology, or economics. After choosing the rock to stand on, IB researchers will use the analytical frameworks, concepts, and theories of that particular “rock” to contribute not only to practitioners and their colleagues but also to the “parent discipline.”

The intrinsic heterogeneity of the IB phenomena can be regarded as an opportunity to deepen the knowledge of the parent disciplines. On the one hand, validating a theory of consumer behavior in the IB context can serve as evidence of the theory’s soundness. On the other hand, failing to validate a theory of the parent discipline can unveil new areas for improvement.

Yeung elaborates on the calls for new methods in the field. Acknowledging that every field (e.g., engineering) can encounter a problem, which appears unsolvable with the techniques at hand, he suggests that in such cases, scholars should either create techniques or import them from other disciplines. Yeung argues, however, that the reason some problems are unsolvable for IB researchers is not due to inadequate methods but to the lack of a commonly accepted theory in the field, which hinders solidarity in the discipline.

Despite the prospective benefits of having a theory unique to IB, such as more efficient communication among IB scholars through a common language to describe commonly accepted results, a disadvantage might be a differentiated language that could alienate the IB field from parent disciplines.

Yeung believes IB needs a critical mass of researchers and broader acceptance, despite its uniqueness. As long as the cross-disciplinary and multiple-perspective nature of the field is preserved, IB will not become alienated from other disciplines.

Methodology and IB/IM: Alternative Approaches and Causal Mechanisms

Timothy Devinney (Australian Graduate School of Management)

An intrinsic challenge in IB research is causality, and this author believes the “direct experimentation technique” is the answer. He argues that it can free the researcher to explore beyond the observed range of options, to extend the boundaries of existing factors, which may not even exist in reality but which the researcher may be interested in examining. Furthermore, he touts direct experimentation, for its benefits in revealing underlying problems, exposing direct and interaction effects, and untangling causal relationships and feedback loops. In closing, the author briefly lists the difficulties associated with the method.

The author emphasizes the difficulties IB researchers encounter due to the distinctive nature of the field. He argues that the phenomena studied in IB have the very same characteristics as those studied in other fields but will certain features peculiar to IB. For instance, an international marketing scholar studies traits of consumers but usually must take into account the moderating effect of culture. Furthermore, when components of theories are applied in an IB context, the idiosyncrasies of IB phenomena may render some relationships between two constructs defunct.

Stressing the variance and complexity of the phenomena when approached from an IB perspective, Devinney sheds light on the implications of these differences for measurements. The differences threaten the relevance of assumptions and models when applied to IB, and new variables may need to be introduced. He suggests that theories are simply accepted and applied rather than tested, and “IB researchers are not aggressive in demanding falsification.” Also, IB researchers are not as rigorous as their colleagues from sister/parent disciplines in applying the methods.

Devinney briefly discusses IB phenomena and the prevalent measurement methods. Historically, the dominant topics were mostly associated with the multinational enterprise, cross-country studies, modes of ownership, and choices of location. These phenomena were analyzed with standard econometric techniques and surveys, “with limited validation.”

Devinney believes the direct experimentation technique can overcome some of the past problems. It allows researchers to explore beyond the observed range of options. Furthermore, direct experimentation can help IB researchers examine underlying factors, to gain a clearer understanding of direct and interaction effects, and disassemble causal relationships and feedback loops in a model that is properly structured. For instance, the sample (i.e., managers) can be asked to decide among various modes of entry to a foreign market (e.g., joint venture, Greenfield investments) in various scenarios.

The author mentions the difficulties of direct experimentation. First, it is not easy to create realistic settings. Second, it is hard to set up the experiment with incentives compatible with offerings. Put another way, it is hard to predict the extent to which the sample’s responses actually reflect real situations. Third, the cost of a highly complex experimental design is as high as gathering a large data set.

Achieving Measurement Equivalence in IB Research

Shaoming Zou (University of Missouri)

One of the strongest impediments to cross-border research is measurement equivalence. The author defines the problem, categorize its types, and explains each in great depth. He calls for special sensitivity to this problem, which can spoil the results any empirical research in the international arena.

Although cross-national data open up a new realm of research questions rich in intuitive appeal due to the patterns of differences and similarities that exists across nations, unique problems arise. A common pitfall is weak or invalid cross-national comparisons, which can result from systematic bias, scaling artifacts, nonequivalence of constructs, and differences in scale reliability. In the extreme, these problems can mislead researchers who adopt the same measures in subsequent studies and forestall the advancement of the field. Therefore, it is imperative for researchers to be cognizant of measurement equivalence in quantitative work.

Unfortunately, appropriate respect for measurement equivalence is difficult to cultivate because it encapsulates many types of invariance, and there is little agreement about terminology. Moreover, researchers have a choice of many tools with which to evaluate invariance. To provide some guidelines to help researchers achieve the needed level of measurement equivalence for a given research question, Zou addresses both of these issues.

First, researchers should think about three types of equivalence before the data are even collected: functional, conceptual, and instrument equivalence. Functional equivalence demands that the focal construct carry the same meaning across nations. Conceptual equivalence refers to invariance in the attitude in which the focal construct is expressed. Instrument equivalence addresses the need for equivalent interpretation of instruments across nations. If these issues are addressed prior to data collection, the constructs will capture the intended phenomena.

There are many more types of equivalence or invariance to check for after data are collected. The types of invariance, their definition, and common techniques for assessing each type are given in Table 1. Determining which types of invariance must be satisfied in a given study and to what degree is a function of research questions.

Some research questions may only require partial invariance, that is, they may only need a subset of items, intercepts, factors, or measurement errors to be invariant across nations, as opposed to full invariance, where all of these items must be invariant. Moreover, measurement equivalence, which requires factor loadings and error variances to be identical across all nations, may be an overly stringent requirement for some research questions. Factorial equivalence, which only requires factor loadings to be identical across nations, or factorial similarity, which simply requires items to load on the same factor across nations, may be sufficient. Table 2 summarizes some of Zou's basic guidelines for determining the type of invariance required by different categories of research questions.

Table 1: Types of Invariance and Testing Methods

Configural Invariance (Factorial Similarity)	Same Confirmatory Factor Analysis (CFA) model fits in all nations (i.e., items load on same factors across nations).
Metric Invariance (Factorial Equivalence)	Factor loadings are identical for all items across all nations.
Scalar Invariance	Intercepts of items' measurement equations are equal across all nations.
Factor Covariance Invariance	Factor covariances must be equal across nations.
Factor Variance Invariance	Factor variances must be equal across nations.
Error Variance Invariance (Measurement Equivalence)	Error variances must be equal across nations.

Source: Steenkamp and Baumgartner (1998); Singh (1995).

Table 2: Required Invariance by Type of Research Question

Does a given construct exist in another nation?	Partial configurable invariance (factorial similarity for focal construct)
How does the structural relationship between constructs differ across nations?	Partial metric invariance (factorial equivalence for focal constructs)
How do the means of given factors differ across nations?	Partial metric and scalar invariance
How do standardized measures of association between constructs differ across nations?	Metric invariance and factor invariance

The main implication of this presentation is that researchers must include evidence of measurement equivalence along with their methods in any quantitative cross-national study. In discussion, it was noted that these invariance concerns are only germane for reflective measures; formative measures used in experimentation are by definition equivalent. Therefore, another key point is that researchers should choose their methods carefully. If it is overly difficult or impossible to achieve the equivalence required for a given research question, and if the question could be addressed appropriately through experimentation, the researcher should then consider the use of formative rather than reflective measures. Ultimately, measurement equivalence concerns should be addressed both before and after data collection in a cross-national study, and the degree of invariance required is directly tied to the research question.

Bringing Cases Back in: Qualitative Research in IB

Lorraine Eden (Texas A&M University), Charles F. Hermann (Texas A&M University),
and Dan Li (Texas A&M University)

Starting from the premise that qualitative research is underrated by top journals, the authors tout the use of case studies as a suitable tool for analyzing interwoven relationships and variables. IB phenomena involve complex cross-border and cross-cultural issues. Pertinent theories are often cross disciplinary and cross-functional. Qualitative methods have a comparative advantage in deciphering the underlying dynamics. The authors conclude that qualitative research should play an important role in IB studies.

In general, qualitative research is grossly underrepresented in top journals, whether in IB or other fields. Approximately 6 percent of the articles published in *Journal of International Business Research* from 1993 to 2003 were qualitative, and half of those included quantitative evidence. One may reason that perhaps quantitative studies are simply more appropriate for studying IB phenomena.

Qualitative research in general and case studies in particular have been criticized for a lack of generalizability and replicability. Moreover, case studies are generally very labor intensive; given the pressure to publish, there is a disincentive to invest significant time in cases, especially when quantitative research seems to be favored in top journals. Yet, qualitative research has some strong advantages over quantitative methods that recommend it to the IB field in particular. Case studies may be especially suited to analyzing interwoven relationships and variables, such as complex cross-border and cross-cultural issues.

Eden, et al. present a number of recommendations for the improvement of case studies: (1) designate a clear research objective; (2) conduct a thorough literature review; (3) construct a theory with constructs, relationships, and causation as well as testable hypotheses; (4) justify the use of qualitative methods; (5) conduct multiple case studies or use subsets of a single case; (6) clearly reveal selection procedures; (7) maintain an accurate database to allow for replication; (8) explain the avoidance of Type I, II, and III error; (9) make use of available analytical aids; (10) use multiple methods when possible; (11) discuss limitations; and (12) outline future research directions. As part of their recommendations, the authors suggest adopting Alexander George's (1979) structured focused comparison (SFC), which is common in political science, to augment or even replace the approach outlined in Eisenhart's (1989) "Building Theories from Case Study Research," which is the dominant qualitative research approach used by management scholars.

SFC employs deductive theory testing through the analysis of patterns within and across cases. The goal of this approach is to test theories and create new generalizable theories. Although Eisenhart's approach also looks within and across cases, it is inductive and driven by rich data analysis without an initial grounding in an a priori specified theoretical model. The SFC method is structured because it employs the same investigative instrument across case studies, which allows for comparison. It is focused because the analysis of each case is selective, that is, the researcher homes in on the relevant portions of each case, a priori determined by the overall theoretical model and hypotheses. In this way, SFC avoids the danger of pure description and engages in a rigorous comparison of specific constructions in differ-

ent settings. It is also particularly attractive because of its deductive approach; deductive methods are generally more accepted in top journals. Moreover, SFC can incorporate quantitative methods as well, which may in turn contribute to the likelihood of publication.

There is a general agreement that case study research must become more rigorous to gain acceptance in top journals. Eden and colleagues propose numerous recommendations and the use of SFC to promote good case study research.

In Search of Rigorous Case Studies: Patterns of Reliability and Validity

Michael Gibbert, Bocconi University

In general, case studies rarely address validity in explicit terms. Gibbert points out that Eisenhart's work has increased awareness about generalizability, but this has led to a deemphasis of other concerns that affect the rigor of case study research. As in quantitative cross-national studies, case study research can be improved by increasing the general rigor of methods.

Case studies should play an important role in IB research but are underrepresented in top journals. Why? The generally accepted answer is that most case studies tend to be purely descriptive. Gibbert conducted a study to assess the rigor of case studies in top journals and used content analysis to determine the extent to which they explicitly and implicitly addressed internal, construct, and external validity as well as reliability. The results indicate that, case studies seldom explicitly address validity.

What makes a good case study? The answer, according to Gibbert, is rigor. He stresses the need for validity (internal, construct, and external) as well as reliability in qualitative studies. As in quantitative cross-national studies, case study research can be improved by increasing the general rigor of methods.

EUROCOB(S): Developing a Scale to Identify and Measure "Europeanness" in Consumer Behavior

*Elfriede Penz (Vienna University of E&BA) and
Barbara Stöttinger (Vienna University of E&BA)*

The European Union is one of the world's largest markets with more than 450 million consumers. It has been argued that there may be an emergence of a "Euroconsumer." Euroconsumers can be described as those who:

- ◆ have a preference for European products and services
- ◆ shop not only in their home country but also in other European countries
- ◆ may be addressed by Pan-European Marketing initiatives

For marketers, the advantages are easy to grasp: market segmentation within the EU could be based on new grounds using the degree of "Europeanness" in consumer behavior as segmentation

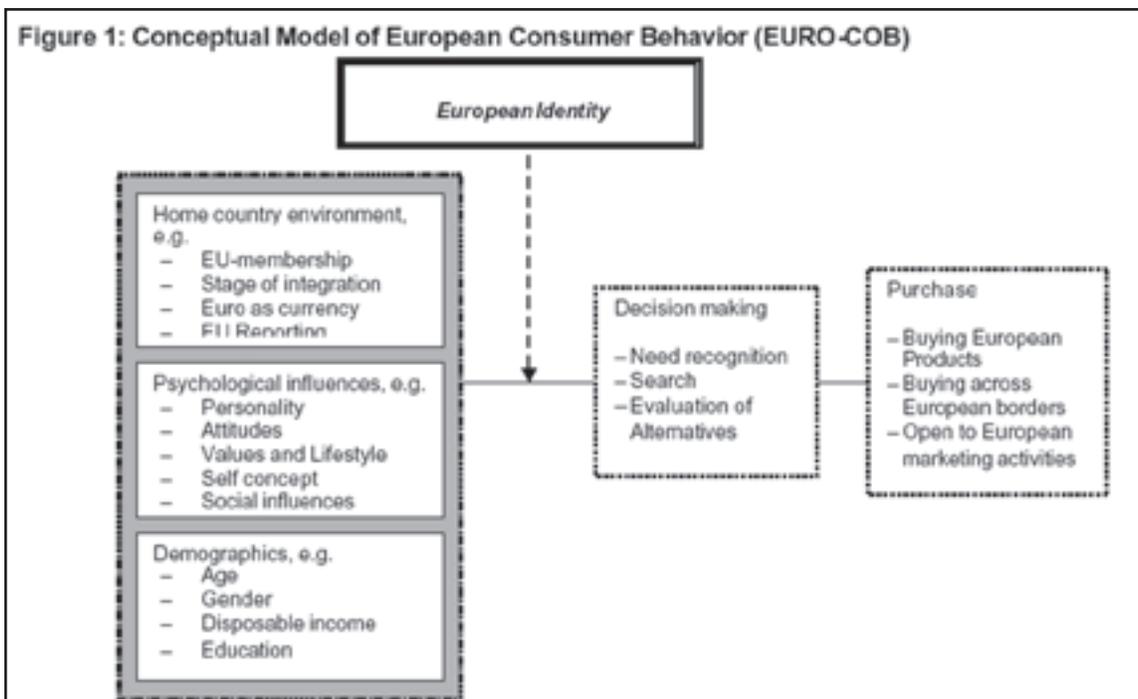
variable. This would allow for targeting market segments within the EU and could result in an European wide standardization of marketing activities and thus economies of scale. Moreover, a relevant measurement tool would allow for concrete marketing and retailing activities in the European market place (Daser & Hylton, 1992).

Penz and Stöttinger are currently involved in research to define 'Europeanness' and to develop a relevant measurement scale to measure European consumer behavior (EURO-COB(s)). Such a scale would allow researchers to study European consumer before over time and to better understand differences and similarities that may occur between 'old' EU-countries and 'new' EU-countries. This is an important research topic in marketing due to conflicting points of view. In the marketing domain, attempts to delineate the specificities of "the Euroconsumer" remain mostly conceptual and descriptive. Thus, substantial operationalization of the concept of a Euroconsumer is still missing. While there is belief that the EU common market will level out cultural differences due to a more mobile workforce, increased travel and more prolific electronic communication, country culture has historically been a significant barrier to standardized marketing activities. Some researchers believe that a single 'Euroconsumer' is not exist but may take the form of several distinct European consumer segments. The goal of this research effort is to (1) develop a measurement tool that captures the "Euroconsumer's" consumption behavior which (2) allows for the establish (or dismissal) of the existence of the Euroconsumer, which is (3) robust across cultural and time lines and (4) has high explanatory power and a straightforward applicability for marketing activities.

A review of the literature in addition to interviews with researchers from a variety of disciplines including sociology, psychology, ethnology, and anthropology have been blended with Social Identity Theory and with Collective, National and European Identity to create the following model:

The European Values Study (EVS), begun in the 1970s, has providee a valuable foundation for the work in terms of identifying relevant influences in EURO-COB(s) as well as country selection. The EVS is an interdisciplinary approach that aims at investigating values, beliefs, attitudes, priorities and preferences of Europeans. While EVS excels over many other studies in this area for its depth, its international perspective and its interdisciplinary foundations, it is only partly useful for marketing purposes. While it gives a profound insight in value systems, it lacks an immediate reference to relevant marketing issues, such as a linkage to purchasing habits/behavior.

The research project is in one of its most critical phases – the specification of its domain and the subsequent validation of this theoretical approach in various EU countries with different EU history background. Churchill's (1979) and DeVellis' (1991) approach of developing scales is being utilized to develop the European Consumer Behavior Scale (EURO-COB(s)). A first phase of empirical testing will encompass a sample of consumers in one country context to evaluate whether the assumptions underlying the theoretical model are important and sufficient enough to be meaningful utilizing in-depth interviews and focus groups. After that, consumers in other European countries will be interviewed as well to test the concept cross-culturally.



The Method of Comparative Industry Evolution Studies

Peter Murmann (Northwestern University)

Murmann addresses “learning from experiences” and then offers a research method entitled comparative industry evolution studies. He argues that “most of the time IB researchers are not observing enough variation in the outcome.” The scant interest in variation hinders the capability to determine an accurate cause-and-effect relationship. Longitudinal data, he suggests, may be sliced to attain a variety of outcome, and then each slice can be examined along the timeline.

“If history repeats itself, and the unexpected always happens, how incapable must Man be of learning from experience?” The satirical question was asked by George Bernard Shaw, famous playwright and Nobel laureate for literature in 1925, to emphasize the negligence of humans regarding their past. Murmann not only addresses IB scholars about his attempts to learn from experiences but also offers another research method: comparative industry evolution studies.

Murmann points out two major problems in industry and firm development studies. First, he argues that IB researchers are not observing enough variation in the outcome, which hinders the ability to determine an accurate cause-and-effect relationship. Second, identification of the true causes driving a development among the many variables in a system is a complicated task in the sense that many causes have the same consequences. It is almost impossible to determine which one is acting and at what strength, which are necessary and sufficient causes to bring about the outcome, and whether an outcome is a result of systematic causes or a random event.

To buttress his arguments about complexity, Murmann elaborates on his recent study of competition among Germany, Britain, and France in the synthetic dye industry between 1857 and 1914. He read all-important material on the industry and constructed a database of virtually all firms during the period, which comprised a total of 379. Moreover, firm and industry histories together with the biographies of leading industrialists and chemists were studied (e.g., 6 case studies of a winner and loser in Britain, Germany, and France). Applying the “comparative historical analysis technique,” Murmann considers how German firms overtook their British and French counterparts in the given period.

This technique entails, as Murmann states, “a concern with causal analysis, an emphasis on process over time, and the use of systematic and contextualized comparisons.” It is regarded as a suitable way to develop explanations of macro-historical phenomena, particularly those with only a few cases. Comparative historical analysis can be described as a mode of multivariate analysis to be applied when there are too many variables and not enough cases. Hence, it might be a viable means for understanding the complex phenomena in the IB realm.

It should be noted that the audience was curious about the applicability and necessity of this technique in IB.



Chapter 4

Broader Frameworks

A theory is an expression of abstraction. In a Popperian perspective, it is a “net to catch what we call ‘the world’: to rationalize, explain, and master it.” A theory alone explains part of a phenomenon. Indeed, an individual theory can neither have a wide enough scope for the whole, or can it establish the norms about its legitimacy. Scholars for this reason, need to anchor their theories to a previous work as they include, exclude, or modify claims from already established scholarly foundation. In a Kuhnian sense, knowledge consolidates not in the individual contributions but in the work of entire community.

Theoretical claims, once passed the generally accepted scrutiny, contribute to the knowledge stock. Additionally they form a starting point for new theories. Also norms and rules about the acceptable inquiry are embedded in the work. These too, coalesce in larger frameworks to command novel investigation. In the end, a broader framework dwell the content and method in that it provides an implicit regulatory system. It represents the invisible of hand of scholarly community for inspiring, governing and conducting research. The existing stock of studies is the origin of heritage, hence legitimacy. Such a foundation is essential for a new theory’s discussion and possible acceptance in the scholarly community.

Fledgling fields do not have integrative mechanisms. They fall short of history to develop those. As they mature however, they need to anchor their work in the frameworks of competing traditions. Otherwise, in the absence of a consolidating base, research tends to be fragmented. Studies recycle topics. Works remain incremental, coherence poor. Without direction, studies tend to be an anthology of assertions. Piecemeal arguments remain as snapshots of the phenomenon. Indigenous topics fail to surface as scholars seek inspiration in familiar disciplines. Assertions come from sister fields, they are tagged with proper title, and projected into the studies afresh. Key constructs do not have firm conceptual grounding and are not linked together well. Few agreed-upon constructs exist, and research suffers from the use of idiosyncratic definitions.

Broad Frameworks and IB

Schollhammer (1994) laments that broad frameworks are absent in IB. International Business theoreticians, like any young science, borrow their paradigmatic essentials from sister fields. They conveniently adopt disparate views on theorizing, questions, and tools. With incompatibility studies diverge and knowledge by convergence does not occur. Schollhammer (1994) notes, and Daniels (1991b) concurs, that IB never had anchoring research streams for integrating knowledge. They agree, the ones we developed, have not been fertile. Lack of broader perspective withers research in absence of rich questions and poor rigor. Equally it handicaps the field to systemize and consolidate knowledge. The IB knowledge appears to be fragmented and hardly is indigenous in nature.

In many IB studies, the tag “international” decorates the research question, but what makes the study “international” remains vague. For a progressive field the goal is not to build consensus through iterative replication or trivial refinement of assertions established elsewhere, but it is unleashing of creative processes that prompt genuine shifts in intellectual direction (see also Sullivan, 1994). Wright and Ricks in their survey of the Academy members show the current content in IB displays an array of detached topics. Their list replicates almost a business school course list. Except the entries in this list are tagged with the qualifier “international” (Wright and Ricks, 1994 Table 5). Wright and Ricks’ survey evidences a scope, which is universal, imprecise, and expansive. In agreement, Daniels (1991a) indicates that IB studies have been explorations that evoke a sense of *deja vu*, with respect to the questions, methodologies, and findings.

Consequences of Lack of Broader Frameworks

In the absence of broader frameworks vanilla postulates inundate a field. Vanilla-postulates are common sense and easy-to-agree arguments. They do not produce primary counterparts. In order to elevate a science, the first prerequisite is a clear specification of the primary arguments, so that the secondary can succumb. Otherwise, coherence is unattainable.

This process starts from construct definitions. For example, the terms equilibrium, and value do not derive their definitions from theory. They are imported from a common foundation in the discipline. Not having defined in the field, nor defined in the theory, a scientific term regresses to its colloquial use. The concepts such as “resource” become anything that we perceive positive. Since theses which stem from amorphous definition fail to produce antitheses, counter argumentation for “everything resource” lingers as a notion and loses its explanatory power. In some cases even more serious consequences ensue amorphous definitions. We say, for example, firms with resources which create value will be better off if those resources are rare. But rarity is the cause of value. So “anything creating value is valuable” is hardly an impressive statement in any science. When broad frameworks specific to IB embrace well-defined claims, dialectical or extending, a rigorous empirics will be possible.

The IB scholars remain pessimistic about the prognosis. Albaum and Peterson (1994) describe the field as fragmentary and atheoretic, Samiee (1997) simplistic, and nonanalytical, Bradley (1987) non-integrative. IB is also described as a potpourri of functional fields with occasional theorizing and conceptualizing (Cavusgil 1997; Samiee 1997). Many agree that typical cross sectional correlational study currently shows poor evidence on reliability and construct validity. Scandure and Williams (2000) lament about

sacrifice of rigor in general. They point to difficulty of triangulating research over time. Sullivan (1996) concurs; a random selection of articles from the *JIBS*, reveals an over reliance on methodologies that deal strictly with raw empirical observations, poor associative relations, and flawed hypothesis-testing procedure. The naïve assumption of flawless measurement is often the attendant presumption in many studies.

Such views stem from higher standards of academe and also their desire for progressiveness. However, they have the realism of typical characteristics in fledging scholarship in IB. In time, the stock of knowledge with its embedded norms will form a foundation that will accelerate the advancement in the field. In future, neither sampling from two countries will make research international, or will the tag “cross-border” in every hypothesis. The field of IB will claim self-containment, when the studies attain cogency in showing that there is more to international enterprise rather than being extended as a categorization from the domestic corporation.

IB Research and Theory Foundation

Despite the pessimism about the current account, it is possible to observe some of the promising possibilities in the field. The field has been coalescing around two significant nuclei. The broader foundation will probably be laid around these two kernels.

The first is a perspective that looks at the phenomena inside-out. The inquiry initiates from the international enterprise and then it extends to reach complexities surrounding the unit. This framework places itself into the organization and opens a window to the environment. The consideration centers around the issues internal to the firm as the environment presents contingencies, limitations, threats, and opportunities.

The second is the opposite approach. The studies in this group look at the phenomena outside-in. They center attention in the space surrounding the organization. Then they approach into the inner world. The internals of cross border enterprise in this view, often become the consequence of environmental dynamics. Surrounding predicaments compel the cross-border units into ways that are unique their nature. Under the given habitus, adaptation to complexity and uncertainty become critical. Strategic fit becomes critical.

In both approaches scholars explore various issues. Included in the first, are structural choices. Their research tends to see configurations more prone to success. Also in consideration are managerial and implementation issues. Those manifest widely in strategy research. Third, the performance concerns always take place either in the background or foreground. Being a field with practical implications, studies imply normative directives either at the managerial level or in a more broader policy level.

Inside-Out Versus Outside-In Perspectives

Looking inside-out. The birth of IB coincides with the popular days of systems analysis. Early days of IB studies were in a stage of emulation. Not only methodological issues but also content were sought and imported from other disciplines. Systems thinking was no exception.

In systems analysis business enterprise is modeled after a machine metaphor. The metaphor starts with a set of inputs which are to be processed. The transformation results in the outputs. Although over simplistic, this view has been successful because it was consistent with the traditional perspectives such

as in economics. It was also fitting as the dominance in economy was clearly in favor of manufacturing. Additionally, it had an eye on the most important managerial aspect: efficiency and productivity.

In the machine metaphor an enterprise had a very few outside parameters and it was a black box. Inner workings had no transparency, people were not considered, the covert nature of the phenomena could only be observed in the outputs given a set of inputs. Along the shift from manufacturing to service and to information economy, the model stuttered. And soon it left its place to more comprehensive perspectives that involved the human element. In the subsequent work, the inner workings in business enterprise was no longer a black box, it was transparent.

This line of research flourished into a tradition and gave us a number of contemporary perspectives for anchoring our theories. Resource-based perspective is one of the prominent examples. In this perspective (Barney, 1991; Penrose, 1959) a firm's control over bundles of unique material, human, organizational, and locational resources and skills that enable unique value-creating distinctions (Barney, 1991). Heterogeneous resources create options for a firm that, over time, enable its managers to exploit different levels of economic rent (Peteraf, 1993). A firm's resources are said to be a source of competitive advantage to the degree that they are scarce, specialized, and appropriable (Amit and Schoemaker, 1993). If these are valuable, rare, difficult to imitate or substitute, the competitive advantage (Robbins and Wiersema, 1995) or the resultant strategic advantage is sustainable (Barney, 1991).

The resource-based view is only one example of this approach. In this group we find a number of foundational perspectives. Included in the list are the behavioral view, organizational learning perspective, agency theory, resource advantage theory, organizational network, learning and knowledge view, and so on.

Looking from outside in. Sustainable advantage has some very special consequences in that the market exchange resembles more to a one-way transfer of values rather than to reciprocity between the enterprise and its environment. In transacting, the powerful party imposes the terms. There is nothing in the process to avert "the hostage-taking" situation and establish equity in dealings. In the world of lopsided exchanges, the stronger party will devastate the weak, only to yield to the next stronger later. In this chain of events, the eventual market would be a monopoly. This does not happen in the real world, however. The pertinent studies, then explore phenomenon other than "inner strength" to explain the stability and dynamics of our current state of affairs, particularly in reference to environmental forces.

Not surprisingly, as some researchers have anchored their research on a perspective with origins in internals, others considered the 'macro-cosmos' as a significant starting point. This tradition finds the strategic group, industry, and larger space of economy as central. They consider the firm as a player that is adapting to its immediate environment and transactional network. This perspective looks into the norms, legitimacy and survival issues in the jungle of competition.

For example, if transacting parties cannot know partner's intentions *ex ante*, governance of the relationship becomes a key issue. Accordingly, TCE using the constrained rationality assumption, argues that under certain conditions of asset specificity, opportunism and uncertainty, transactions costs lead to hierarchies to replace market transactions. As transaction costs increase, hierarchies are favored because they internalize the transaction for better cost control.

In between we have intermediate forms (MacNeil, 1978) which are contractual alliances. The contact as governance instrument fills the gap between market and hierarchical arrangements.

The broader sphere of issues arises from the interactions between a firm and its constituents, mediated by institutional intermediaries, such as media and various specialized organizations (Fombrun, 1996; Hill and Jones, 1992). Regulation by norms is also part of this space. Such interactions occur in uncertainty and demand adaptation. As constituents and firms interact and exchange information, they construct a web of relationship characterized by: (1) a widespread exchange of information and interpretations among firms and constituents; (2) varying degrees of knowledge and understanding about the industry and the firms inside it; (3) a multiplicity of interpretations, many of which are of a persuasive, self-serving nature; (4) some degree of agreement about standards of performance in an industry; and (5) evaluations of firms relative to these standards and their rivals that give content to their reputations (Rindova, 1999). Insofar as the interpretations of constituents create preferences for some firms (and their products, stocks, and the like) over others, favorable interpretations are a source of advantage.

The perspective that is based on external vista point has a long array of members. Included in the list are: organizational ecology, institutional view, transaction cost economics, evolutionary economics, and industrial organization economics.

Conference Proceedings

The Frontiers conference participants delved into issues related to meta frameworks. Although the conference did not dedicate a session to the discussion of broader perspectives, a number of presentations directly studied the current and future possibilities for developing theoretic foundation in IB.

Topics of attention. The related discussion appears to revolve around two lines of studies. In one strand presenters consider the external vista point to the firm, particularly under the institutional perspective. Most studies in this group adopt a style with normative component. And in the second group, scholars present views on adaptation of firm to complexity of its environment. The strategic fit is the central consideration, and methodological issues are kept in the fore.

In his presentation, Peng challenges the audience to consider how local firms and institutions interact with foreign firms to impact competition and performance in host country markets. The impact of local cultural and political/regulatory institutions on global strategy are discussed with examples around the world. The presentation concludes that different institutional factors manifest themselves in local markets and hamper the “one strategy-fits-all” decisions. Henisz focuses on the influence that multilateral institutions and MNCs have on host country policies and policy outcomes. Particularly multilateral institutions (MLI) and MNC influence on policy dynamics is under his lens. While it is recognized that these players have the power to influence domestic policy process, the impact of external agendas on the formulation of long-term sustainable policies is unclear, he concludes. In their study, Aguilera et al. anchor global merger and acquisitions to institutional theory. Specifically, the authors explore the developments between the announcement and the subsequent completion or withdrawal of the M&A. The emphasis is on the social consequences of this interim period on post-merger integration.

The second strand of presentations discusses the strategic fit postulate and adaptation issues. Toulan explores the strategic fit perspective and provides an empirical demonstration in two studies. In the first he explores the importance of fit in global account management (GAM). The findings of this first study indicate that similarity of strategies and structures between vendor and customer are correlated with heightened performance. The second study of Toulan discusses implications of strategic fit within a

global supplier management (GSM) context. The results indicate that, though depending particularly on the tasks being performed, there are many ways to manage relationships among different suppliers.

As part of strategic fit there is a considerable interest in methodological issues. Lukas in his two-step study explores the interplay between the levels of hostility and complexity in the environment and their impact on the strategic orientation of firms. His study is conducted in the Chinese electronics industry. The author concludes that the strategic fit literature may not be directly applicable to transitional economic settings. On the related methodology discussion, Myers et al. introduce a polynomial regression approach that utilizes surface map representations to depict relationships in three-dimensional space. Morgan explores the profile deviation analysis. Benefits of this technique include the ability to: address complex relationships between multiple multi-dimensional constructs; show consistency with most strategic theories of firm performance; and provide benchmark insights for managers.

Reason for emphasis on two lines of research. In the conference the institutional perspective has received considerable attention. Presenters discussed various aspects of institutional theory or institutions that could be included in international business research. In their study, Aguilera et al. show how institutional theory can be used to explain phenomena in domestic and cross-border M&A activity. Witt and Lewin developed a model of institutional change and proposed how responses to these changes have implications for the study of international business. Finally, Rodriguez proposes a special issue of *JIBS* that would potentially include institutional dimensions. Aguilera grounded her arguments in institutional theory, whereas Witt and Lewin and Rodriguez concentrated on the nature of institutions, which could be supported from various theoretical perspectives.

The discussion around the institutional perspective addressed a void in international research by considering the influence of institutions and institutional theory in the literature. The consensus in the sessions suggests that institutions have been neglected in the study of international business. Scholars agree that new broader frameworks, like the institutional perspective, provide an opportunity for further integration of international business studies.

The topic of strategic fit also gained considerable attention from researchers at the conference. While all papers presented fell generally within the framework of strategic fit established by Venkatraman (1989), quite different approaches and extensions were under consideration. In fact, of the six originally proposed by Venkatraman (1989) – fit as moderation, mediation, matching, gestalts, profile deviation, and covariation – three presentations focused on these traditional elements of strategic fit, while another extended current work in this research stream with a novel methodology. The works discussed research on strategic fit to varying degrees. In that we saw the topic is ripe for development in the future.

Global Strategy and Emerging Economies: Toward an Institutional-Based View

Michael Peng (Ohio State University)

Michael Peng challenges researchers to consider how local firms and institutions interact with foreign firms to impact competition and performance in host country markets. Peng challenges the audience to expand traditional MNC boundaries to recognize the influence of local firms in domestic and international markets. Second, the impact of local cultural and political/regulatory institutions on global strategy is discussed briefly. Examples include Chinese guanxi and non-tariff trade barriers. The difference in how these institutional factors manifest themselves in local markets complicate efforts to make “one strategy-fits-all” decisions. Understanding how local institutions influence strategy and performance offers a unique challenge to IB scholars.

Michael Peng recommends focus on the institution-based view of research to understand how formal and informal institutions affect firms and customers, especially in emerging economies. Global strategy research on emerging economies leads to emergence of an “institution-based view,” along with industry-based and resource-based views.

Over the past few decades, practitioners and scholars are paying greater interest and attention to developing country markets and institutions. Indeed, as countries, such as India and China, are opening their borders and their companies are becoming global powerhouses, more opportunities arise to study in these dynamic environments. As IB research expands, it also becomes necessary to recognize the pivotal role of the institutional conditions and transitions in our international business research. Traditionally, institutions have been treated as background conditions or factors to be ignored or controlled. However, in order to gain a deeper appreciation for local firms and how they perceive their opportunities and challenges, researchers need to delve into the institutional context.

Michael Peng asks the question: How do local institutions in emerging economies affect global strategy and performance? The following global strategy tripod model is presented:



His presentation elaborates on the third element of the strategy tripod — institutional conditions and transitions.

While the majority of IB research focuses on Triad country firms entering other Triad countries and, to a lesser extent, emerging markets, Peng argues that the traditional view limits the theoretical richness of theory development. He points to recent debate among IB strategy scholars about the role of institutional theory: has the theory eclipsed or is it growing in importance? The author argues that the degree of external uncertainty due to differences in institutional conditions and stages of development plays a critical role in determining performance in emerging markets. Moreover, he posits that as globalization progresses, the impact of institutional factors will increase rather than decrease.

How important is institutional theory to IB scholars? A special issue of the *Academy of Management Journal* on emerging economies identified three theories to drive future research. Institutional theory is one of these. Based on the number of submissions and published articles, the issue finds that use of institutional theory is on the rise. Peng draws from this trend to indicate that increasingly, researchers are drawing on the institutional tool bag.

In the presentation, Peng considers the roles of local firms, local business environments, and host country legal and regulatory regimes. First, local firms present competitive challenges not just in the domestic market, but also in other countries. Along these lines several questions are in order: How do the resources and capabilities of local firms affect the ability of a foreign firm to enter and compete effectively? How do the interactions of local firms with other local firms and institutions in the host country influence competition, country-level strategy and performance? How will local firms become an increasing competitor in the global marketplace? Peng challenges the audience to expand traditional MNC boundaries to recognize the influence of local firms in domestic and international markets.

Peng underscores the established definition that institutions are the “rules of the game.” He addresses the concept of institutional transitions for emerging economies. He poses a key question for both domestic and foreign firms in emerging economies: How to play the game, when the rules of the game are not completely obvious and keep changing? The author provides some examples for India and China, two emerging markets receiving extensive attention and investment by multinational firms. Specifically for India, the institution-based view adds relevance of domestic reforms in India as well as the global institutional environment, for example, the anti-globalization backlash of U.S. states to prevent outsourcing to India. Although China is a newcomer to economic regulation or market friendly institutions, they realize that growth of the Chinese firm leads to the growth of the economy. While still a lack of formal institutions, many multinational and local firms rely on informal institutions. The difference in how these institutional factors manifest themselves in local markets complicate efforts to make “one strategy-fits-all” decisions. Understanding how local institutions influence strategy and performance offers a unique challenge to IB scholars.

This work stands out with many intriguing questions that would contribute to research in IB:

- ◆ How to strategize in a cost-efficient, quality-conscious, and politically correct way?
- ◆ Antidumping charges are an institution-based weapon. What is the effect of institutional liability of foreignness (dumping/antidumping actions)?
- ◆ What is the impact of informal institutions (*guanxi*, corruption, bribery) and possible transition to “phase out?”
- ◆ How to make profit when marketing to the bottom of the global economic pyramid by understanding how formal and informal institutions affect firms and customers?

Dynamics of National Institutional Configurations: Implications for Country, Industry and Firm Adaptation

Michael Witt (INSEAD) and Arie Lewin (Duke University)

This study focuses on institutional change for the purposes of increasing the explanatory power of IB research. In particular, the study examines non-coordinated change processes and the responses and non-responses to those changes. Generally, individuals can take action or no action in response to institutional change. The authors refer to the process of determining an action in the context of institutional change as the Logic of Individual Action (LIA). The authors note that institutional change is more common in turbulent environments and cite current cases in the international business environment to support their contention. For example, the authors note that the presence of a shadow economy and decline in voter turnout in certain countries as evidence of increased and decreased LIA action, respectively. They note that LIA has several implications for IB research. For example, LIA can help model political risk.

Multinational and Multilateral Influence Strategies in Emerging Markets and the Backlash Against Globalization

Witold Henisz (University of Pennsylvania)

Witold Henisz focuses on the influence that multilateral institutions and MNCs have on host country policies and policy outcomes. Henisz proposes a research agenda with two broad streams. First, how do multilateral institutions (MLIs) and MNCs alter short-term policy outcomes? Scholars can investigate the extent to which MLIs and MNCs have the power to influence changes in national and regional expenditures and revenues. For instance, researchers can investigate positive and negative interventions that have influenced the policy process. Second, how do MLIs and MNCs influence policy dynamics? While it is recognized that these players have the power to influence domestic policy process, the impact of these external agendas on the formulation of long-term sustainable policies is unclear. Moreover, are efficiency driven strategies necessarily sustainable and politically appealing? Are there short-term inefficient solutions that may foster more sustainable economic growth and political stability? A large research stream can be pursued under these two areas.

Witold Henisz suggests an international business research agenda that incorporates political, social and economic issues to understand the drivers of backlash against globalization. Multiple examples from each region of the world introduce his proposal.

In the context of growing backlash against globalization in mostly developing countries, Henisz considers the impact of multilateral institutions and MNCs on national policy formulation, implemen-

tation and outcomes. Henisz alludes to the contrasting policy objectives and timelines of MLI, MNCs and host country players. MLIs are concerned with welfare issues within the timeframe of country loan portfolios, while MNCs have short-term profit maximization strategies. At the same time, host country development objectives are typically long-term economic strategies limited by short-term political considerations. However, in terms of lasting economic reform, private sector development initiatives should ideally remove legal, regulatory, and administrative barriers to trade and investment, to support healthy competition, and to promote private sector business ownership.

Henisz provides us with three key questions for future international business research, each focusing on the role of multilateral lenders and/or multinational investors. The first question is regarding the role of multilateral lenders in altering short-term policy outcomes such as trade liberalization, capital account liberalization, and deregulation, privatization, liberalization. As the IMF and World Bank require economic reform as conditions of funding, the effect on the nation's population varies. What changes are there in spending on social welfare, health and education? Are the people of the country more secure and prosperous than before the reforms? Who benefits most from changes in subsidies or tax breaks – the poor or corporate actors?

The second question focuses on the role of multinational investors in altering short-term policy outcomes in the emerging markets. Governments of developing countries often encourage direct foreign investment to gain employment, technology knowledge, and capital. Increasingly, however, the emerging markets are scrutinizing the benefits of multinational firms' participation in the economy. Some issues include the terms of investment "deals" and their net budgetary impact to the local economy. Another issue is whether the multinational firm attempting to influence the local regulatory environment through lobbying can be self-serving and harmful to local firms, or helping to establish a safer and more competitive business environment. We could ask how relationships with direct and indirect partners facilitate knowledge transfer or industry competitiveness. Research in the impact of community development initiatives by multinational firms would provide insight into benefits to the emerging market and the firm.

The third key question is the role of multilateral lenders and multinational investors in altering policy dynamics over the long term. Are these short-term policy changes sustainable? This question involves looking at the role of domestic political institutions, economic conditions and societal preferences on the ability for economic reforms to succeed. Another issue is how the policy changes are adopted. If the local population is not supportive of the reforms, then how can the multilateral lenders better market the need for and benefits of the changes? Likewise, the role of multinational corporations in the long-term development of the country's economy provides opportunities for research and debate.

Henisz proposes an interdisciplinary approach to researching global backlash, pulling from bargaining power and negotiations theory, institutional theory in relevant disciplines, new institutional economics, positive political theory, social movement theory, and strategic management. Constructs include influence, resistance, and success. Influence of the multilateral or multinational actors associated with the adoption of policies affects response to the imposed reforms. Resistance is evident through visible means such as strikes, protest and riots or undermining strategies such as unilateral government policy changes, negative actions toward specific actors, or bilateral (investor-government) disputes.

Measuring success is difficult as researchers address what constitutes a good policy or institutional innovation, when does it become institutionalized, and how much resistance is natural.

The influence of the actors also needs to be defined and measured. Thus far, there is no clear empirical linkage between MLI and MNCs and policy outcomes. A resistance construct needs to be developed and tested with respect to the various objects of resistance (e.g., social discontent, policy reforms, policy disputes). How would resistance to a reform adoption be measured? Success (and failure) constructs need to be identified. What are the determinants of a policy/institutional innovation? How would failed ambitious reforms be distinguished from poorly designed, failed reforms? These constructs offer potential directions for future research.

Left at the Altar: An Institutional Analysis of Global Mergers and Acquisitions Announcements in the 1990s

Ruth V. Aguilera (University of Illinois), John C. Deckner (University of Illinois at Urbana-Champaign), and Xavier Escandell (University of Illinois at Urbana-Champaign)

In this study, Aguilera et al. anchors global merger and acquisitions to institutional theory. Specifically, the authors explore the developments between the announcement and the subsequent completion or withdrawal of the M&A. The focus is on the social consequences of this interim period on post-merger integration.

In this study, Aguilera et al. draw from institutional theory to explain a phenomenon usually studied in the finance literature—mergers and acquisitions (M&A). The study shows that institutional arguments can be used to explain M&A outcomes. Specifically, the authors explore the period between the announcement of an M&A and its subsequent completion or withdrawal, and the social consequences of this interim period on post-merger integration.

The researchers note that twenty percent of the 100 announced M&As in their study failed to materialize. The reasons for withdrawals are numerous, including: (1) competing bids from other parties; (2) disputes over the method of payment to settle the transaction; and (3) firm financial distress. However, the authors note that the social dimensions of market exchanges such as M&As are often ignored. As a result, an overarching question emerges: What institutional factors predict whether announced M&As are completed or withdrawn? To answer this question, the authors consider country-level institutional factors (i.e., policy and regulatory factors and cultural distance), industry-level institutional factors (i.e., industry relatedness and industry diversification) and firm-level institutional factors (i.e., organizational size and prior M&A experience). The study examined 1,100 domestic and cross-border M&As that were announced in the 1990s. Results of the study suggest that a combination of country-level, industry-level and firm-level factors play a role in determining the likelihood that an M&A will be completed.

An Overview of Strategic Fit Research in IB

Omar N. Toulan (McGill University)

The author explores the strategic fit perspective and provides an empirical demonstration in two studies. In the first he explores the importance of fit in global account management (GAM). GAM performance is measured as a function of four fit variables: strategic importance, marketing strategy, activity configuration, and executive support. The findings indicate that similarity of strategies and structures between vendor and customer are correlated with heightened performance. The second of Toulan's studies discuss the implications of strategic fit within a global supplier management (GSM) context. Depending particularly on the tasks being performed, there are many ways to manage relationships among different suppliers. For better optimization of knowledge-intensive relationships, the author suggests that partners allocate responsibilities strategically.

The issue of fit between organizations has its origins in contingency theory. In fact, as contingency theory has been applied to IB, in both “micro-congruence” and “macro-congruence” cases. By micro-congruence, research has focused on issues internal to the firm such as the alignment of strategy and structure. The focus is on the fit between an organization’s strategy and the systems in place to implement such a strategy. In contrast, macro-congruence discusses the configuration of a firm’s strategy with the external environment. Though this may cover an organization’s alignment with the macroeconomic variables required for successful implementation, macro-congruence also has been studied within an inter-organizational context, as well. Thus, the concept of fit has been applied in a variety of contexts involving multinational corporations, subsequently adding to the richness of the literature on this topic and lending itself to more universal application.

An important topic concerning strategic fit is the role of “equifinality.” Discussed by others as part of the fit as gestalt relationship, equifinality indicates that there is not one unique solution for high performance. Instead of a generic set of strategies that may be used in a prescriptive fashion, the concept of equifinality provides the theoretical foundation that several distinct profiles of congruence may produce identical levels of performance.

In the interactive model, on the other hand, the primary consideration is to explain performance variation by comparing the interaction between the organizational structure employed and a host of context variables. In an attempt to maximize understanding of each structural dimension, each is analyzed separately from the others. In contrast, a systemic model compares ideal profiles with actual profiles of certain structural dimensions. By employing such an assessment between ideal and actual profiles, the researcher can better understand the extent of deviation between the two, thus rendering a comparison for maximization with the environment at large.

The first of two studies performed by Toulan explored the importance of fit in global account management (GAM). Though there are many forms that global accounts may be structured, misalignment—

as posited by the general literature on strategic fit—may not bring about ideal performance in the GAM program. However, should better alignment be attained, a more superior performance can result. Thus, GAM is measured as a function of four fit variables: strategic importance, marketing strategy, activity configuration, and executive support. Toulan's findings suggest that inter-organizational fit is supported as a similarity of strategies and structures between vendor and customer are correlated with heightened performance.

The second of Toulan's studies explores the implications of strategic fit within a global supplier management (GSM) context. While suppliers have had a role in general product development in a variety of contexts, the internationalization of a firm's suppliers creates a situation in which strategic fit is more difficult to attain. Therefore, from the GSM perspective, more exact alignment among the parties concerned may render greater efficiencies and levels of learning. The results indicate that, though depending particularly on the tasks being performed, there are many ways to manage relationships among different suppliers. Also, for better optimization of knowledge intensive relationships, partners should allocate responsibilities strategically. For instance, if the required action is not judged as too complicated, then the original equipment manufacturer (OEM) should be able to complete the activity. However, if the needed activity requires detailed knowledge, the action may be best implemented by a specialist beyond the reach of the OEM's organization.

Toulan offers three conclusions. First, models of fit can be applied in various MNC settings that are both internal and external. Second, and particularly applicable to IB, greater variation in the countries bring about more possibilities for strategic misfits. As a result, this requires more attention to be paid to strategic fit. Third, there may not be one best way to manage exchanges in both GAM and GSM relationships.

Strategic Fit via Interactive Analysis

Bryan A. Lukas, (University Melbourne)

This presentation applied the strategic fit as moderation concept in the context of the Chinese electronics industry and focused specifically on the level of coalignment between the external environment and a firm's strategy. By forwarding that specific business contexts (more hostile, less hostile, more complex, and less complex) may lead a firm to adopt a specific strategic orientation (protective or prospective), the influence of these two variables on firm performance is studied. Findings support the hypothesis that more hostile and more complex environments lead firms to adopt more protective strategic orientations. In addition, results indicate that less hostile environments are more likely to foster success among firms using a strategic orientation more prospective in nature.

Utilizing the conceptualization of strategic fit as moderation, the presentation made by Lukas reviews empirical findings of the roles of hostility and complexity in the business environment and their impact on the strategic orientation of firms in the Chinese electronics industry. To accompany this, strategic orientations employed are assessed in terms of their overall effectiveness.

The two main strategic orientations examined in the study were classified by the presenter as protective and prospective. By taking a protective orientation in a firm, the organization focuses specifically on analytical problem solving, but also on preserving the company's ownership of markets, products, and technologies. Contrary to protective strategies, a prospective orientation emphasizes a firm's ability to take risks and search for new markets, trends, products, and brands. As such, these anchored the presentation for the advancement of testable hypotheses to better understand the interplay of the overall business environment, possible firm strategic orientations, and firm performance.

Given that certain responses are considered more optimal by the firm than others in a particular environmental condition, a pattern of coalignment between the environment and a firm's strategy can be tested and established with the provision of suitable results. The presenter forwarded that the firm typically responds to a situation and establishes requirements in a specific market to develop a strategy believed to be in alignment with the business context. As such, Lukas proposed that more hostile and more complex environments lead to a firm taking a more protective strategic orientation while less hostile and less complex business settings lead firms to have more prospective strategic orientations.

Taking this analysis one step further, the performance of both the protective and prospective strategies in each environment (more/less hostile and more/less complex) was tested by bivariate alignment (strategic orientation and environmental context) to determine its applicability. Thus, the presenter hypothesized that more protective strategic orientations will perform better in more hostile and more complex environments whereas more prospective strategic orientations will have better performance in less hostile and less complex business contexts.

The findings associated with this presentation supported the notion that the level of hostility in a business environment can lead to either a more protective or prospective strategic orientation. However, the analysis performed by Lukas did not support this same idea for the level of environmental complexity. Except for the proposal that a less hostile business context permits prospective-oriented strategies to be more successful, the hypotheses focusing on strategic orientation and performance did not find wide support. Though this presentation was not definitive in its findings, it nevertheless provided important insight into the alignment of a firm's strategy and its environmental context, thus providing valuable work in the study of strategic fit.

Since this study analyzed strategic fit by moderation by bivariate alignment, two limitations in this stream of literature were forwarded by the presenter. Firstly, as the focus of the study is only on two primary components to understand strategic fit, the existence of fit cannot be separated from the overall effects of fit. This is particularly important if the researcher is interested in other outcomes to fit beyond performance. Secondly, studies focusing on strategic fit may be prone to committing logical typing errors. This results from the existence of meaningless relationships between individual components of an interaction and the overall criterion variable in conditions where the interaction's components fail to completely represent strategic fit.

Strategic Fit via Polynomial Regression Analysis

Matthew B. Myers (University of Tennessee) and David Griffith (Michigan State University)

This presentation introduced and applied polynomial regression analysis (PRA) and response surface method (RSM) as a combination of tools for application to the study of strategic fit. By studying the influence of three relational norms (flexibility, information exchange, and solidarity) between a US focal firm and its primary supplier in the US and in Japan, a more thorough understanding of strategic fit and performance is posited in an international business setting.

The presentation made by Myers and Griffith concerning strategic fit may be divided into five main portions: 1) theoretical background; 2) the benefits of polynomial regression analysis (PRA); 3) enhanced interpretation by response surface method (RSM); 4) a specific illustration applying these two approaches; and 5) limitations on this emerging method. As a part of establishing the appropriate background for their study, the presenters indicated that the growing popularity of strategic fit, congruence, and matching in research are not necessarily identical. More specifically, Myers and Griffith posit that strategic fit could be explored alternatively not only as some type of linear relationship between two firms, for example. Rather, curvilinear designs have been forwarded by the literature and may provide a deeper understanding of the nature of strategic fit. Thus, separate measures of different variables may be a suitable variation from the composite measures typically employed in models studying difference scores or a profile similarity index (PSI).

The introduction by the presenters of possible problems concerning both difference scores and PSIs in measuring strategic fit provided four main difficulties with utilizing such approaches. First, with positively correlated component measures, difference scores may be less reliable than the component measures. Second, Myers and Griffith state that difference scores are ambiguous and usually obscure the contribution and variation of component measures to the overall composite score in use. Third, as dependent variables, difference scores confound the influence of independent variables on the components as measured by their difference. And, fourthly, difference scores transformations have two potentially important impacts: they transform multivariate models into univariate ones and can also alter a curvilinear concept into a linear one.

According to Myers and Griffith, one of the most important benefits to employing PRA is that it allows the researcher to measure the fit between two similar but distinctive constructs while also preserving the original values of the individual variables used. As a result, this permits the depiction of the underlying association of paired entities, specific outcomes, and their underlying three-dimensional relationship. The utilization of PRA is particularly useful when the study of strategic fit among entities is posited to impact a common outcome (e.g., performance). In addition, PRA is recommended when dimensions are correlated and may render biased coefficients after estimates are not analyzed simultaneously (e.g., market environments).

The presenters explained the use of PRA and RSM through an example of strategic fit impacting performance through the use of three relational norms (flexibility, information exchange, and solidarity) in the context of US and Japanese supply chain partners (see Figures 1, 2, and 3). In a comparison

of partnerships, the general hypotheses forwarded by Myers and Griffith were that—based on cultural influences—the overall performance of a US firm will be greatest when the relational norms of flexibility, information exchange, and solidarity are high in regard to its primary US partner and low in regard to its primary Japanese partner.

While the forwarded hypotheses allowed the presenters to focus the use of PRA and RSM, the overall purpose was to introduce these two tools for future use among international business scholars. Thus, the results indicate that, as hypothesized, high flexibility between a US firm and its primary US supplier leads to better performance. Additionally, lower flexibility between the US firm and its primary Japanese supplier leads to enhanced performance. However, the opposite was found for the relational norms of information exchange and solidarity.

Though this approach provides researchers with a new method in the study of strategic fit, three limitations associated with PRA and RSM were stated by Myers and Griffith. First, the interpretation of regression results is complex and may be counter-intuitive to researchers unfamiliar to PRA. Second, the procedures involved are highly intensive to establish the statistical significance of RSM slopes. And, third, this procedure uses numerous tests of significance throughout the process, thus potentially increasing the Type I error rates of each coefficient and the overall model.

Strategic Fit via Profile Deviation Analysis

Neil A. Morgan (Indiana University)

This presentation empirically tested the notion of strategic fit by profile deviation. By measuring the deviation from an ideal profile of under-performing firms through the use of measurement by Euclidean distance, findings indicate that a deviation from an empirically-derived ideal profile has a negative influence on performance. Further support for this notion is provided by testing for strategic fit as covariation.

The presentation made by Neil Morgan explored the study of strategic fit within the context of profile deviation and covariance. In pursuing this topic, the presenter aimed to establish that relationships concerning strategic fit are fundamental in understanding the drivers of firm performance. However, equally important was the illustration that strategic fit is a complex and multi-dimensional approach to understanding the inter-relationship of a firm's strategy, organization, and environment.

While there are at least six different forms to assess strategic fit (Profile Deviation, Covariation, Moderation, Mediation, Matching, and Gestalts), only two are employed in Morgan's presentation: Profile Deviation and Covariation. The concept of strategic fit as profile deviation is based on the premise that ideal configurations indeed exist between variables (e.g., strategy and structure), thus—if properly aligned—lead to enhanced performance. Once an ideal profile (or set of ideal profiles) has been established, then comparisons based on deviations from such a profile can be evaluated. The presenter indicated that results of such analyses on performance give a more thorough representation of the more important components of the ideal profile.

In his discussion concerning profile deviation analysis, Morgan specified that establishing an ideal profile can either be derived from theory or empirically. Typically originating in areas benefiting from a highly-developed research stream, theoretically-derived ideal profiles may allow relative exactness (e.g., numerical values) for each variable included in the ideal profile, thus permitting tests of strategic fit based on previous studies. On the contrary to this approach, empirically-derived ideal profiles allow the researcher to establish the profiles of the highest performing firms – be they the top 1, 5, or 10. The presenter went further to state that this then allows one to identify important variables leading to success and calibrating these profiles as ideal. As an example, Morgan illustrated this approach using a three-dimensional model of export marketing capabilities, resources, and differentiation strategies to indicate the position of an ideal profile vis-à-vis other firms.

After these initial steps were taken, Morgan linked the ideal profile model to performance (e.g., customer satisfaction and cash flow efficiency) as a dependent variable through multiple regression analysis. Given the structure of the empirical analyses employed by the presenter, a negative coefficient found to be statistically significant indicates support for notion of strategic fit. In other words, since the ideal profile also has the highest performance in the sample, any deviation from the specific attributes associated with this exact profile may have a negative impact on performance.

In a preliminary evaluation, the presenter found compelling results concerning deviation from an ideal profile. A comparison between top performers and a random baseline of firms indicated that profile deviation had – as posited – a negative, statistically significant impact in the model assessing ideal profiles. Meanwhile, the random baseline profile model did not find any noteworthy findings concerning profile deviation's influence on performance. These findings from the single, top-performance model were further supported in subsequent tests increasing the quantity of top performers (e.g., 5, 8, and 16) in the formulation of an ideal profile.

However, since some critics of profile deviation do not accept the use of one test of strategic fit, the presenter employed a test of strategic fit as covariation, as well. Rather than using a main effects regression model, testing a model within this context based on covariation typically requires the specification of a second-order factor model to account for all relevant components in a construct measuring co-alignment. As such, results from this second approach to strategic fit found to co-alignment of a variety of firm-level concepts supported the notion proposed at the outset: strategic fit leads to enhanced marketing performance.

The benefits of profile deviation studies as presented by Morgan are four-fold. First, this approach to studying strategic fit permits researchers to explore the complex relationships among multiple multi-dimensional constructs. Second, profile deviation studies are consistent with the utilization of firm performance in many theories focusing on firm strategy. Third, is useful in theory development and testing due to its flexibility to either derive ideal profiles either theoretically or empirically. And, lastly, this approach to strategic fit may assist in developing new insights for managers concerning benchmarking.



Chapter 5

Implementation: Management and Practice

A controversy exists in many professional fields that basic research is the core of theorizing. The engagement of practitioners with resulting findings is beyond the production of knowledge. Scholarly community finds and offers, the practitioner community adopts. IB discipline, too, shares this belief and the field, many argue, has sacrificed relevance for rigor (Mitchell, 1983; Scandura and Williams, 2000). Discounting the significant of practice is a reflection of a parochial attitude toward implementation issues. Such self-centricism may lead to infertile, or at best bland theorizing. Recognizing the concern early, Thomas and Tymon (1982) had coined the word operational validity. Operational validity refers to characteristics of a theory to be implementable by manipulating its causal variables. IB studies will benefit from recognizing operational validity as yet another asset. Currently, it is alarming that prominent journals in IB, overlook this quality and neglect practitioner contribution. *JIBS* is no exception. It neither covers practice, or displays an active interest in practitioner readership.

As the session leader Arvind Parkhe pointed out, the purpose of this conference was to challenge the established notions and to propose new directions, to push the frontiers. “At the beginning of study of any particular field, what we tend to study is the easy stuff, that’s what gets done first, you look at what is observable, you look at the outcomes,” Parkhe said. “What we now have arrived is the maturation of the field, up to some point at least, so the dynamic evolution aspects, the process issues, the un-observables now take center stage where we start to ask and answer not only the “what” questions but also the “how” of the underlying process. This is where we are coming to an international management and international business broadly defined.”

To meet the goal of balance between theory and practice, we look at the practice side of international business in this chapter. Relevant presentations here are either direct practical issues or topics with implications on practice.

Conference Proceedings

The bird's eye view of the presentation show a broad scope of interest in the topics. On the practice-related topics, authors consider entrepreneurial process, development of distinctiveness on learning, knowledge capabilities, structural configurations, individual as cultural player, and value aspects.

Entrepreneurial process and its future. Several discussants underline the significance of entrepreneurial process in the broader context of international enterprise. Zander et al. in their presentation delve into international entrepreneurial dynamics (IED), which places the emphasis on the creative initiative associated with new internationalizing firms. Such firms sometimes traverse very rapid paths to becoming established international or global players. They are particularly interesting because of the outcome of their early engagement in competition with other international firms. Snow et al. take up the entrepreneurship as a collaborated form. They foresee that in the future, innovation will occur on a more continuous basis and will span across industries. There will be significant growth in the use of collaboration between firms, both within and across industries. To illustrate these future developments, the authors have created a fictional network named OpWin (short for Open Windows) in which member firms collaborate across industries and countries. Several examples of collaborative multiform efforts are provided to lend feasibility to this fictional network, including the Linux community, as well as large scale collaborative ventures involving Cisco and Intel.

Managerial decision making from modes of entry to FDI. In the conference, strategic decision making is explored either in context such as retail or at a conceptual level. In the retail case, Sternquist categorizes retailers into two categories. Global retailers are centralized, standardized, small format retailers. These retailers are generally vertically integrated and frequently focus on private label or exclusive merchandise. They do not change their retail offering much when they enter foreign markets; they look for a universal, global market segment that will accept their unaltered product. Deep discounters such as Aldi, convenience stores such as 7-11 and fast food operators such as McDonald's are global retailers. Multinational retailers are decentralized and they adapt their product offering to the culture they are serving. They concentrate expansion within a geographic area, and generally start at the areas that are closest culturally to their home market. These are usually large sized. Wal-Mart's Supercenters, warehouse clubs such as PriceClub and supermarkets such as Tesco are multinational retailers.

Peterson et al. investigate the entry mode decisions. They observe that entry mode has traditionally been restricted to five and seven types. This limited choice set does not reflect the reality of the multitude of choices available to entering firms. As international business research progresses, entry mode frameworks will become less simplistic, and closely resemble the actual decision making structure faced by multinational business. This presentation expands traditional methods of analysis to more closely reflect reality. It is clear that the entry mode literature needs to develop more comprehensive frameworks. The authors show that progress is being made in this area, and hopefully this will help to revitalize entry mode research. In a similar line of study, Devinney et al. examine differences in characteristics of FDI opportunities.

Innovation, Learning, and Related Processes. As the resource-based view suggests, the knowledge resources within the multinational corporation have the potential to generate distinctive capabilities and thus lead to sustainable competitive advantage. These notions necessitate an understanding of the

processes of knowledge flows working within and beyond the multinational corporation. Parallel to this, research points to two flows of knowledge in the MNC context. Hierarchical flow is among the firms/subsidiaries within the MNC and lateral flow refers to flows from other firms located in the regions or countries in which the subsidiaries of the MNC are situated. The implications for the field of research, then, is that the transfer and use of knowledge, i.e., learning in the MNC context takes place across a worldwide system in which subsidiaries and location factors play an important role.

MNCs may have access to localized knowledge through the location of their subsidiaries in knowledge intensive regions, by forming knowledge exchange relationships with external organizations. Subsequently, the knowledge acquired needs to be integrated and disseminated by internal transfer mechanisms. It is the intraorganizational capabilities, organizational structure and culture, by diminishing costs of transfer, transactional and relational difficulties that determine the efficiency and effectiveness of the integration of these resources. This amalgamation process, in turn, may bring about competitive advantage for the firm/ subsidiary, in the form of innovation, superior performance and multinational expansion.

Several presentations covered the mechanisms and the outcomes of heterogeneity in knowledge sharing, assimilation and utilization in the MNC context. As the growing field necessitates new ways of tackling the phenomenon, these presentations have made promising contributions, especially in terms of the theoretical underpinnings and the units of analysis they have employed for the study of global knowledge transfer.

Phene's study considers whether multinational firms integrate and leverage the advantages of the knowledge flows they experience from their environment. The discussion indicates an evolution in the form of technological change, which reflects three further dimensions: innovativeness, influence and impact. Drawing upon the findings, the author further investigates the factors that would push the multinational firm forward by better enabling their acquisition and integration of the locally embedded knowledge-resources. Ambos, in evaluating the value of transfer capabilities, suggests several factors as important. Included in these are the attributes of the sender, absorptive capacity of the recipient, domain and the tacitness of the knowledge and inhibitors such as cultural and spatial distance. Tallman study suggests tacitness as a core dimension in the study of knowledge transfer and regional clusters. He touts a granular approach to understanding the processes of knowledge acquisition, assimilation, adaptation, and application. The rationale behind this choice is based on view that "local knowledge acquisition, explicit or tacit, happens at the operating unit level – the "community of practice" – not at the subsidiary firm level." This constitutes more lower levels than the organization and consists of communities of firms that are working together, and embedded in networks within both the regional cluster and the multinational firm.

In a set of presentations the emphasis appears to be on the strategic aspects of knowledge assets and the related processes. Martin's presentation draws attention to new ways of explaining knowledge sharing in the international context. The author introduces two research agendas: first, the role of relational assets on multinational expansion, and second, knowledge transfer capacity on firm performance. Supporting the combination of the knowledge-based view and transaction costs analysis, the study also considers heterogeneity in the capability to transfer knowledge and its impact on firm performance. The authors argue that intentionality of transfer of knowledge and the tacitness of knowledge plays a role in

constraining firms' ability to transfer knowledge internationally, and also explains the governance mechanisms they use for market entry. Pedersen reports on a research study at a German cement company. Cement industry is a very traditional product with a very simple technology. Its operating improvements are based on learning by doing. The author explores how companies engage in knowledge sharing, and facilitate outflow of knowledge in the presence of well-known incentives. Samiee and Roth (1992) investigate the value of learning in the context of international electronic markets. The exchange of data and other information leads to a relational-learning with greater value than would be possible individually. The authors identify six direct positive antecedents of joint learning: eSCM investment, information acquisition, information distribution, knowledge sharing, experience sharing and information interpretation. The findings indicate that joint learning has a positive impact on value creation and value creation, has a positive influence on supply chain performance.

Structural aspects of enterprises. The two presentations along structural consideration focus on the configuration types in the subsidiaries, integration, and governance issues. Filip de Beule studies the processes of subsidiary evolution and the extent to which these processes impact the host developing country. The author classifies subsidiaries into classes of quiescent, autonomous, confederate, and active. Each is assessed with their distinctive characteristics. The study makes use of data from subsidiaries in China of Belgian companies. Aguilera and Yip explore how variations in national corporate governance (CG) systems provide an alternative explanation for existing differences in globalization modes. Specifically, they examine the conflict between the interests of the CG actors in the HQ country and the MNC needs of global strategy. The authors study the effects on global integration as different actors may favor certain aspects of the integration. These effects include: global market participation, global products/services, global location of value adding activities, global marketing, global competitive moves, global organization structure, global management process, global human resource, and global culture. The presentation makes important contributions to global integration studies first, by studying the actors in the decision making process and underscoring the principal and agent dichotomy, second, by providing a comparative analysis across six countries.

Individual and Culture Considerations. In IB studies research lens are often kept on the firms or its environment. Individuals are often hidden behind the culture variable with traditional categorizations. Oyserman challenges that notion. "Rethinking Individualism and Collectivism" presentation, she draws attention to the predisposition of cultural distance and its implications. The notion of distal culture, history, and traditions have a direct impact on individuals' individualism-collectivism (IND-COL) tendency as reflected in cognition, affection and behavior. Further, it is more often asserted than tested that western cultures emphasize an independent perspective on the self, seeing the self as distinct from others; while other cultures emphasize an interdependent perspective on the self, seeing the self as interconnected with others. Oyserman's metaanalysis provides a framework for understanding how culture leads to cognitive, affective, and behavioral consequences by highlighting the role of subjective construal of cultural contingencies. Brouthers et al. deal with country of origin issue in the context of emerging market firms (EFM). As their reach grows, they must overcome a negative country of origin (COO) effect. Their objective is to develop and test a theory of how these firms may be able to reduce negative COO effects which will allow them to better compete with other multinational corporations.

Issues related to moral value. Yin et al. examine the necessity of an overriding moral basis for capitalism. The focus is on economic success that a moral framework could bring to firms. Authors cite Dunning's (1981) work as the genesis of their conception of moral order. They seek a viable starting point for a broad value proposition in which compassion, integrity, and preservation can be included. Compassion can address problems of a lack of social justice and responsibility, arrogance, and insensitivity through empathy, altruism, fairness and reciprocity. Integrity will address the problem of a lack of truthfulness through trustworthiness, honesty, principle and reliability. Preservation can address the problem of lack of self-control and excess greed through the virtue of thriftiness. The authors also argue that the key to success is social embeddedness as it generates social capital. And, the basis for genuine social embeddedness is a moral one.

Rodriguez underlines corruption as a reality with significant implications, particularly in cross border business. The study recommends a special issue of *JIBS* in order to study value-based issues including corruption and social responsibility in practice.

Establishing The Moral Basis of Global Capitalism: Implications for MNCs in Emerging Markets

Eden Yin (Cambridge University) and Chong Ju Choi (Australia National University)

This presentation examines the necessity of an overriding moral basis for capitalism. The focus is on economic success that a moral framework could bring to firms. The authors argue that the key to success is social embeddedness as it generates social capital. The basis for genuine social embeddedness is a moral one.

Yin and Choi discuss the necessity of establishing a moral basis for global capitalism and argue that this moral basis would have many implications for the multinationals in emerging markets. Scandals have recently rocked the world of business, including Enron, Arthur Andersen, WorldCom, and Shell. These scandals, the authors believe, point to underlying problems that exist in global capitalism. It is thus imperative that there is a moral basis for capitalism. One thing is certain, the world is becoming more interconnected, and modern day capitalism tends to be more knowledge-intensive, alliance-based, and multicultural. Without a moral basis, capitalism may not prevent more serious catastrophes in the future.

Establishing the moral framework requires a holistic approach and a continuing battle against skepticism, cynicism and ignorance. Moreover, moral/ethical practices have been shown to drive superior and enduring economic performance in the long run. Even if MNCs do not recognize moral norms for the "right" reasons, there are pure economic reasons to act morally. Eden and Choi also argue that the key to success is social embeddedness as it generates social capital. The basis for genuine social embeddedness is a moral one.

As a means of demonstrating the economic value of behaving in a moral manner, the authors present a case study based on a pharmaceutical joint venture in China called Xi'an Janssen Pharmaceutical Ltd. This company is completely committed to ethics and morals, and resists all forms of unethical trade practices. It works with a number of charities and has even helped preserve the Terracotta Warriors in

Xi'an. This company's commitment to ethical practices has contributed to its top pharmaceutical ranking in China for the past ten years, and has helped it to experience rapid growth in sales and market share in the same period.

Collaborative Entrepreneurship in the International Arena

Charles Snow (Penn State University) and David Ketchen (Florida State University)

The study characterizes emergence of innovation as being “serial” in nature, and notes that generally progress is contained to within a single industry. It projects that in the future, innovation will occur on a more continuous basis and will span across industries. There will be significant growth in the use of collaboration between firms, both within and across industries. Snow and Ketchen describe several of the significant challenges that these dramatic changes represent for innovative firms, as well as discussing some of the ways firms will need to adapt to the international business landscape of the future.

These authors propose that the international business environment of the future will be distinguished by a heightened focus on the downstream end of the value chain. An even greater emphasis on new product and market innovations will lead to inter-firm collaboration across industries and nations becoming decidedly more commonplace. Despite the potential benefits of collaboration, it is clear that establishing collaborative efforts involving free information sharing and trust on a large multinational scale can be problematic on several levels. There are five categories of barriers:

- ◆ Organizational—traditional organizations are structured within clear boundaries
- ◆ Institutional—intangible assets (including collaboration) are not easily measured
- ◆ Societal—building up collaborative capabilities
- ◆ Philosophical—the relative valuation of competition vs. collaboration
- ◆ Conceptual—managers may struggle with the notions of the “multi-firm organization” or “co-opetition”

However, even these substantial barriers can be conquered. Snow and Ketchen note that even today, companies such as Cisco, Intel, TCG and the Linux community have innovated successfully in some form of this collaborative, network model they propose will be commonplace in the future. In order for this trend to continue, these authors argue that changes in accounting practices (e.g., intangible asset accounting and reporting) as well as a greater willingness of firms to invest in intangible assets is required. Finally, an emphasis on developing the skills that individuals require to work collaboratively across organizations will require substantial investment.

Due to the growing presence of cross- industry networks, there will be more competition to member firms originating from outside the member firm's industry. These authors forecast that, in general, competition will become less predictable, and the importance of competitor intelligence gathering will increase, and become a more complex task as co-opetition, and multi-market competition both become more

commonplace. Perhaps the most significant implication drawn was that collaborative networks will allow small and medium sized enterprises to play a larger role in the international competitive environment.

The authors take particular care to discuss implications for human resource management, since the collaborative model they propose will shift the focus of human resource management, although the dramatic change in business model that they propose will clearly have implications firm-wide. The authors predict that the focus of the human resource function will shift toward successful management of the collaborative network. This collaboration will require the development of a new set of skills, requiring specific training in topics like collaborative skills, virtual project teams, and self-management. Both inter-firm and intra-firm reward systems will also need to be developed and articulated in order to reinforce collaborative goals.

From Modes of Entry to Foreign Market Configuration

*Bent Petersen (Copenhagen Business School), Gabriel R. G. Benito (Copenhagen Business School),
and Lawrence S. Welch (Mt. Eliza Business School)*

Studies of entry mode have traditionally been restricted to five to seven entry modes. This limited choice set does not reflect the reality of the multitude of choices available to entering firms. As international business research progresses, entry mode frameworks will become less simplistic and will grow to more closely resemble the actual decision making structure faced by the multinational business.

Petersen et al. set out with the goal to “Provide a simple, yet realistic framework for analyzing firms’ structural arrangements in foreign markets.” The authors’ stand is critical of the overly simplistic rendering of entry mode in the extant literature.

These authors aim to improve entry mode research by taking a three-dimensional approach to compose the mode configuration of entrant firms. Their framework comprises value chain activities, localization, and governance form.

In terms of value chain activities, the traditionally narrow focus on production has been an unrealistic simplification on the part of researchers. Managers make control decisions for value chain activities individually, making it logical to bring the unit of analysis to the individual activity. A clear illustration of managers acting at this level is in the decision to outsource particular activities.

The authors consider several value creation logics. Porter’s nine value chain activities well represent the value chain of manufacturing firms, and equally effective is Stabell and Fjeldstad’s later proposal of an alternative value creation logic for service based firms. These authors propose that it is not reasonable to develop a value creation logic that applies to all firms, but rather that the value creation logic must be defined for the specific business sector (e.g. manufacturing, retailing).

Localization of individual value activities may be conceptualized in several ways. First, it may be thought of as a simple binary choice, whether to perform the activity in either the home or host country, or extending this to a three-way choice, whether to perform the activity in the home, host, or a third country. The alternative to this is the more complicated global sourcing viewpoint where a large number

of countries are considered simultaneously.

Governance forms consist of generic choices: (1) market or arm's length exchange; (2) equity sole venture; (3) equity joint venture; and (4) non-equity agreements (including strategic alliances). Non-equity agreements are further segmented by underlying entry motive and the principal versus agent role, resulting in four subcategories of contracts.

The authors propose that mode configuration diversity (in a specific foreign market) will increase with the size of the entrant firm and the size of the foreign market. On an overall corporate level, Petersen et al. propose that mode configuration diversity differs depending on strategy (i.e. whether the firms are pursuing global or multi-domestic strategies). Above a certain minimum scale of value activities, higher mode configuration diversity yields better foreign market performance.

A Choice Theoretic Examination of FDI

Timothy Devinney (Australian Grad School of Management),

Peter J. Buckley (University of Leeds), and Jordan J. Louviere (University of Technology)

This presentation examines the differences in characteristics of FDI opportunities against those opportunities actually chosen.

The authors contend that research into the location and control decisions of multinational enterprises has largely been based on two models. The first, the rationalist approach, is largely related to the works of Dunning, Buckley and Casson. The location decision is a deliberate and rationally bounded decision made to maximize profitability. This contrasts with the Uppsala tradition, which views managers as making decisions based on limited information with the added dimension of risk-aversion. This behavior generally leads to a staggered entry approach.

Devinney et al. are critical of both views, but are particularly concerned with the limitations of the rationalist approach. Most empirical studies of FDI only consider the chosen location. That is, they do not analyze which choices were considered and discarded and how these options differed in terms of their perceived value to management. These studies are based on intra-firm choice, and as such researchers are not aware of the extent to which choices are idiosyncratic to individual firms or managers. Further, researchers do not know how the consideration sets of various firms differed.

The authors propose that through direct experimentation the limitations of the rationalist approach can be addressed. The experiments were performed using U.S., Australian, and Danish managers in headquarters and subsidiaries of multinational firms and also in firms with no international operations.

Two experiments were performed. The first was a discrete choice experiment wherein participants are provided with information on pairs of investment opportunities that differed on a list of twelve investment features, as well as a requirement for investment size and political stability condition. It was found that the factors of consequence when deciding whether to consider an opportunity include production cost, ROI, access to resources, market size, market growth, established relationships, barriers to trade, exploitation of existing assets, remaining in the same line of business and strong asset protection. However, when making the decision to invest, respondents appear to be more risk averse, becoming

more sensitive to political stability and having a stronger preference to remain in the same line of business than when deciding whether to consider an option.

The second experiment was a best-worst experiment in which participants were asked to select the most and the least important factors among groups of issues. One of the advantages of best-worst experiments is that they alleviate scoring difficulties across cultures. It was found that the most important factors were ROI, market growth and market size, while the least important factors were culture, having a democratic government, and investment incentives. Largely, these findings were consistent with the discrete choice experiment.

The results from these two experiments suggest that managers generally follow rational rules in the sets of investments that they consider. However, the choice of which investments in which to actually engage appears to support the Uppsala model. The authors indicate that much work remains in understanding the process by which FDI decisions are made.

Proposal for a Special Issue of *JIBS* on Political Strategies, Corruption and Corporate Social Responsibility

Peter L. Rodriguez (University of Virginia)

This presentation proposed a special issue of JIBS for research in political strategies, corruption and social responsibility. The author noted that growth in less developed countries (i.e., Russia, Brazil, China, India) outpaces the growth of the richer nations in the world. In five years, these countries are expected to grow more than all of the G6 nations combined. As a result, the relationship between MNCs and domestic firms, governments and institutions, and societies and culture will become increasingly important for international business research, particularly in the context of less developed economies. As the leading journal for international business research, JIBS is the logical and most important outlet for this type of inquiries. The primary advantage of this special issue in JIBS is that the issue would reach a broad audience by synthesizing parallel literatures in political science, economics, international business, management, etc.

Potentially, corruption is an influence on every relationship between a firm and its host government. Despite its relevance to the field of International Business (IB), existing measures of corruption are ill equipped to describe corruption and the relationship between the firm, host governments and related institutions. The literature on corruption remains somewhat limited, but has developed along two main areas: (1) investigations into the distinct characteristics of corruption, and (2) studies of the effects of corruption on MNC strategy and performance. Closely linked to the construct of corruption is corporate social responsibility (CSR). Firms engage in CSR to negate the impression or atmosphere of corruption to their internal and external environments. Because of the close association between corruption and CSR, the presenter proposes that the special issue focus on both topics.

In light of this vein, the presenter proposed that the special issue in *JIBS* could address the following research questions:

- ◆ What determines the experience of corruption for the firm and how can it be managed?
- ◆ What is the relationship between private sector and government corruption?
- ◆ How do MNCs develop relationships between host and home governments?
- ◆ How do MNCs use corporate social responsibility (CSR)?

The author proposed a timeline for this project that would conclude with a special issue in *JIBS* in 2006.

Summary and Synthesis

All three presentations discussed an aspect of institutional theory or institutions that could be included in international business research. In their study, Aguilera, Dencker and Escandell show how institutional theory can be used to explain phenomena in domestic and cross-border M&A activity. Witt and Lewin developed a model of institutional change and proposed how responses to these changes have implications for the study of international business. Finally, Rodriguez proposed a special issue of *JIBS* that would potentially include institutional dimensions.

This session was designed to address a void in international research by considering the influence of institutions in the literature. One issue that was obvious was the study of institutions versus institutional theory. The two are different. One is an actor in the environment and the other is a theory. Aply, this session demonstrated how institutions and institutional theory could be explored in international business research. Aguilera grounded her arguments in institutional theory, whereas Witt and Lewin and Rodriguez concentrated on the nature of institutions, which could be supported from various theoretical perspectives.

The title of this session suggests that institutions have been ignored or neglected in the study of international business. However, one issue that was not fully addressed is why this situation exists. Why have institutions been neglected in the study of international business? Answers to this question would provide an opportunity for further integration of institutions and international business research.

An Investigation of Three Strategies for Overcoming Negative Country of Origin Stereotypes

*Lance Eliot Brouthers (University of Texas, El Paso), John W. Story (University of Texas, San Antonio),
and John Hadjimarcou (University of Texas, El Paso)*

Firms in developing countries (DCF) are expanding into international markets. The firms, called Emerging Market Firms (EFM) are competing in other third world markets and in first world markets as well as in their own domestic markets. Although the reach of EFMs is growing, they must overcome a negative country of origin (COO) effect. The purpose of the current research is to develop and test a theory of how DCFs may be able to reduce negative COO effects which will allow them to better compete with other multinational corporations (MNC) in first world markets.

The use of Signaling Theory and branding may offer a way for DCFs to reduce, or even eliminate, negative COO effects. Author's argue that COO should not be treated as a brand, because is lacking a significant bonding component and therefore should be considered 'noise' in the system. Branded products are associated with valid signals, which is not the case with COO.

DCF's are then faced with three strategies to overcome negative COO effects. The first possible strategy is the use of multiple COO labels to reduce the noise. For example, a DCF can use several labels on their products to indicate the COO of parts, of design, or of assembly. By categorizing the products in multiple ways, the introduction of several incongruent COO cues serves to 'dilute' product judgments. The second strategy a DCF can use is to 'boost the signal' through the utilization of well-known brands rather than developing its own brand. Products with unknown brands can enter into a relationship with a well-known brand, the reputation of which will carry a stronger positive weight that will serve to diminish the effect of the COO cue. The third strategy a firm can use is a combination of the previous two; the firm can use multiple COO labels and an alliance with a known brand. Consumers will often rely on the least complex way of evaluating products, and may rely more on a well-known brand than on the 'diluted' value of multiple COO labels.

The authors conducted three experiments to test the signaling value of brands, the value perceptions of DCF products as compared to non-DCF products, and the viability of the three strategies for overcoming negative COO. The findings are:

- ◆ The signaling value of a well-known brand is significantly higher in the absence of COO information.
- ◆ Products associated with advanced industrial nations (AIN) were perceived as being significantly higher quality than DCF products, but AIN products were also evaluated as being higher quality than products with no COO association.
- ◆ The presence of multiple COO signals moderates the negative impact of a specific country stereotype on consumers' evaluation of the product.
- ◆ Evaluations of DCF products associated with well-known brands were significantly higher than products under unknown or no brand conditions.
- ◆ DCF product evaluations improve significantly under a combination of multiple COO labels and well-known brand conditions.

Innovation and Learning in Multinational Firms

Anupama Phene (University of Utah)

The author examines three questions: (1) the patterns of an evolution in multinational subsidiaries, i.e., whether they learn, (2) the antecedent factors that determine their learning, such as the environment where their learning takes place and the capabilities that enable their learning and (3) finally, the outcomes of learning, breakthrough innovation. In the analysis, the study seeks to reveal whether multinational firms integrate and leverage the advantages of the

knowledge flows they experience from their environment. The results indicate an evolution in the form of technological change, which reflects three further dimensions: innovativeness, influence and impact. Drawing upon the findings, the author further investigates the factors that would push the multinational firm forward by better enabling their acquisition and integration of the locally embedded knowledge-resources.

The presenter, Anupama Phene's introduced her research in three sections: (1) the patterns of an evolution in multinational subsidiaries, i.e., whether they learn, (2) the antecedent factors that determine their learning, such as the environment where their learning takes place and the capabilities that enable their learning and (3) finally, the outcomes of learning, breakthrough innovation. Regarding the first stream, she discussed an empirical study that she has conducted on overseas subsidiaries of US multinational firms on the global dynamics of multinational subsidiary evolution. In this analysis, she sought to understand whether multinational firms integrated and leveraged the advantages of the knowledge flows they experienced from their environment. The results indicated an evolution in the form of technological change, which reflected three further dimensions: innovativeness, influence and impact. The innovative activities of the subsidiaries evolved embedded within their network via knowledge flows in which host country firms and conditions play an important role. Not only did they resort to the MNC headquarters, other subsidiaries, or home country firms for acquiring knowledge, they also strived to leverage the locational advantages their host countries brought about.

Drawing upon the insights of this study, she aspired to investigate the factors that would push the multinational firm forward in its evolution by enabling the more effective their acquisition and integration of the local embedded knowledge resources. She asserted that capabilities that would enable leveraging locational advantages, participation in networks and the development of interfirm processes. She contended that there existed two important sources of knowledge, i.e., learning environment for the subsidiaries of multinational corporations: first, other firms within the MNC, which constitutes transfer of knowledge across a worldwide system, and, second, the host country or region in which the subsidiary is located. Considering the characteristics of the environment and qualifications of the knowledge they obtained from these environments, she made an interesting claim by suggesting that subsidiaries would have access to 'rich' information from the former, whereas industry specific diverse information from the latter.

She further pointed that such dual effects of the corporation versus geography required differential absorptive capacity and capability development. Consequently, she distinguished the capacity to recognize and absorb outside knowledge, i.e., sourcing capacity from the capability to integrate and to utilize it internally with other knowledge, i.e., combinative capability. In this second study, she has examined how these firm specific capabilities of the subsidiaries of multinational firms enabled the use of external knowledge in innovation and further influenced their innovative performance. She also strived to analyze which of the sources of external knowledge were more effective for these purposes. The results of her analysis indicated that a subsidiary's sourcing capacity facilitated the acquisition of external knowledge from both sources, which, however did not directly impact the innovative performance of the organization. The subsidiary's combinative capability, which denotes a managerial capability enabling the

movement of the knowledge brought into the firm across the departments, moderated this relationship between absorbed knowledge and innovative performance, but only for knowledge sourced from host country firms. The nature of innovation, and the tacit and complex nature of knowledge required intra-organizational processes and skills to combine and exploit the externally absorbed knowledge within the organization boundaries, thus provides support for this moderating effect.

In addition to her examination of the capabilities en route for learning and innovation in the MNC context, the important contribution of her study is the emphasis on the role of geography and localization of knowledge. As mentioned, she has viewed the host country as a potential source of knowledge for the subsidiary, which, in fact, signifies localization of knowledge. Subsidiaries located in geographically concentrated clusters within or proximal to their host countries can have access to local knowledge. This made the multinational subsidiaries an important source of regionally localized 'diverse' knowledge from such clusters in knowledge intensive regions and consequently, of competitive advantage for the MNC. Thus, for further research she called for inclusion of interaction of technology and geography in the study of breakthrough innovations. Other interesting research questions she raised were aspects related to distance that may hinder innovation, the heterogeneity of knowledge and character of knowledge spillovers within local clusters that may indicate global advantages.

The Organizational Challenge: Transfer Capabilities and the Effectiveness of Knowledge Flows

Bjorn Ambos (Edinburgh University)

This presentation sets off with an interesting question: "Is the knowledge that we transfer or the transfer itself is beneficial?" In evaluating the value of transfer capabilities, the presenter suggests that several factors play an important role. Included in these are the attributes of the sender, absorptive capacity of the recipient, domain and the tacitness of the knowledge and inhibitors such as cultural and spatial distance. His findings indicate a significant relationship to effectiveness from system capabilities, however, coordination capabilities do not have any direct effect. Regarding the moderating relationships, system capabilities are positively related to effectiveness when cultural distance is high and when the transfer is a lateral flow. On the other hand, coordination capabilities enhance knowledge transfer effectiveness when cultural distance was low and the transfer was hierarchical.

Bjorn Ambos presented his recent study on the impact of transfer capabilities on the effectiveness of knowledge flows. By depicting some amusing illustrations, he stressed that after the sender transmits the information, the recipient does not capture the exact meaning, but recreates the knowledge while (s)he internalizes it. This notion may not incur a problem, but the way to approach to it should be by scrutinizing what the recipient obtains that is valuable. For introducing the details of his analysis, he raised an interesting question, i.e., "Is the knowledge that we transfer or the transfer itself is beneficial?"

He based his study on the dyad of sender and recipient rather than a network that enclosed the transfer. Even though he stated that this was the basic critique he received from his reviewers, this unit of analysis seemed reasonable for the purpose of distinctly presenting the dynamics of knowledge transfer that previous research may have neglected.

The factors that have an impact on the transfer are the attributes of the sender, absorptive capacity of the recipient, domain and the tacitness of the knowledge and other inhibitors such as cultural and spatial distance. He has addressed the weakness in the literature that is, many studies have stressed the distinct capabilities prevailing in knowledge transfer, but have not analyzed explicitly. Moreover, he strived to go beyond the study of knowledge flows, by investigating their outcomes such as effectiveness. He tested his model in which he incorporated these variables with a data of over 400 purely multinational firms including headquarters and their subsidiaries. He distinguished between two organizational capabilities, those influence that determine the effectiveness of knowledge transfer, i.e., system capabilities that link organizational workflows and coordination capabilities that enable informal information flows. The basic research question in this study was how effective these capabilities were in transferring different domains of knowledge (that is, technological, market and strategic knowledge). He further employed cultural distance and direction of the flow (i.e., hierarchical versus lateral) as moderating variables.

His findings indicated a significant relationship to effectiveness from system capabilities however, coordination capabilities did not have any direct effect. Regarding the moderating relationships, system capabilities was positively related to effectiveness when cultural distance was high and when the transfer was a lateral flow. On the other hand, coordination capabilities enhanced knowledge transfer effectiveness when cultural distance was low and the transfer was hierarchical. Thus, indicating that the further the distance between the sender and the recipient is, the more system capabilities are required and the less effective coordination capabilities became. Moreover, these findings indicated that transfer capabilities interacted differently with flow direction. More specifically, when sourcing information from subsidiaries, system capabilities were more beneficial. Contrarily, hierarchical flows still exhibited significant to focal units compared to lateral flows.

The contributions of this research to the literature were the 'redressing' the outcome variables employed to capture the value of knowledge transfer (such as effectiveness instead of intensity of knowledge flows, sustainable innovation instead of patents cited or benefits divided by costs of transfer) and the focus on knowledge transfer capabilities. He asserted that the way he defined these capabilities coincided with the earlier conceptualization of 'dynamic capabilities' that enables the recombination of knowledge. For further research, he addressed the concentration of 'value of knowledge transfer' rather than merely cost within the MNC both at the systems and unit level.

Knowledge Sharing and Multinational Strategy: Some Research Directions

Xavier Martin (Tilburg University)

This presentation draws attention to new ways of explaining knowledge sharing in the international context. The study particularly directed to foreign direct investment of the multinational corporation. The authors introduce two research agendas: first, the role of relational assets on multinational expansion and second, knowledge transfer capacity on firm performance. Supporting the combination of the knowledge-based view and transaction costs analysis, the study also considers heterogeneity in the capability to transfer knowledge and its impact on firm performance. The authors argue that intentionality of transfer of knowledge and the tacitness of knowledge plays role in constraining firms' ability to transfer knowledge internationally and also explains the governance mechanisms they chose for entry to markets.

Xavier Martin commenced his presentation by stating calling for new ways of explaining (borrowings from other streams of literature on) knowledge sharing in the international context. The study particularly directed to foreign direct investment of the multinational corporation. He supported an intermediate and pairwise effect on organizational expansion that is separate from the conventional units of analysis such as firm and industry levels. He introduced on two research agendas: first, the role of relational assets on multinational expansion and second, knowledge transfer capacity on firm performance.

Regarding the former, he supported the incorporation of relational aspects in explaining knowledge transfer since it indicates the notion of corporative and pairwise effects on sharing of knowledge. He defined relation-specific assets as idiosyncratic interaction routines that allow more efficient interfirm communication, cooperation and knowledge sharing. Drawing upon previous research in transaction cost and social network theory literature, he argued that these assets played a role in tying the firms together and led them to be willing to share knowledge due to some efficiency involved. This, in turn, fostered the creation of some shared language and social capital in the relationships. He defended that the study of relational aspects even led to the prediction of the supplier's expansion based on whether these assets were owned jointly by both parties versus independently by the supplier. The findings of one his earlier studies indicated that if a buyer and a supplier share strong relation-specific assets, then supplier expansion will follow buyer expansion; and, following expansion, buyer and supplier will recreate their link in the new market. If a supplier possesses strong general assets, then it will expand independently of current buyers; though, if both parties expand, link recreation will occur. He suggested strong correlations between the expansions of buyers and suppliers which may be due to tendency to repeatedly conduct business together. For further research, he made suggestion such as new outcome variables, control for non-relational aspects and derivation of performance implications.

Supporting the combination of the knowledge-based view and transaction costs analysis, he addressed the study of heterogeneity in the capability to transfer knowledge and its impact on firm performance. He contended that intentionality of transfer of knowledge and the tacitness of knowledge played

role in constraining firms' ability to transfer knowledge internationally and also explaining the governance mechanisms they chose for entry to markets. He supported that the combined effects of knowledge tacitness, usage characteristics and knowledge transfer capacity may contribute to the prediction of entry mode choice. He distinguished between the transfer capacity of the organization that developed knowledge, i.e., source transfer capacity and that of the organization that intentionally sought to access that knowledge, i.e., recipient transfer capacity. Based on one of his previous studies, he contended that the higher source transfer capacity is, the more the firm gets involved and chooses joint venture as an entry mode rather than licensing. For further research, he called for the combination of knowledge based view and transaction cost theory and the analysis of whether the cost of knowledge transfer interacts with the tacitness of knowledge on the entry mode choice.

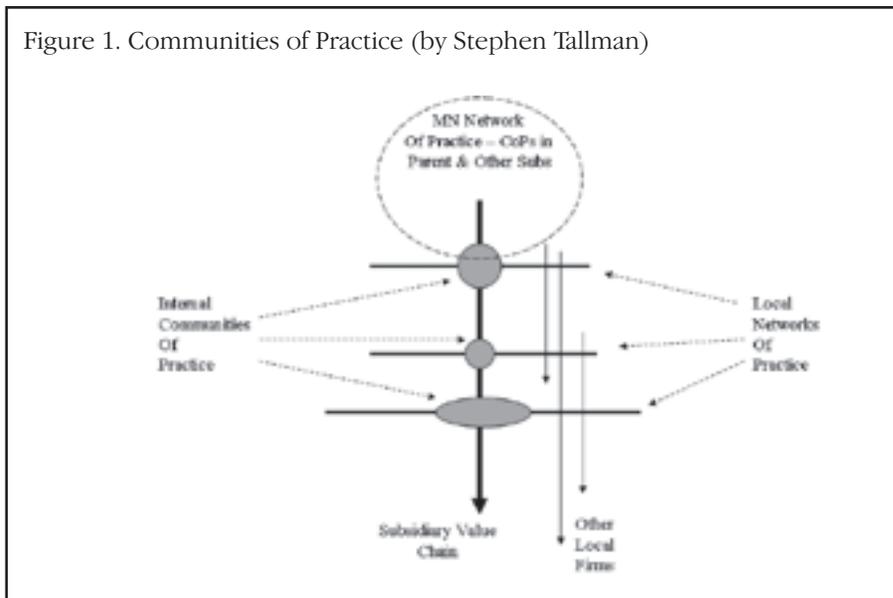
Knowledge in International Markets

Stephen Tallman (University Utah)

The study suggests tacitness as a core dimension in the study of knowledge transfer and regional clusters. The author argues that the unit of analysis may be a starting point to tackle the challenges of the research domain. He touts a granular approach to understanding the processes of knowledge acquisition, assimilation, adaptation, and application. The rationale behind this choice is based on view that "local knowledge acquisition, explicit or tacit, happens at the operating unit level—the "community of practice"—not at the subsidiary firm level." This constitutes more lower level that the organization and consists of communities of firms that are working together and embedded in networks within both the regional cluster and the multinational firm.

Stephen Tallman, based on his research and his reviews of the studies presented, made some suggestions for the progress of the field. He viewed tacitness as a core dimension in the study of knowledge transfer and regional clusters. He asserted that the unit of analysis may be a starting point to tackle the challenges of the research domain and defended a disaggregated level for the understanding of the processes of knowledge acquisition, assimilation, adaptation, and application. The rationale he provided for this was that "local knowledge acquisition, explicit or tacit, happens at the operating unit level—the "community of practice"—not at the subsidiary firm level." This constitutes more lower level that the organization and consists of communities of firms that are working together and embedded in networks within both the regional cluster and the multinational firm (see Figure I).

Learning in the MNC context requires a common architectural understanding of the system, developed through common experiences among units within the system of communities. These communities that cut across multinational firms should develop spontaneously in local clusters as individuals and groups interact, however, require the notion of 'common' practice. Moreover, these will only develop if multinational firms invest resources to encourage them by investing in social networks, technology sharing activities, and personnel exchanges. Firms often try to limit their activity to protect proprietary



knowledge, but can destroy innovation. Some interesting questions that he raised whether know how really transmitted effectively and ownership and formal integration matter.

Foreign Subsidiary Management: Strategic Evolution, Host Country Impact and Policy *Filip de Beule (University of Antwerp)*

In this presentation the focal interest is on the processes of subsidiary evolution and the extent to which these processes impact the host developing country. Contemporary MNCs are dynamic diversified network operating through subsidiaries that have scope for evolution and development. Their features provide a creative and dynamic way that generates mutually supportive interdependencies in processes of resource generation and use. The author classifies the subsidiaries into classes of quiescent, autonomous, confederate, and active. Each is assessed with their distinctive characteristics. The study makes use of data from subsidiaries in the People's Republic of China of Belgian companies.

Filip de Beule presented his paper titled “Foreign Subsidiary Management: Strategic evolution, host country impact and policy.” The focal interest of the study was the processes of subsidiary evolution and the extent to which these processes impact the host developing country.

He started his presentation by contrasting previous and current research on MNCs. Previous “outdated” research on MNCs considers MNCs transferring existing competitive attributes to produce established goods in order to improve efficiency through local, standardized, cost-effective inputs. The model assumes institutional centralization, with a hierarchical organizational structure allocating centrally-generated sources of competitiveness for use in the cost-effective locations through the activity of

dependent subsidiaries. However, if successful local development results, this represents a hostage to fortune and points to footloose exit. MNCs hollow out part of the development process to which they initially contributed, and host countries fall victim to their own success.

Contemporary conceptualization of the MNC, which defines MNC as a dynamic diversified network operating through subsidiaries that have scope for evolution and development, provides a basis for the analysis of the potential contribution by subsidiaries in a host country in a creative and dynamic way that generates mutually supportive interdependencies in processes of resource generation and use. The research questions addressed were: “Which types of subsidiaries exist?” “What can each type of subsidiary bring to the local economy?” and “What are the prospects for virtuous subsidiary development?” In order to accommodate the new realities of multinational subsidiaries as part of a diversified network, and the resulting relations that subsidiaries may have globally and locally, and inside and outside the multinational group; a three dimensional framework is suggested, based on local embeddedness (the degree of localization and local autonomy), global integration (the international scope of the subsidiary and its decision-making authority), and network embeddedness (the interdependence of the subsidiary with other group subsidiaries).

Subsidiaries can be classified as quiescent, autonomous, confederate, and active. Quiescent subsidiaries aim to provide the most cost effective supply of established goods of the parent, either for cost- or market-seeking purposes. They have limited local and/or international linkages, and limited value chain activities. They are dependent upon the center of the group for strategic decisions and resources, but almost totally independent of other subsidiaries in the group.

Autonomous subsidiaries pursue a purely market-seeking imperative. They develop local expertise and capabilities and are sensitive to the host market needs. However, they are not sensitive to the market needs of sister subsidiaries when developing new or improved products. They have extended value chain activities. They are largely independent of the center of the group for strategic decisions and resources, and they are independent of other group subsidiaries, although they might compete for group status.

Confederate subsidiaries pursue an efficiency and/or resource-seeking imperative. They are very much networked; they have enhanced international linkages and competitiveness. They are largely dependent on the center for strategic decisions and resources, and they are also interdependent with other group subsidiaries, which they collaborate with in pursuit of symbiotically generated efficiency improvements.

Active subsidiaries receive or even take responsibility for the creation, production, marketing and further development of products and processes. They are largely independent of the centre for strategic decisions and resources, and to some extent interdependent with other subsidiaries, which they compete with for group resources and supply with group products. They have enhanced market and functional scope, while retaining local embeddedness.

However, changes in the strategic setting and operations of MNCs occur over time because of the dynamic pattern and changing interactions of firm- and country-related factors and policies. Subsidiary evolution can lead to a virtuous or vicious cycle of development in the host country.

The data is obtained from subsidiaries in China for which Belgian companies were responsible. The results show that quiescent subsidiaries are the largest group of subsidiaries, implying that the

“outdated” model to some extent may not be that outdated; we still have a lot of quiescent subsidiaries. Initially the researcher had anticipated that autonomous subsidiaries would be the largest group, because companies go to China for the market. His interpretation was that since a lot of the subsidiaries have not been there for all that long, they may be in the quiescent cluster now but they will probably move out into autonomous subsidiaries later.

The strategic evolution, the dynamic changes between different clusters, show that there is practically only one really significant change and that is from the quiescent into the confederate cluster of subsidiaries. There is also a change, though to a smaller degree, from confederate subsidiaries into active subsidiaries.

The researcher concluded that Policies are required, but they should be more collaborative. Policies should extend much more beyond initial attraction of MNCs in order to seek to secure sustained benefits from these operations. Local capabilities should be improved to increase local and network embeddedness. Door should be opened more to allow higher international linkages.

The discussions about this paper were on the necessity of considering the original motive behind the MNCs when they go to a foreign market, together with the industry and country characteristics. Having quiescent subsidiaries is not necessarily a bad thing. An example given was Shell in Nigeria. Shell is not foot lose, but it isn't embedded in Nigeria either. Having Shell there is good for Nigeria, it's also good for Shell, but it isn't embedded in it, it doesn't help them in any way, it takes advantage of their natural resources. So there is need to be careful about what industry you are looking at and whether being embedded in it is desirable or not. Another comment was: “What is the original motive for Belgian FDI in China? If I was a Belgian retail firm in China, I'd be there for market access, I'd be happy to have sales, and I'd be very happy with quiescent subsidiaries.” China, with its vast cheap labor supply, is also considered to be rather atypical than typical and can be a bad country to test the theory; other countries such as Taiwan and Korea are suggested. Whether or not a country can maintain the benefits of foreign investment is also suggested as an interesting topic to look at.

Knowledge Governance in MNCs *Torben Pedersen (Copenhagen Business School)*

Author indicates that although there have been numerous attempts at conceptualizing knowledge as a process, its motivational and social aspects have drawn scant interest. With this in mind, the researchers teamed up with a German cement company and looked at how they conduct different knowledge management processes. Cement industry is a very traditional one with a very simple technology. It is operating improvements are based on learning by doing. So the basic question they face is how to transform efficacies improvements from one subsidiary to another. To this end the team explored how companies engage in knowledge sharing, and facilitate outflow of knowledge in the presence of well-known incentives, and incentives.

The researcher introduced his task as to justify the need for a knowledge “buzz-word;” “knowledge governance.” Thus, the presentation was more on a research program: knowledge governance. He also presented some data they started to “play with” in order to explore some of the issues.

The literature on knowledge processes (processes to source, build, share and deploy knowledge) has focused on the cognitive aspects so far; tacitness, complexity, absorptive capacity, etc. have been shown as the determinants of the knowledge processes. The theoretical basis has been the well-known resource-based view, knowledge-based view, etc.

Motivation and social aspects have received less attention. Even when included in the equation, motivation is rarely treated properly, with no theoretical grounding provided, is considered rather like a control variable. However, there must be a lot of motivation issues involved in these knowledge processes. How are the individuals motivated to spend the time and resources on upgrading knowledge, what are the incentives to share the knowledge, etc. Neither costs of organizing knowledge nor their benefits are addressed in any systematic manner, although knowledge sharing requires time and resources, organizational design issues, and there are a lot of costs involved. You might in fact transfer too much knowledge, or build too much knowledge, but nobody has explored that to what extent you are transferring too much knowledge. What are the benefits for the individuals, for the teams, etc. in these knowledge processes? One implication of this is that rather little is known on how organizational design issues relate to knowledge processes in the MNC and the literature is highly incomplete and fragmented. The questions posed are: “How to provide incentives for individuals to make firm-specific human capital investments? How to leverage knowledge that confers bargaining power? Why should subsidiaries engage in knowledge sharing activities? How should managers expand the absorptive capacity?”

“Many of the answers,” the researcher said, “are blowing in the wind.” If we say that these knowledge processes is determined by, let’s say tacitness of knowledge, complexity, this is not very helpful to managers. It is hard to change the tacitness, the complexity, the causal ambiguity. We need to learn more about organizational design issues, how we can set a governance mechanism to facilitate the knowledge processes. But in order to do that, we need to develop micro (individualistic) foundations for knowledge processes, which is absent in our current theoretical framework. We all accept that knowledge mainly resides in the heads of individuals. However, what are the foundation of concepts like capabilities, competencies, knowledge assets in individual behavior? What exactly does it mean in terms of the knowledge of individuals to “transfer a competence” from one unit to another? We have spent very little energy and time on the linkage between the individual level and organizational level. This whole field is dominated too much by the strategy research, we need to go back to the organizational theory and combine it with both organizational economics and organizational behavior and develop a micro foundation. Another problem is about the causal-temporal structure relation to knowledge and organization. Is the causality going from knowledge processes to organizational processes or rather the other way around? The first linkage has been investigated but we have not looked at the issue the other way around: how organizational design can facilitate knowledge processes has not been looked at.

The researchers teamed up with a German cement company and looked at how they conduct different knowledge management processes. Cement industry is a very traditional one with a very simple technology. It is learning by doing; one subsidiary can learn how you can make one process a little more

efficient, so the question is how to transfer those small changes in the processes. So the question was why do subsidiaries engage in knowledge sharing, outflow of knowledge? Not only the well-known disincentives, but also incentives were explored for the outflow of knowledge.

Disincentives were identified as “tacitness of knowledge”, “fear of opportunism”, and “lack of communication channels.” The incentives were found to be “inflow of knowledge” and “acknowledgement of knowledge.” Thus, outflow of knowledge is a reciprocal game; managers give away knowledge expecting to get knowledge. Reward system was also tested but was found to be insignificant. The researchers also tested the effect of knowledge outflow on financial performance and found out an inversed U-shaped relationship, implying you can transfer too much knowledge; there is an optimum level of knowledge sharing.

To sum up, knowledge governance is identified as an interesting research issue. It means organizational design (governance) relating the knowledge processes (the sourcing, deployment, sharing and building of knowledge assets). It identifies costs and benefits and confronts organizational alternatives for governing knowledge assets. The website of The Center for Knowledge Governance at Copenhagen Business School is: <http://www.cbs.dk/ckg/>.

The discussions on this paper were mostly on the importance of costs and benefits of knowledge sharing across the globe. Benefits are pretty well known; however, costs is something underexplored. The importance of doing more research in this area is emphasized.

Strategic International Retail Expansion

Brenda Sternquist (Michigan State University)

Strategic internationalization suggests that the retailer deliberately considers internationalization options in expansion. There are various conceptualization of this strategic initiative. The author explores them individually including an eclectic view. She underscores the idiosyncratic nature of internalization-advantages of retailers. Retailers have virtually no protection against things that are unique to them; it is difficult to patent or copyright anything that a retailer does. A series of modes in relation to keeping company secrets are: licensing, franchising, joint venture, and wholly owned subsidiary. They protect the secrets the most with a wholly owned subsidiary, and they give away the most with the licensing agreement. The presentation then proceed with analysis of Global and Multinational retailers. Global retailers are centralized, standardized, small format retailers. These retailers are generally vertically integrated and frequently focus on private label or exclusive merchandise. They do not change their retail offering much when they enter foreign markets; they look for a universal, global market segment that will accept their unaltered product. Deep discounters such as ALDI, convenience stores such as 7-11 and fast food operators such as McDonald's are global retailers. Multinational retailers are decentralized and they adapt their product offering to the culture they are serving. They concentrate

expansion within a geographic area, and generally start at the areas that are closest culturally to their home market. These are usually large sized. Wal-Mart's Supercenters, warehouse clubs such as PriceClub and supermarkets such as Tesco are multinational retailers.

Strategic internationalization means retailer purposely considers internationalization options in expansion. The model presented has elements of earlier theories. The first theory for explaining internationalization is Dunning's Eclectic Theory (1981) that focuses on "Ownership, Locational & Internalization factors." The second theory is about the two expansion strategy alternatives: "Global vs. Multinational." Salmon and Tordjman first came up with this definition, and it is based on whether the company is standard or adaptive in its expansion. Global retailers would be standard, multinational would be adaptive. The third conceptual link is risk theory. Retailers evaluate foreign markets according to their perceived level of risk. Much of a retailer's in-country investment is for inventory and physical facilities, an investment that is not liquid, and therefore not salvageable in the short run. Therefore, they choose to begin their international expansion in countries that are culturally similar to their home country. As they gain experience in each country or region, they move into another area. This is called as: "Stages of International Expansion." Here, the "stages" refer to "geographic" stages.

The internalization advantages refer to protecting the company's secrets, rather than focusing on cost from a TCE approach. Retailers have virtually no protection against things that are unique to them; it is difficult to patent or copyright anything that a retailer does. A series of modes in relation to keeping company secrets are: licensing, franchising, joint venture, and wholly owned subsidiary. They protect the secrets the most with a wholly owned subsidiary, and they give away the most with the licensing agreement.

There are two major strategic alternatives available for international retail expansion. These alternatives are global and multinational strategies.

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Multinational retailers are decentralized and they adapt their product offering to the culture they are serving. They concentrate expansion within a geographic area, and generally start at the areas that are closest culturally to their home market. These are usually large sized. Wal-Mart's Supercenters, warehouse clubs such as PriceClub and supermarkets such as Tesco are multinational retailers.

Retailers can go international either by internalization or by externalization. A global retailer can internalize its expansion by opening its own store, e.g. Aldi, or externalize it by franchising, e.g. 7/11. It can have rapid expansion in both cases, however in the case of franchising; it gives information to someone else. If a multinational retailer chooses internalization, it opens its own stores; however it expands in stages (e.g. Carrefour). It moves to a geographic area and expands throughout that country, and moves to another country in that same geographic area, jumps into another geographic area and expends there, etc. This is the stages theory. If it chooses to externalize, it does this by licensing (unpredictable expansion, not strategic, e.g. IGA).

There are two explanations for franchising based on handling risk. Agency theory says companies franchise because they can't oversee managers in different countries, therefore they make them owner manager. The other explanation is resource-based, saying the companies would not franchise if they have adequate capital, or would acquire franchised property once they have adequate capital.

Another form of international expansion is Acquisition-Hands Off Management, as in the case of Ahold's acquisition of US food retailers. This strategy is seen as an investment, to diversify the company's portfolio; buying a company that is well managed and then keeping your hands off and let them operate as they had. Companies look for fragmented markets, developed markets, stable government and economy. Sometimes the objective is to transfer the technology to the purchasing firm. However, there are low returns due to high price paid for goodwill.

Putting these variables together, the model presented looks at a variety of different types of organizational characteristics (Asset Size, International Orientation, Market share, Experience, and Corporate View of Risk); two different types of management (active and dormant), and different alternatives that are available for Strategic International Retail Expansion (Global, Multinational, Investment, and Business format franchising / licensing). The model predicts where those companies would go based on those factors, how they would go and the results of their international expansion. Examples of companies that fit in those areas are also provided. Propositions are presented.

As the presenter pointed out, what she observed with regard to strategic international retail expansion is that; there are some differences between how retailers internationalize and how other firms do due to the factors such as the importance of country factors, the limitation of having to be within the country in order to operate, etc. In general, multinational companies need to go to countries that are less-developed than they are because they change what they do when they go to different countries and they adapt the culture. They assemble a portfolio of knowledge about how to do business in different countries. The end result of that knowledge is much greater than the global company. She also observed that certain multinational retailers now started centralizing some functions. So, she predicted that over time we will see emergence of a different kind of retailer; one that had been multinational, grabbed this portfolio of knowledge, how to do business in different places in the world to come back and say "we will take back this knowledge and centralize the processes we can centralize." It is important to look at these issues over time.

To conclude, considering the systematic, dynamic, cross-border use of resources, such as knowledge, human capital, components, everything that goes into the final product has to be thrown into the mix and how dynamically companies orchestrate all of these flows across the globe should be investigated. Another point is that the dynamic capabilities are good, but possibly not for every firm. In what type of organizations do we need these capabilities? These are also important questions to explore.

Value Creation in International Electronic Markets: A Conceptual Framework

Saeed Samiee (University of Tulsa), Peter G.P. Walters (Hong Kong Polytechnic University),
and Leslie Yip (Hong Kong Polytechnic University)

The exchange of data and other information leads to a relational-learning with the ultimate goal of creating greater value together than would be possible individually. Embedded in the relationship, the learning is readily not transferable to other firms or imitable by rivals. As a distinct competence it allows the firms to acquire, interpret and utilize information to create competitive edge. The authors identify six direct positive antecedents of joint learning: eSCM investment, information acquisition, information distribution, knowledge sharing, experience sharing and information interpretation. The authors conclude that joint learning has a positive impact on value creation and value creation has a positive influence on supply chain performance.

Taking the supply chain management in electronic market as a particular context for their study authors explore the question how knowledge as a critical resource can be shared and deployed in order to create value for the supply chain members. Applying the resources based view, the study proposes a framework to evaluate the impact of knowledge sharing and joint learning as a basis for creating competitive advantage.

Information sharing and market-based learning are two key considerations in the study. They are construed as a value which is emergent in cooperation for deploying collective resource endowments to create new joint capabilities. The exchange of data and other information leads to a relational-learning with the ultimate goal of creating greater value together than would be possible individually. Embedded in the relationship, the learning is readily not transferable to other firms or imitable by rivals. As a distinct competence it allows the firms to acquire, interpret and utilize information to create competitive edge.

The authors identify six direct positive antecedents of joint learning: eSCM investment, information acquisition, information distribution, knowledge sharing, experience sharing and information interpretation. eSCM investment is a necessary facilitating procedure for the joint learning and should be focused on those that accommodate communications between SC participants, data collection, and distribution. Such investments typically involve hardware, software, and training. Information acquisition together with ability to accumulate, classify, and distribute information, is a costly process. If this responsibility is left to a single member of the supply chain, single-point-of-contact pattern emerges. In that case data quality is ensured by one member as information is archived reliably and deployed timely. In terms of knowledge sharing, the authors suggest knowledge sharing routines and knowledge absorption systems across organizational boundaries. As much effective in promoting joint learning is the information interpretation. The members of the supply chain tend to give different meanings to the same information. To the extent that successful organizational processes are put in place to tightly couple the SC, interpretation is likely to be more uniform.

The direct positive relationship between the fore-mentioned six antecedents and joint learning is moderated by several factors. Consistent with relationship marketing literature, commitment and trust come into play in this framework. Commitment and trust produces efficiency, productivity, and effectiveness by encouraging bilateral cooperative behaviors. On the inhibitors side, the cultural distance and organizational distance pose difficulties in transferring knowledge across organizational and national boundaries. Cultural distance compounds the difficulty of understanding competitive landscape, threats and opportunities in the partner's market. Similarly, organizational distance makes joint learning difficult as firms may pursue divergent goals.

Value can be created by sharing knowledge. With the use of internet diffusion of knowledge in supply chain is less costly and more effective. The internet provides speed and interactive abilities at an affordable cost. It also offers opportunity to reduce conflicts by reducing errors in deals, providing transparency for transactions, and rapidly remedying the misinterpretations in communications. Monitoring systems benefit from real time nature of the electronic communication.

Successful knowledge sharing arrangements are supported by effective integration of structure. A globally integrated organization gains the ability to conduct value-adding activities at the most cost effective or advantageous locations. They better manage information resources and transfer knowledge across the organizational units. The resulting benefits leverage competitive advantages on a global basis. The authors conclude that joint learning has a positive impact on value creation and value creation has a positive influence on supply chain performance.

How National Corporate Governance Systems Affect Global Integration

Ruth V. Aguilera (University of Illinois) and George Yip (London Business School)

The authors propose that variations in national corporate governance (CG) systems provide an alternative explanation for existing differences in globalization modes. Specifically, they look at the conflict between the interests of the CG actors in the HQ country and the MNC's needs of global strategy. Their working assumption is that stakeholders' interests are mostly aligned with their home country interests, and that these interests will be exercised through different mechanisms either constraining or enabling firm globalization. The authors explore the effects on global integration as different actors may favor certain aspects of the integration. These effects include: global market participation, global products/services, global location of value adding activities, global marketing, global competitive moves, global organization structure, global management process, global human resource, and global culture. The presentation makes important contributions to global integration studies 1) by studying the actors in the decision making process and underscoring the principal and agent dichotomy, 2) by providing a comparative analysis across six countries.

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The authors first identify five key stakeholder actors who have the most effect on the firm's decisions, including globalization: employees, top management team, board of directors, shareholders, and governments. Each CG actor endorse a particular set of interests that, by definition, will be more or less fulfilled depending on the strength of the mechanisms available to pursue those interests. For example, MNC employees are concerned about job retention. Top management interests lie in the survival of their jobs as well as the future career advancement and mobility. Boards of directors' main interests are to represent the constituencies that have elected them so that they can continue to hold their positions. Shareholders' sole interest is maximization of firm value.

CG actors can pursue and protect their interests only if they possess the necessary mechanisms to influence global integration, and these mechanisms are also contingent on the national context. The authors further explore the process of global integration as different actors may favor certain aspects of the integration. These dimension include: global market participation, global products/services, global location of value adding activities, global marketing, global competitive moves, global organization structure, global management process, global human resource, and global culture.

Actors in different countries may display different characteristics and the institutional differences across countries also shape the actors differently. The authors sampled six countries to illustrate the point: US, UK, Italy, France, Germany, and Japan. Then the study delves in a detailed analysis of how each actor, due to their divergent interests may favor or impede certain aspects of the global integration.

The presentation makes important contributions to global integration studies 1) by studying the actors in the decision making process and underscoring the principal and agent dichotomy, 2) by providing a comparative analysis across six countries.

International Entrepreneurial Dynamics

Ivo Zander (Stockholm School of Economics) and John A. Mathews (Macquarie University)

The authors in their presentation delve into international entrepreneurial dynamics (IED), which places the emphasis on the creative initiative associated with new internationalizing firms. Such firms sometimes traverse very rapid paths to becoming established international or global players. They are particularly interesting because of the outcome of their early engagement in competition with other international firms. The focus of the study is on (1) the entrepreneurial processes that stretch the discovery of new business opportunities across national boundaries, (2) the redeployment of resources in exploiting

these opportunities in international markets, and (3) the ultimate engagement with international competitors that takes place before organizational and industry maturity sets in. The study does not exclude other types of international entrepreneurship, but particularly focuses on those aspects that are most relevant for the rapidly growing number of small- and medium-sized MNCs.

A new field of scholarship, which Mathew and Zander refer to as international entrepreneurial dynamics (IED), places the emphasis on the creative initiative associated with new internationalizing firms. These sometimes traverse very rapid paths to becoming established international or global players. They are particularly interesting because of the outcome of their early engagement in competition with other international firms. Their focus is on (1) the entrepreneurial processes that stretch the discovery of new business opportunities across national boundaries, (2) the redeployment of resources in exploiting these opportunities in international markets, and (3) the ultimate engagement with international competitors that takes place before organizational and industry maturity sets in. The study does not exclude other types of international entrepreneurship, but particularly focuses on those aspects that are most relevant for the rapidly growing number of small- and medium-sized MNCs.

The discussion illustrates the emergence of new types of multinational in the international economy, and suggests the limited applicability of existing theories and paradigms in the IB literature to capture the realities and development of these firms. The authors delineate IED and discuss three milestones of entrepreneurial processes that extend across national boundaries. Theoretical and methodological implications are provided.

In the new zoology of the global economy, the authors reveal that, the majority consists of firms which are quite different from conventional and resource-rich MNCs in terms of origins, organizational forms and strategies, and which have received much less attention. They include small or medium-sized firms, which originate from the advanced industrial countries but attack the world market with such vigor and with such clever strategies of integration that they must be classified as “newcomers.” They also include companies that almost bypass internationalization as a “process” since they are started and operate from day one in global markets as global players, servicing their customers wherever they are to be found. These are the firms that have been called “global start-ups”, “international new ventures” or “born globals.” Another cluster of firms, originating from East Asia for example, may be labeled “latecomer MNCs.” These firms have pursued accelerated internationalization over the course of the past decade and acquired global reach in a fraction of the time taken by their predecessors. The last species in the new zoology is named “global niche players” and “hidden champions”, because they have always been “global” but kept quiet about it, focusing their efforts on maintaining a commanding position in a very narrowly defined niche market.

These changing settings for international business render existing theories and frameworks insufficient to capture the new realities. It is claimed that existing literature have never taken interest in the entrepreneurial processes surrounding new firm formation and early evolution, but instead mainly contemplated the nature of MNCs as already established and mature entities. It basically assumes that if the firm wants to move internationally, it does so because of economic reasons and because it has the

resources and the capabilities to hand. Yet, it is strikingly in contrast to what newcomers, latecomers, and born globals in the global economy are all about. The most salient feature of their starting position is the absence of vast resources and capabilities. Therefore, the authors submit their alternative approach that starts with firm origins and the processes underlying the firms' entry into the international or global business arena, a field of IED.

The discovery of opportunities is identified as the first milestone in IED. It is concerned with the pre-venture history of a firm. Generally speaking, the authors expect that the more internationally mobile the individual, the higher the probability that he or she discovers business opportunities representative of the new species of MNC. After creation of a firm, resource deployment, i.e. the coordination and continuous recombination of external and internal resources, activities, and routines to effectively serve perceived customer needs, represents the second milestone. It is postulated that the new species such as born globals and global latecomers are concerned not with exploiting advantages built up at home as traditional MNCs, but to leverage or gain access to skills, knowledge, and resources through their international operations, which rely heavily on international cooperative agreements, partnerships and joint ventures, as a means to reduce the high level of risk. The final milestone in IED focuses on competitive interaction. In this context, the international dimension introduces two unique elements that influence the nature of competitive interaction: historical, institutional and cultural biases that may influence the way in which entrepreneurs perceive and exploit new business opportunities, and delayed competitive interaction between organizational forms that reflect these biases. When expanding firms meet in the international marketplace, the result is likely to be observed in changing pathways of resource deployment.

Overall, the authors offer a new perspective, IED, to the field of international business, which is specifically relevant to new species in the global economy. Their approach suggests that entry points are determined by the process of discovery of new business opportunities (that is, connecting skills, knowledge, and resources with potential customers), and pathways of resource deployment that follow from these entry points (that is, typically path-dependent processes that unfold over time) are partly affected by the firm's engagement in competition.

Rethinking Individualism and Collectivism

Daphna Oyserman (University of Michigan)

It is usually assumed that distal culture history and traditions have a direct impact on individuals' individualism-collectivism (IND-COL) tendency as reflected in cognition, affection and behavior. Further, it is more often asserted than tested that western cultures emphasize an independent perspective on the self, seeing the self as distinct from others; while other cultures emphasize an interdependent perspective on the self, seeing the self as interconnected with others. First, Oyserman challenges these assumptions by a metaanalysis of cross-national and within-United States IND-COL differences. The author finds

that European Americans are both more individualistic—valuing personal independence more—and less collectivistic—feeling duty to in-groups less—than others. Second, she provides a framework for understanding how culture leads to cognitive, affective, and behavioral consequences, by highlighting the role of subjective construal of cultural contingencies.

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First, Oyserman challenges these assumptions by a metaanalysis of cross-national and within-United States IND-COL differences. The author finds that European Americans are both more individualistic—valuing personal independence more—and less collectivistic—feeling duty to in-groups less—than others. However, European Americans are not more individualistic than African Americans, or Latinos, and not less collectivistic than Japanese or Koreans. Among Asians, only Chinese show large effects, being both less individualistic and more collectivistic. Linking IND-COL to consequences, moderate IND-COL effects are found on self-concept and relationality, and large effects are found on attribution and cognitive style.

Second, she provides a framework for understanding how culture leads to cognitive, affective, and behavioral consequences, by highlighting the role of subjective construal of cultural contingencies. It is proposed that cultures differ primarily in whether one set of social orientation (IND/COL) is chronically more accessible than the other. Therefore, to test the assumed causal role of IND/COL, researchers can use priming procedures that make one or the other social orientation temporarily available. Accordingly, the author uses priming experiments to test the effects of IND/COL on perception, memory, cognition and communication one by one.

Although the methodological implications are important to psychologists, IB researchers are more interested in the findings regarding how culture affects people's behavior. Drawn from Oyserman's research, we get to know that cultural difference is fluid to a certain extent. In response to different situational requirements, based on different self-construals, people can have adaptive ways of thinking and behaving, rather than uniformly being individualistic or collectivistic. Her work unfolds the black box of these processes. And just as Oyserman concludes, unless we understand these processes, cross-cultural studies will face many "surprises."



Chapter 6

Concluding Remarks

In retrospect, theory development and the application of different methodologies are among the key issues raised in the presentations and discussion. Also discussed were issues of research on strategy and public policy, the role of *JIBS*, and the role of the frontiers conference in facilitating the development of IB area.

Theory development. It is widely agreed that theory development is the first step in demarcation of a field as an independent discipline. From the philosophy of science perspective, current theory development in IB needs more comparativeness, rigor and robustness in measurement. Both exploratory work about emerging phenomena and empirical studies to better understand the nature of the phenomena are needed to build theories. Construct development is especially important to theorizing, as it constitutes the process of building idioms for knowledge. Validation and operationalization of constructs are not only an empirical question, but also critical to theory development. Theory development should be a concept-pushed and problem-pulled process. It is a process of repeated theory building and testing.

Regarding IB as a distinctive discipline, both consensus and debate still exist. Most scholars agree that we have unique phenomena and unique questions to address in IB research. Multinational enterprise is a unique phenomenon of international business, sufficiently complex to require special inquiry. Also related to the identity of IB, another important question is the need of a grand theory of international business. This has been a question of debate among researchers. There have been arguments that developing our own grand theory of international business is necessary to the development of IB as a distinctive area. Some scholars, however, argue that a grand theory of everything is not in purview for a field as diversified as IB. In IB research, there are many different levels of analysis and vast heterogeneity at each level, therefore it is difficult to have a single theory for multiple levels of analysis. It is more feasible to adhere to theories with focused scope rather than quest for a grand theory for all.

The multiple levels of analysis is another important issue emerged from the conference. It is pointed out that given the diversified nature of the IB area, we need to investigate IB phenomena at different granularity of analysis. The analysis can be carried out at the level of manager, firm, industry or environment. Or using another classification, the different levels of analysis can include country, industry,

firm/SBU, the extended enterprises/network, relationship/project, operating unit/community of practice. The relationship and network level of analysis is pointed out to especially important given the recently development of partnerships in international business.

IB research has a history of borrowing theories from other disciplines. Some scholars point out the danger of careless theorizing from sister fields. Such importation with only superficial checks will cause more fragmentation of theories and harm the theory development in international business. Given the importance of theory development, more emphasis is needed on establishing a theoretical positioning for every work.

While borrowing from other disciplines it beneficial to bind different theories together to create a common language for the research community, we also need to find ways of making our own discipline-based approach acceptable and understandable to other scholars. This goal requires rigor in research before the other aspects of knowledge dissemination.

Finally, about the application of theory, some major areas of investigation include strategy, national institutional adaptation, regional versus global configurations, comparative industry evolution, firm-specific versus country-specific advantages, strategic fit, international retailing and supply chain management.

Methodology issues. Methodology is the backbone of delivering a research study. Methods are used to gain a better understanding of theories and are inseparable from theory. Consistent to the need of theory development, richer methods are needed in IB research. Different approaches should be applied according to the different nature of the theoretical question to be addressed. Though mastery in all methods is an unrealistic goal for an individual researcher, through teams we can accomplish more.

In a related vein, scholars warn us on the idiosyncrasy of phenomena studied in IB. They assert that the research in this field is complicated than their domestic counterparts since there exist multiple cultures, multiple political, institutional and social systems in the IB context. In their opinion, the sound and rigorous techniques which suitably unveils the underlying dynamics of phenomena in sister disciplines may not suffice in IB research. Therefore, IB researchers should not only be extremely cautious about the reliability and validity of the available techniques but also, if necessary, apply new techniques, be they invented solely for IB, or imported from another and previously “uncharted” field, so as to be able to explain the phenomena.

Generally, there are three dimensions of methods: parametric and non-parametric analysis, graphical analysis, and qualitative analysis. There are a big variety of parametric or non-parametric analysis methods, but the complicated methods should be used only when it is necessary. Standard regression analysis and ANOVA are often enough with some correction for problems such as heterogeneity. When the dependent variable is constrained, tobit regression is a proper choice. Event history analysis and logit/probit analysis are suitable for longitudinal studies. Non-parametric analysis includes sign tests, leaf diagrams, contingent tables, etc. Graphical analysis generates graphs from parametric analysis results or directly from data. For some effects, it is hard to have an intuitive interpretation of the numbers, for example, complex interactions. In this case, graphical methods can provide a direct understanding of what is really going on. Qualitative methods have advantages over quantitative methods and are needed in our research. However, case studies should be theory based and theory-generating. Pure inductive qualitative research can be harmed by ambiguous logic. Oriented propositions derived from previous

theories or observations are needed for qualitative research.

Other issues related to methods include testing of alternative models, meta analysis, better measurement and scale development. Testing of alternative models is important to understanding patterns in phenomena and explaining outliers. It also contributes to theory testing and development by identifying the best theory explaining a certain phenomenon. Meta analysis enables researchers to compare and integrate previous studies, and therefore helps in the validation of theories. Given the intangible nature of many variables in IB research, good measurement and scale development play an important role in empirical research. More efforts are needed in developing better measurements to improve the rigor of IB research. Included in the list are mapping of constructs to operation variables, better sampling, longitudinal analysis and clarifying the unit of analysis in a study is necessary for the development of good measurement.

Strategy and public policy. As applications of theories and methods, strategy and public policy is a major dimension is an inevitable piece in IB studies. Practice emphasizes several important streams of considerations. Included in these are global integration as local responsiveness local responsiveness, and globalization at the face of efficient/sustainable development. Along these research streams, one of the patterns that emerged in the session of this conference is related to knowledge management, concerning subsidiary capabilities, knowledge flows between MNC and their subsidiaries and its performance implications. The capabilities of subsidiaries, especially those related to knowledge management were emphasized more than any other practical topic. Other critical issues in this area are first, the success factors of MNCs and their subsidiaries, second, the successful transfer of these capabilities between MNCs and their subsidiaries.

International business has reached a stage where flow of goods is no longer the primary source of competitive advantage for firms. Competitive advantage instead originates form distinctions created by integrated global activities in which efficiencies; information and knowledge diffuse in the system for its best possible outcomes. Redundancy reduction on a global scale and knowledge sharing becomes the primary goal of global companies. Exchange of material production factors has given way to the exchange of knowledge and information that can be applied on a global basis to achieve the desirable level of coordination. Knowledge as the most valued resources is the key to value creation in an international context. Global competition also has shifted from firm-to-firm rivalry to a “network paradigm” in which competition increasingly occurs between networks of firms.

Scholars attach urgency on performance outcomes of international business. Also under the lens is the subsidiary roles, and emerging “community of practice” in the subsidiaries, evolution of local networks (of practice). The transfer of “community practice” between subsidiaries and from subsidiaries to the MNC is an important way of accumulating knowledge and capabilities for the whole enterprise. Two issues are of utmost importance: The role of subsidiaries in the development of capabilities and in the process of knowledge management capabilities for MNCs. More research is needed to further investigate these issues.

The role of *JIBS* and the Frontiers Conference. It is agreed that *JIBS* can play an active role in facilitating the development of IB research. Special issues on some emerging topics will especially benefit the area. The frontier conference is agreed to be a good form of bringing more interactions and communica-

tions in the IB community, which is especially helpful for young scholars, and the discussions on emerging frontiers of IB research will help pushing IB research toward further development.

Venues For Research

There is a set of issues that require particular attention in IB. Some of these are touched in the conference proceeds others are being discussed in broader outlets. The below is a closer look at an incomplete list of possible research topics we believe useful for the field.

Global versus Not Global Company. The international business literature clearly elucidates the transformation of leading business organizations towards truly global companies (Kogut, 1985; Perlmutter, 1969), with much justification provided for this phenomenon (Douglas and Craig, 1989; Johansson and Yip, 1994; Levitt, 1983; Ohmae, 1989). Initial measures of the extent of globalization attempted to gauge purely quantifiable measures such as the percentage of sales occurring outside a home market, global market share, and number of foreign affiliates. More recent advances have recognized the need to measure subjective constructs such as corporate leadership's attitude towards global operations, geocentric outlook, and cross-cultural integration. The literature is particularly rich with investigations of the relative degree and performance of various global strategies (Birkinshaw, et al. 1995; Cavusgil and Zou, 1994; Jain, 1989; Samiee and Roth, 1992). Recent advances have coalesced the disparate measures of a global strategy into a common framework (Zou and Cavusgil, 2002) and the construct of the global mindset has also been developed into a meaningful scale (Murtha, et al. 1998).

Focused versus Diversified Configurations. Over the past decade, international markets have become considerably more open. In the more liberal international investment environment, firms now have a real choice between international market diversification (extending the geographic scope of their present businesses) and intranational business diversification (entering into new businesses in their presently served markets). An interesting research topic would be to investigate whether deconglomeration may be a consequence of the opening up of numerous international markets; i.e., an action by conglomerates to free-up resources to pursue growth through more profitable international market diversification in core businesses in place of less profitable intranational business diversification (Varadarajan, Jayachandran, and White, 2001).

Although much knowledge has been gained about those particular aspects of doing business from a geocentric perspective, a generally accepted conceptualization and measure of what constitutes a GC is a major gap in the literature. A holistic measure of the degree of a company's globalization has not yet been captured in a defined scale. This gap impedes the advancement of knowledge. Confusion can occur since findings from different studies cannot be meaningfully compared, it is difficult to measure firm performance due to varying measures, and it is problematic to assess the relationship between the degree of globalization and firm performance.

Standardization versus adaptation. Marketers have to contend with a paradox of the global marketplace. On one hand, common technology and protocols unite customers and markets. On the other hand, customers with disparate ideas and aspirations increasingly utilize technology for expressing individual preferences. Cultural dichotomy appears to persist. This paradox leaves the manager with a challenge; viz., How should product development and positioning be resolved in the foreign market in

view of persistent customer preferences? In reality, both the mass-market and niche-market may exist in individual markets side by side. Such global brands as IBM, Microsoft, Coca Cola, Nestle, Sony, and Seinfeld all command global audiences with little or no adaptation. Yet other companies thrive because they are better able to match the expectations of the discerning customer by customizing the product, the presentation, or the channel. Those opting for localizing their approach do so both in response to growing competitive pressures and the sizeable nature of the market segment that is willing to pay extra for solutions that cater to their unique needs.

In this complex environment, IB scholars ought to generate decision rules and empirical generalizations that guide managers. It would appear that the new knowledge generated will have to be contextual, varying on the basis of the product, industry, country, and other contexts.

Control versus self-enforced goal alignment processes. Research on cross-border governance is rather meager and there are ample opportunities for scholars. Four sets of issues deserve particular attention. First, we need a robust conceptualization of relational governance and its value in international context. Governance has been defined broadly as a mode of organizing and monitoring transactions. When a relationship is orderly and meaningful, its overt manifestations have to be the expression of some covert mechanism inherent in the relationship. The concept of governance is then conceived as an organization's active and ongoing intent to ensure order by putting a facilitating mechanism in place through a combination of formal and informal schemes. Second, although governance is treated in the literature as a mechanism to regulate foreign partner behavior, its relevance as a strategic firm asset has been overlooked. Therefore, future research may examine relational governance as a key strategic capability of the manufacturer. Third, the issue of how process and foreign market and partner factors regulate relational governance arrangements is worthy of future investigation. Fourth, researchers should explore empirical and theoretical considerations of governance frameworks and empirically test these in international arena.

Understandably, as the emphasis has been given to granular considerations of exchange such as attributes and boundaries of the relationship, less attention has been devoted to processes that keep the partnership viable. There is a need for deeper understanding of what makes and encourages relational equity in the cross-border context.

Homogeneity or heterogeneity of markets. The arrival of Internet-mediated communication has not only revolutionized the business-to-business connectivity via private portals, but it has also brought about universal consumer access to information. The emergence of a "global consumer" is also, and perhaps more importantly, a result of the proliferation and impact of global media networks. For example, networks such as MTV can impact the purchasing habits and trends of teenagers on a global level. Masses of consumers around the globe now have access to corporate and public databases on the web. As a group, 'global-Net' consumers are on the rise and represent a hybrid of local and global cultures (Tomlinson, 1999). While well aware of their national identities, these consumers have a thirst for expanding their boundaries beyond their tradition-bound culture. Accordingly, international marketers are challenged to develop strategies appropriate for this development. In that as technology pushes homogenization of customers, their indigenous identities are strengthened by the respect for heritage. How should companies relate to those who possess strong self-definition and identity as a result of

being steeped in local cultures, yet equally in touch with global trends?

Added value. Recently, strategies to cross border and their contribution to the firm has been questioned. Just what value do such activities add to the organization? What is the unique contribution of internationalization in the contemporary firm? In particular, what are those intermediate outcomes that can be attributed to company programs? In the globally active company, these issues carry much importance. There is a clear need for scholars to delineate specific value-adding contributions that can be articulated as measurable outcomes.

Integration or localization. While the globalization of business is not a new phenomenon, multinationals are under intense pressure to better coordinate their value-added processes on a worldwide basis. In order to gain better responsiveness to changing host country conditions they need to customize as they eliminate redundancy that currently exist in a loosely-connected network of affiliates/partners. This warrants instituting mechanisms for cross-fertilization, sharing, and best-practice dissemination. For multinational corporations, it is imperative to closely integrate home-office and distant country operations due to growing competitive intensity and industry consolidation. Interestingly, for the first time in history, companies now have the means to more efficiently interlock worldwide operations. The Internet and accompanying IT applications are providing a powerful tool to achieve electronic connectedness. What results from this is that, today, the modern enterprise is “a network of interconnected responsibilities” (Cavusgil, 2002). Network-based information is causing everyone in the enterprise to be engaged, regardless of their physical or functional space.

What remains to be established is the degree to which firms are deriving value from the integration of activities on a global scale. How well are MNCs rising to the challenge of coordinating their activities around the globe? How well accepted are such practices as global account management, global product launch, and uniform pricing? How are managers relying on information-based networks to create value both from and in diverse cultures as they exchange goods, services, and know-how within their enterprise and across their supply chains? How successful are they in disseminating data, knowledge, and experience across their entire networks? How useful are platforms such as knowledge portals, residing on intranets, for sharing and disseminating knowledge and experience within the global corporate family? These and similar issues require careful attention from scholars with a view towards further theorizing of strategic advantage in the modern MNC.

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