Introduction to the Special Issue on the 2014 Peter J. Buckley and Mark Casson AIB Dissertation Award
Peter Buckley
p4

AIB Dissertation Awards: The Early Years (1968-1985)
John D. Daniels and José R. de la Torre
p5

The Organizational Design of Offshoring
Marcus M. Larsen
p10

Trajectory of Innovation in Emerging Industries: Evidence from the Global Wind Power Industry
Snehal Suyash Awate
p13

Pro-Internationalization Policy and Outward Foreign Direct Investment
Miguel Matos Torres
p16

Multinational Enterprises and Performance: Three Essays at the Interface between International Business and Strategic Management
Lars Matysiak
p18

Foreign Acquisitions by Indian Multinational Enterprises: Testing and Extending Internationalisation Frameworks
Surender Munjal
p21
Comments from the Editors

With our third issue last year (AIB Insights, Vol. 13, Issue 3) we published an inaugural special issue on the AIB Dissertation Award, featuring summaries of the 2013 award-winning dissertation and the four finalist dissertations. In this inaugural special issue, we started our editorial introduction with the words “Research means Conversation” (Rottig & Littrell, 2013: 2) in an attempt to stimulate a fresh and fruitful conversation on the respective dissertation topics of last year’s award-winning and award-nominated dissertations.

In this second special issue, we aim to continue encouraging and facilitating such a conversation by drawing attention to the dissertations that were selected as finalists for the 2014 Peter J. Buckley and Mark Casson AIB Dissertation Award. The associate editor of this journal, a former AIB dissertation awardee, attended this year’s dissertation award presentation session at the annual AIB conference in Vancouver and had the pleasure to meet with the five award finalists as well as with the chair of this year’s award committee, Peter Buckley. Peter Buckley commented that the exceptional quality of this year’s finalist dissertations made it very difficult for the award committee to select a winner. We can echo this notion and believe the reader will come to a similar conclusion after perusing the innovative and thought-provoking dissertation research that is presented in this special issue.

The special issue starts out with a brief introduction and overview of this year’s dissertation award by Peter Buckley. This introduction is followed by an article co-authored by John Daniels and José de la Torre, both of whom are former AIB dissertation awardees themselves. They provide an overview and discussion about the early years of the AIB Dissertation Award, from 1968 to 1985, and so nicely complement an article the late Alan Rugman contributed to our aforementioned inaugural special issue, which provides a more recent history of the Richard N. Farmer years of the award (1986 to 2012). The next article comprises a summary of this year’s award-winning dissertation titled “The Organizational Design of Offshoring” by Marcus Møller Larsen (Ph.D. awarded by Copenhagen Business School, Denmark). The following articles include the dissertation summaries of the four award finalists, listed in alphabetical order: Snehal Suyash Awate (Ph.D. awarded by Temple University, USA), Miguel Matos Torres (Ph.D. awarded by University of Aveiro, Portugal), Lars Matysiak (Ph.D. awarded by Justus Liebig University Giessen, Germany) and Surender Munjal (Ph.D. awarded by University of Leeds, UK).

Interestingly, only one of this year’s five selected finalist dissertations was awarded by a US university, and all five finalists are now faculty members at universities outside the United States. This reflects the truly international nature of the annual AIB Dissertation Award, which considers dissertations in the field of international business from the top business schools and universities from around the world.

We would like to acknowledge the great work of this year’s AIB Dissertation Award committee, which included Peter Buckley (University of Leeds, UK) as Chair and Mark Casson (University of Reading, UK), both of whom the award is named after since last year, as well as Anupama Phene (George Washington University, USA) and Rebecca Piekkari (Aalto University, Finland).
We would also like to acknowledge, recognize and honor the invaluable contributions to the AIB Dissertation Award by the recently deceased Alan Rugman. Alan was a member of the first AIB dissertation award committee in the Richard N. Farmer era in 1986. Later, as Director of the Indiana University CI/BER, his support and leadership greatly contributed to Indiana University’s sponsorship of the Richard N. Farmer Award, which started in 2002 and continued for a decade. Furthermore, in his position as Head of International Business & Strategy at the Henley Business School at the University of Reading, he was instrumental in securing the funding for the newly named Peter J. Buckley and Mark C. Casson AIB Doctoral Dissertation Award, for which he served as chair of the first award committee in 2013. Alan’s contributions to the AIB Dissertation Award, the Academy of International Business, and the international business profession are invaluable, and he and his intellectually stimulating, passionate and witty contributions to the conversation of international business research will be greatly missed!

Congratulations to the 2014 AIB dissertation awardee and finalists for their significant accomplishment!

References
Introduction to the Special Issue on the 2014 Peter J. Buckley and Mark Casson AIB Dissertation Award

Peter Buckley, University of Leeds, UK

2014 AIB Dissertation Award Competition

Those of you who were privileged to be at the AIB Annual Conference session in Vancouver when the five finalists of the Peter J. Buckley and Mark Casson AIB Dissertation Award presented their dissertations in 12 minutes each will be unsurprised to read that this was an excellent year for international business doctorates. Neither will you be surprised that this was an incredibly difficult competition to judge. You will be aware that choosing among the five finalists was an almost impossible task, but prior to that, these five had to be selected from a total of 31 submissions, all of which were rated and ranked by an incredibly diligent and knowledgeable committee — Rebecca Piekkari, Anu Phene and Mark Casson, chaired by myself.

The five finalists were:

“Trajectory of Innovation in Emerging Industries: Evidence from the Global Wind Power Industry” by Snehal Suyash Awate, Indian School of Business (Ph.D. awarded by Temple University)

“The Organizational Design of Offshoring” by Marcus M Larsen (Ph.D. awarded by Copenhagen Business School)

“Pro-internationalisation Policy and Outward Foreign Direct Investment” by Miguel Matos Torres (Ph.D. awarded by Universidade de Aveiro)

“Multinational Enterprises and Performance: Three Essays at the Interface between International Business and Strategic Management” by Lars Matysiak (Ph.D. awarded by Justus Liebig University Giessen)

“Foreign Acquisitions by Indian Multinational Enterprises: A Test of Internationalisation Frameworks” by Surender Munjal (Ph.D. awarded by University of Leeds)

The finalists represented both a broad geographical spread (North America and Europe with strong Indian characteristics) and a diverse set of topics. The dissertations covered both qualitative and quantitative techniques and ranged across international strategy, industrial studies and government policy.

The breadth of the field of international business is illustrated not only by the five finalists but also in the scope of subjects covered in the submissions — and gratifyingly, in the range of institutions, nationality of applicants, supervisors and host countries covered by these applicants.

What Do We Learn from the Competition?

First, that international business is a vibrant field, attracting high quality students and producing high quality doctorates. Second, that the scope of the subject is broadening. The rise of emerging economies is mirrored in the applicant institutions, students and supervisors. There is no question that the rise of China, India and other “new entrants” (or re-entrants) into global competition has provided important subject material for dissertations – notably, inward and outward FDI from these economies, new multinational firms and strategies and a renewed focus on “context.” The questioning of old theories and empirical results that has occurred is healthy for our field. Third, there is an improvement in research techniques right across our field. Both quantitative and qualitative methodologies are undergoing a renaissance and, one hopes, this will soon be reflected in our top journals, notoriously conservative as they are. Fourth, new sources of empirical evidence are emerging. Where data are unavailable and/or unreliable as, for example, the case of Chinese outward FDI and Chinese multinationals, new sources and techniques are employed to provide surrogate means of measurement. Many inventive techniques were seen in the submissions. The imaginative creation of data – both secondary and primary – is a feature of the “new international business.”

It is encouraging to see doctoral researchers who regard themselves as pioneers – not adding footnotes to well-worn pieces but venturing out into the new creative fields in theory, technique and empirical work. This is the objective towards which the Buckley and Casson Award exists. Long may it continue.

I should end by thanking Henley Business School, University of Reading, and the Centre for International Business, University of Leeds, for sponsoring the dissertation award, the AIB Secretariat (and particularly Tunga Kiyak) for organising the event and the late Alan Rugman, who was a prime mover in setting up the Buckley and Casson Award.

Peter J Buckley, OBE, FBA, is Professor of International Business, Founder Director of the Centre for International Business, University of Leeds (CIBUL). Founder Director of the Business Confucius Institute at the University of Leeds and Cheung Kong Scholar Chair Professor in the University of International Business and Economics (UIBE), Beijing. President of the Academy of International Business 2002-04.
AIB Dissertation Awards: The Early Years (1968-1985)

John D. Daniels, University of Miami (Emeritus), USA
José R. de la Torre, Florida International University (Emeritus), USA

Last year, the late Alan Rugman (2013) published a piece in AIB Insights in which he recounted the recent history of the AIB Dissertation Award. In it, Alan describes the decision by the Executive Board of the AIB in April of 1986 as one that “formalized” the awards through the acceptance of a report by an ad-hoc committee established for that purpose and which had proposed a set of guidelines for future awards. Shortly thereafter, beginning in 1987, the awards were named after Richard N. Farmer, the legendary professor of international business at Indiana University, former AIB President, one of the earliest pioneers of our field and mentor to a whole generation of IB doctoral students who lobbied for naming the award in his honor. A quarter century later, the AIB Board renamed the dissertation award in honor of Peter J. Buckley and Mark Casson, two outstanding scholars responsible for the early development of internalization theory, one of the foundational approaches to the study of multinational enterprises.

Rugman’s article provides a rich description of the development of these awards over the past 28 years. He traces their evolution in terms of two important trends: the growth of scholarly work on institutional aspects of international business and the greater importance of work carried out outside the United States in recent years.

Facing a scarcity of data, the article provides no coverage of the early years of the award, that is, beginning with its debut in 1968. There is also an implication that previous awards were somehow ad-hoc in nature. In any event, little information was provided that would allow us to complete the picture on the evolution of doctoral research in our field. Consequently, we have taken on the task of examining these earlier awards, their subjects and recipients, and we have attempted to shed some light on the development of our IB research in these formative years of our Academy.

Methodology

As we sought information on early award years, we ran into a number of obstacles. We relied on John Fayerweather’s history of the AIB’s first 25 years of existence (1986) to find the names of early winners. Since his listing did not include dissertation titles, we searched through the University Microfilms in Ann Arbor, Michigan — both online and in bound volumes — and supplemented this information with Google Scholar searches of, and emails with, past winners. All early winners and titles are listed on Table 1, and we are confident that this information is both complete and correct.

We consulted incomplete AIB Board meeting minutes (sometimes undated) to determine procedural changes and policies, and we contacted three former AIB presidents (Jack Behrman, Robert Stobaugh and Art Stonehill) and a former Executive Secretary (James Goodnow), all of whom had been heavily involved in the organization's early years, to ascertain their recollections. Unfortunately, so many years have transpired that many details were lost. Since we were both involved with the AIB almost from the onset of the dissertation awards, we were able to recall certain things. However, we readily admit that there are gaps in this part of our paper. Perhaps the most frustrating inquiry came as we sought to find out where past winners are today. Many of them “fell off the map” many years ago. We have indicated on Table 1 the “last known” location for all winners, but some of this information is dated and may be incorrect. We also found no record of other finalists, thus perforce we had to depend only on winning dissertations to draw conclusions such as on topics chosen for study. (On reading this, if you find any errors or can fill in any gaps, let us know so that we can make corrections for the AIB archives.)

The Rationale and Early Structure of the Dissertation Award

The earliest reference we could find to the organization of any dissertation awards is in John Fayerweather’s AIB history. He describes the Board’s intention as follows:

[In order] to foster doctoral work, an annual award for a superior dissertation was proposed. The concept was a simple one, which received ready support, and the first award was made in 1968 to J.W.C. Tomlinson…

At the outset there were few candidates and the process was handled rather informally. However, formal procedures were quickly needed, and a set of rules was set forth in 1973. Three senior persons in the field of international business were designated [presumably by the Board] as the Selection Committee. Entries were made by submission of a ten-page summary of the dissertation. From these papers four finalists were selected. Their full dissertations were read by the committee in making the final choice for first and second place awards. With various modifica-
<table>
<thead>
<tr>
<th>Year</th>
<th>Winner</th>
<th>Granting Institution</th>
<th>Dissertation Title</th>
<th>AIB Member?</th>
<th>Last Known Position</th>
</tr>
</thead>
<tbody>
<tr>
<td>1968</td>
<td>James W.C. Tomlinson</td>
<td>MIT</td>
<td>A Model of the Joint Venture Decision Process in International Business</td>
<td>no</td>
<td>U. of British Columbia</td>
</tr>
<tr>
<td>1970</td>
<td>José R. de la Torre</td>
<td>Harvard U.</td>
<td>Exports of Manufactured Goods from Developing Countries: Marketing Factors and the Role of Foreign Enterprises</td>
<td>yes</td>
<td>Florida International U. (emeritus)</td>
</tr>
<tr>
<td>1972</td>
<td>James J. Ward</td>
<td>George Washington U.</td>
<td>Product and Promotion Adaptation by European Firms in the U.S.</td>
<td>no</td>
<td>NA</td>
</tr>
<tr>
<td>1973</td>
<td>Lee H. Radebaugh</td>
<td>Indiana U.</td>
<td>Accounting for Price Level and Exchange Rate Changes of United States Firms with Manufacturing Subsidiaries in Brazil</td>
<td>yes</td>
<td>Brigham Young U. (emeritus)</td>
</tr>
<tr>
<td>1976</td>
<td>Gerard B. J. Bomers</td>
<td>U. of Washington</td>
<td>Multinational Corporations and Industrial Relations: A Comparative Study of West Germany and the Netherlands</td>
<td>no</td>
<td>Netherlands School of Business</td>
</tr>
<tr>
<td>1978</td>
<td>Michael A. Amsalem</td>
<td>Harvard U.</td>
<td>Technology Choice in Developing Countries: The Impact of Differences in Factor Costs</td>
<td>no</td>
<td>Midsummer Capital LLC (New York), CEO</td>
</tr>
<tr>
<td>1978</td>
<td>Ruediger Neumann-Etienne</td>
<td>U. of Michigan</td>
<td>Exchange Risk in Foreign Operations of Multinational Corporations</td>
<td>no</td>
<td>Intertec Group (Palo Alto), Managing Director</td>
</tr>
<tr>
<td>1979</td>
<td>Sarkis J. Khoury</td>
<td>U. of Pennsylvania</td>
<td>International Banking, Its Scope and Raison d’Être: A Special Look at Foreign Banks in the United States</td>
<td>no</td>
<td>U. of California, Riverside (retired)</td>
</tr>
<tr>
<td>1980</td>
<td>William H. Davidson</td>
<td>Harvard U.</td>
<td>Corporate Experience Factors in International Investment and Licensing Activity</td>
<td>no</td>
<td>MESA Development (Los Angeles), CEO</td>
</tr>
<tr>
<td>1981</td>
<td>Viem Kwok</td>
<td>U. of California, Berkeley</td>
<td>An Analytical Derivation of Optimal Joint-Venture Agreements</td>
<td>no</td>
<td>CITIC Resources Hold. Ltd. (Hong Kong) Chairman</td>
</tr>
<tr>
<td>1982</td>
<td>Douglas W. Nigh</td>
<td>UCLA</td>
<td>Political Events as Environmental Determinants of United States Manufacturing Direct Foreign Investment</td>
<td>deceased</td>
<td>U. of South Carolina</td>
</tr>
<tr>
<td>1983</td>
<td>Kate Gillespie</td>
<td>U. of London</td>
<td>Foreign Investment and the Tripartite Relationship: Government, Foreign Investors, and Local Investors During Egypt’s Economic Opening</td>
<td>yes</td>
<td>U. of Texas, Austin</td>
</tr>
<tr>
<td>1985</td>
<td>L. Jeremy Clegg</td>
<td>U. of Reading</td>
<td>The Determinants of International Production: A Comparative Study of Five Developed Countries</td>
<td>yes</td>
<td>U. of Leeds</td>
</tr>
<tr>
<td>1985</td>
<td>Leo Sleuwaegen</td>
<td>Catholic U. of Leuven</td>
<td>Location and Investment Decisions by Multinational Enterprises in Belgium and Europe</td>
<td>yes</td>
<td>KU Leuven</td>
</tr>
</tbody>
</table>
An item in the minutes of the October 27, 1973, meeting of the Executive Board minutes of a meeting held in New York City were indeed adopted:

At the next Board meeting on April 20, 1974, the following guidelines yielded some relevant information on the process by which more members.

The structure of the Selection Committee also evolved over time. The initial “three wise men” (all were men in those early days) approach identified by Fayerweather gave way to a process by which a committee chair would be appointed who, in turn, would select the other members.

Although the records of AIB Executive Board meetings are spotty, they yielded some relevant information on the process by which more formal procedures were adopted. For example:

- An item in the minutes of the October 27, 1973, meeting of the Executive Board (p. 4) indicates a decision taken to “award framed certificates to all winners.” Prior to this, no certificate or plaque was awarded, and there certainly was no cash prize associated with the award. Both of the authors received their respective plaques only years later.

- The Executive Board minutes of a meeting held in New York City on December 26, 1973 (presumably just before the start of the annual meeting that year), notes that, “There was a discussion of the system of judging dissertations. Bob Stobaugh [then Vice President of the AIB] agreed to draft a set of instructions for future contests, for consideration by the Board.”

At the next Board meeting on April 20, 1974, the following guidelines were indeed adopted:

**A. Submission**

Although traditionally faculty members nominated outstanding dissertations from their respective schools, students may submit dissertations themselves. The only regulation that is adhered to rather strictly is that the dissertation be from international business rather from economics and other fields.³

**B. Selection to avoid partiality**

It is recommended that the review of the dissertations be by senior people in the field of international business … [This] will add to the prestige of the award … It is recommended that a heterogeneous group of readers be used so as to avoid possible functional bias.

**C. Number of winners**

… The committee reviewing the dissertations should decide the number of awards and whether any ranking should be made. However, normally one paper (sic) will be selected as a winner and 2 as runners up." ⁴

**D. Presentation of papers**

The winner or winners of the dissertation awards should be present at the annual meeting to present a paper based on his or her dissertation. The paper will conform to the guidelines for submission of other professional papers of the AIB normal paper presentations… As with other papers submitted to the AIB the *Journal of International Business Studies* will have first right to publish an article based on the winning dissertation. This article will be subject to the normal editorial process which is used for all papers submitted to the Journal.

The records appear to indicate that Prakash Sethi was appointed chair of the committee in 1977, and Steve Kobrin in 1978 (no other names were found in the available minutes). Later on, probably starting in 1979, Jeffrey Arpan, himself a winner of the award in 1971, was made a permanent chair of the selection committee, a position he held until 1986. During this seven-year period, three other members rotated in and out on the committee on a three-year schedule. Eventually, beginning with 1987, the current structure by which the longest serving member of the committee became its chair and then rotated out the following year was adopted.⁴ See Table 2 for a list of all committee chairs whose names are available.

**Winner Profiles**

Before the initiation of the Farmer Dissertation Award, there were 23 dissertation winners from 16 institutions over a 17-year period. The difference between the number of years and winners was due to ties in four different years (1973, 1978, 1982 and 1985). The first 19 winners were all males and all from universities within the United States. This pattern was broken in 1983 when Kate Gillespie became both the first female and first winner from a university outside the United States (University of London). In 1985, two other winners from non-US universities (L.J. Clegg from the University of Reading and Leo Sleuwaegen from the Catholic University of Leuven) were added to the list. Thus, in these early years, women accounted for only 4 percent and non-US universities for 13 percent of winners. In contrast, in the subsequent 28 years the percentage of female and non-US university winners increased to 39 percent each, which undoubtedly reflects the impacts of greater female participation in higher education programs and in the globalization of IB research and AIB membership.

Vol. 14, No. 3  AIB Insights

(pp. 25–26)

*See Table 2 for a list of all committee chairs whose names are available.*
Despite most dissertations emanating from the United States, there was considerable interest in non-US companies. Putting this in context, in the immediate post–World War II years nearly all outward FDI emanated from the United States, and it is fairly safe to say that nearly all studies during that period, both macro and micro, emphasized these outward movements. However, by 1968, the first year of the AIB Dissertation Award, this situation was changing and was quickly reflected in IB research with such topics as FDI into the US (Daniels, 1969), product and promotion adaptation by European companies in the United States (Ward, 1972), oligopolistic reaction by European investors in the United States (Flowers, 1974) and foreign banks in the United States (Khoury, 1979).

2. Foreign exchange. Again, this emphasis is best put into context. From 1944–1971, currency rates were fixed to the US dollar, which, in turn, was fixed to a price of $35 per ounce of gold. During this period, foreign exchange risk was a one-way street as currencies sometimes devalued, but seldom revalued relative to the US dollar. Between 1971 and 1973 this situation changed with the suspension of convertibility of the US dollar into gold and the emergence of the managed float system. Thus, foreign exchange risk became an important issue. Three early dissertation winners (Radebaugh, 1973; Neumann-Etienne, 1978; Bilik, 1982) seized on these changes respectively by studying the effects on accounting for value changes, ways for management to cope with such changes and the performance of the foreign exchange forecasting industry.

3. Cross-cultural operational differences. Much of the early work in international business dealt with cross-cultural differences that prompted questions on the universal applicability of management.5 Comcon-antly, dissertation winners studied variances in how nationalities managed differently within Malaysia (Sim, 1975), how French and English speakers within Canada contrasted in their responses to advertising (Tamilia, 1977) and how Indian and US managers' behavioral and decision processes differed (Dugan, 1984).

4. Dependence on interviews. While methodology differed among these studies, we could not help but notice when examining their abstracts that a seemingly high proportion of dissertations depended on collecting primary data through company interviews. If correct, there are probably two primary reasons. First, other than the Harvard Business School’s multinational enterprise project (founded in the early 1960s) that developed information on the international activities of a large number of US companies, there was scant available data at the firm level from databanks. Second, it is probably safe to say that in the 1968–1985 period there were far fewer academic requests for access to companies and their data (with the implied time necessary for their managers to supply information) than is currently the case. Thus, such primary data collection has become progressively more difficult as companies have rationed their availability.

The Winners Now

In trying to locate early winners, three things surprised us. First, we expected to find most of them through the AIB membership list, but as of May 25, 2014, only seven were still members. Excluding two former

Table 2: AIB Dissertation Award Committee Chairs

<table>
<thead>
<tr>
<th>Year</th>
<th>Committee Chair</th>
</tr>
</thead>
<tbody>
<tr>
<td>1968-69</td>
<td>Unknown</td>
</tr>
<tr>
<td>1970</td>
<td>Vern Terpstra, U. of Michigan</td>
</tr>
<tr>
<td>1971-76</td>
<td>Unknown</td>
</tr>
<tr>
<td>1977</td>
<td>Prakash Sethi, City U. of New York</td>
</tr>
<tr>
<td>1978</td>
<td>Steve Kobrin, New York U.</td>
</tr>
<tr>
<td>1979-86</td>
<td>Jeffrey Arpan, U. of South Carolina</td>
</tr>
<tr>
<td>1987</td>
<td>José de la Torre, UCLA</td>
</tr>
<tr>
<td>1988</td>
<td>Yves Doz, INSEAD</td>
</tr>
<tr>
<td>1989</td>
<td>Steve Kobrin, The Wharton School</td>
</tr>
<tr>
<td>1990</td>
<td>Susan Douglas, New York U.</td>
</tr>
<tr>
<td>1991</td>
<td>Don Lessard, MIT</td>
</tr>
<tr>
<td>1992</td>
<td>Robert Grosse, Thunderbird</td>
</tr>
<tr>
<td>1993</td>
<td>Yair Aharoni, Duke U.</td>
</tr>
<tr>
<td>1994</td>
<td>Robert Green, U of Texas, Austin</td>
</tr>
<tr>
<td>1995</td>
<td>Alan Rugman, U. of Toronto</td>
</tr>
<tr>
<td>1996</td>
<td>Ravi Ramamurti, Northeastern U.</td>
</tr>
<tr>
<td>1997</td>
<td>Lee Radebaugh, Brigham Young U.</td>
</tr>
<tr>
<td>1998</td>
<td>John Ryans, Kent State U.</td>
</tr>
<tr>
<td>1999</td>
<td>Kendall Roth, U of South Carolina</td>
</tr>
<tr>
<td>2000</td>
<td>Jean-Francois Hennart, Tilburg U.</td>
</tr>
<tr>
<td>2001</td>
<td>Raj Aggarwal, Kent State U.</td>
</tr>
<tr>
<td>2002</td>
<td>Nakiye Boyacigiller, San José State U.</td>
</tr>
<tr>
<td>2003</td>
<td>Kiyohiko Ito, U. of Hawaii at Manoa</td>
</tr>
<tr>
<td>2004</td>
<td>Bernard L. Simonin, Tufts U.</td>
</tr>
<tr>
<td>2005</td>
<td>Eleanor Westney, MIT</td>
</tr>
<tr>
<td>2006</td>
<td>Cristina Gibson, U of Western Australia</td>
</tr>
<tr>
<td>2007</td>
<td>Elizabeth Rose, U. of Otago, New Zealand</td>
</tr>
<tr>
<td>2008</td>
<td>Gary Knight, Florida State U.</td>
</tr>
<tr>
<td>2009</td>
<td>Mary Zellmer-Bruhn, U of Minnesota</td>
</tr>
<tr>
<td>2010</td>
<td>Jennifer Spencer, George Washington U.</td>
</tr>
<tr>
<td>2011</td>
<td>Simon Bell, U. of Melbourne</td>
</tr>
<tr>
<td>2012</td>
<td>Mike Peng, U of Texas at Dallas</td>
</tr>
<tr>
<td>2013</td>
<td>Alan Rugman, U. of Reading</td>
</tr>
</tbody>
</table>
winners known to be deceased, only one-third of past winners remained in the AIB. Second, given the scholarship required for a winning dissertation, we expected that many more than four (17 percent) to have become AIB Fellows in subsequent years. These four took an average of a little over 20 years to be elected to the Fellows after receiving their awards. In contrast, three winners since 1986 are Fellows, and they took an average of 15 years since receiving their awards to gain this status. Third, we have all heard the expression, “Those who can, do; those who can’t, teach.” But apparently six of the past winners “can do, and don’t teach.” From all indications, they are all highly successful executives, holding such titles as CEO, Chairman and Managing Director of their respective companies. None of these are currently AIB members.

**Recommendations for the Future**

Given the importance we attribute to winning the annual dissertation competition, and the impact that such exemplar work can have on future scholars in our field, we believe that the AIB should make a stronger effort to preserve this information and make it available to the membership. For example, we feel that the AIB Secretariat should maintain files (physical or electronic) of dissertations for all past winners and, at a minimum, maintain abstracts for other competitors’ submissions. To go even further, archives might include all IB-related dissertation abstracts, and these should be searchable by our members. Given Web-based information sources, this should be doable.

Our Academy should make a strong effort toward retention of past winners. Some alternative practices may include invitations for them to be on special panels (e.g., those now in the private sector may have many useful messages to pass on), getting them involved in reviewing papers and developing special events where past winners and finalists can interact.

In summary, we feel that the collective wisdom and experience of past winners of the dissertation awards is a precious asset that the AIB should try to preserve for future generations of scholars.

**References**


**Endnotes**

1 Fayerweather served as our first President (1960–1961) and also as Executive Secretary (1967–1970).

2 We would like to thank Susan Stern at the University of Miami for her valuable work in helping to retrieve abstracts.

3 The minutes stipulate that acceptable topics shall be defined according to the “book on international business research by Nehrt, Truitt and Wright (1970).”

4 José de la Torre, who had served in the Committee under Jeff Arpan, became the first Chair under this new system in 1987, and then rotated out the following year.

5 See, for example, Farmer and Richman (1965), Koontz (1969), and Negandhi and Estafan (1965).

6 At one time, *JIBS* published a list of completed IB dissertation titles on a regular basis, but we could find no record of when or why this practice ceased.

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Introduction

Why do some firms fail when offshoring and others do not? In an age where the relocation of business activities abroad is common practice, this is an important — yet largely ignored — question with central implications for both research and practice. Through a collection of four research papers, this dissertation suggests that offshoring initiates a more fundamental reconfiguration process that essentially challenges firms’ capacity to manage the complexities of operating an international organization. Firms tend to ignore the coordinative challenges of altering an organization from being primarily co-located to becoming highly international. Consequently, firms are caught up by what has been called the “harsh realities of offshoring” (Aron and Singh, 2005: 135).

Offshoring can be defined as the relocation of organizational tasks and services to foreign locations in internal, cooperative or outsourced arrangements (Lewin et al., 2009). Driven by objectives such as cost reduction, market proximity and access to strategic resources, the scale and scope of offshoring reached unprecedented levels with firms relocating tasks and activities from the entire value chain. Increasingly, however, many firms have begun to realize that managing an increasingly globally dispersed organization is more difficult and costly than initially expected. The business press is rich with examples of firms that are beginning to back-source or re-nationalize their offshored activities. In particular, it seems that decision makers often fail to accurately estimate the costs and benefits of offshoring and are therefore surprised by unexpected challenges of implementing offshoring decisions (e.g., Stringfellow et al., 2008).

To understand why firms fail when relocating activities abroad, I focus in this dissertation on the organizational design of offshoring. Specifically, I follow a tradition that views firms as systems of complex interdependent activities that must be coordinated to optimize organizational performance (Thompson, 1967; Siggelkow, 2001). For example, since organizational activities require ongoing interaction to coordinate decisions and behaviors, a growing number of interdependencies increases the number of channels to coordinate joint and interdependent organizational actions (Thompson, 1967). This, in turn, affects the organizational ability to process information (Simon, 1955) and increases the risk of organizational inefficiencies, inertia and decision errors (Levinthal, 1997).

This interdependency view is particularly salient within the context of offshoring. For example, how does the added distance between the organizational activities signified by offshoring impact task interdependencies and performance? How do bounded rational decision makers account for and plan the organizational change from co-location to international dispersion? How do firms accumulate architectural knowledge so that efficient design decisions can be taken when relocating certain activities to foreign locations?

When activities are geographically co-located and day-to-day problems and challenges can easily be solved in an informal face-to-face manner, firms may tend not to see the rationale of formalizing organizational mechanisms for coordination and knowledge transfer through standardized interfaces and clear divisions of labor. However, as offshoring signifies the relocation of originally co-located activities to foreign locations, operational efficiency may be hampered due to lack of trust, status differences between domestic and foreign units, and lack of understanding and communication in the process of delivering tasks, and interacting with offshore units. Employees with cultural and language differences at geographically dispersed locations are refrained from informal face-to-face coordination, and are forced to rely on less superior technology-based coordination mechanisms. Opportunities for informal coordination are reduced and project teams may find it more difficult to build collegial social environments and common ground due to less communication and shared context.

Consequently, firms engaged in offshoring must implement coordination mechanisms that accommodate for the added distance between interdependent activities.
to ensure that aspects such as knowledge transfer, coordination, and
control are not obscured by the geographic, political and institutional
distances between the onsite organization and offshoring activities.

**Summary of Research Papers**

The dissertation consists of four research papers that investigate different aspects of the organizational process of relocating firm activities to locations outside the home country. The first paper (Larsen et al., 2013) uses the context of services offshoring to investigate estimation errors due to hidden costs—the costs of implementation that are neglected in strategic decision-making processes. Based on data from the Offshoring Research Network, we argue that decision makers are more likely to make cost-estimation errors given increasing configuration and task complexity in captive offshoring and offshore outsourcing, respectively. Moreover, we show that experience and a strong orientation toward organizational design in the offshoring strategy reduce the cost-estimation errors that follow from complexity. The findings contribute to research on the effectiveness of sourcing and global strategies by stressing the importance of organizational design and experience in dealing with increasing complexity.

The second study builds on the first paper and investigates the performance consequences of the situations where decision makers’ estimations of the costs of implementing offshoring decisions are surpassed by actual cost levels. Using unique data from the Global Operations Network—a research network of different Scandinavian universities, studies industries, and companies that have been intensively exposed to globalization, and specifically how firms manage and coordinate their offshoring activities—I argue that cost estimation errors of implementing an activity in a foreign location have a negative impact on the process performance of that activity as operations are likely to be disrupted by managerial distraction and resource misallocation. Interestingly, however, I also find that this relationship is mitigated by the extent to which modularity is used as a coordination mechanism but made worse by the extent to which ongoing communication is used. This indicates that cost estimation errors should be regarded as a local problem that needs local accommodation, as the extent to which coordination with other geographically distant units is required induces politics and conflict of interests instead of attention to the offshored activity. Thus, the paper contributes to research on offshoring and strategic decision making by emphasizing the importance of organizational design and of estimating the costs of internal organizational change.

The purpose of the third paper (Larsen & Pedersen, 2014) is to investigate the effect of the organizational reconfiguration of offshoring on firms’ strategies. A consequence of offshoring is the need to reintegrate the geographically relocated organizational activities into a coherent organizational architecture. In order to do this, firms need a high degree of architectural knowledge which is typically gained through learning by doing. We therefore argue that firms with more offshoring experience are more likely to include organizational objectives in their offshoring strategies. This idea is developed using a mixed-method approach based on a qualitative case study of an R&D subsidiary in the Nokia Corporation and comprehensive data from the Offshoring Research Network. The findings contribute to research on the organizational design and architecture of offshoring and the dynamics of organizational architectures.

Finally, the fourth paper builds an agent-based simulation model that examines the performance implications of how firms adapt when offshoring. Building on the argument that firms must accumulate architectural knowledge for efficient adaptation, we argue that offshoring firms face two basic strategies: a proactive learning strategy (home-based learning before the offshoring implementation) or a reactive learning strategy (learning-by-doing after the offshoring implementation). Our analyses suggest that the relative attractiveness of the reactive strategy decreases with distance and coordination costs but increases with uncertainty. Moreover, uncertainty has a positive moderating effect on the relationship between distance and the reactive strategy. Accordingly, by formalizing two different architectural knowledge strategies in the context of offshoring, the paper shows how important contingencies can lead to significant performance tradeoffs in the identification of optimal organizational configurations when internationalizing.

**Implications for Practice and Research**

Taken together, the four papers suggest that the disintegration and relocation of organizational activities create complexity which, in turn, negatively impacts decision makers’ ability to accurately estimate the costs caused by the organizational change from co-location to international dispersion (Paper 1). While this has negative performance implications for the offshored activity (Paper 2), factors such as organizational design orientation, modularity and international experience reduce this negative impact. In particular, firms’ level of architectural knowledge is important in terms of anticipating and aligning offshoring complexity with corresponding organizational structures and processes. In this respect, firms can either accumulate knowledge reactively through learning-by-doing (Paper 3) or proactively through home-based learning (Paper 4). Thus, in order to understand why some firms fail when offshoring and others do not, these papers emphasize that the organizational consequences of relocating organizational activities to foreign locations entail complexities that require firms to invest additional resources in coordination so that efficient re-integration can be achieved.

These results have important contributions for business practice and future research. Seeing offshoring as an organizational reconfiguration highlights the importance of acknowledging and incorporating to a larger extent the organizational sphere in the analysis and practice of offshoring and multinational corporations. By solely focusing on extracting location-specific advantages, firms are more likely to encounter severe challenges of managing an increasingly globally dispersed
organization that eventually may cause failure. Rather, the argument put forth here is that firms need to manage the organizational complexities of offshoring to most effectively reap the benefits of foreign factor endowments such as low-cost labor and market access.

Further, the idea of hidden costs is new and has predominantly been treated anecdotally to underscore how offshoring might be more challenging than initially expected. This dissertation shows how multinational complexity drives cost estimation errors, shows how hidden costs deter process performance and identifies how firms’ may manage hidden costs through strategy orientation, experience and modularity. These findings are important for both practice and research. On the one side, firms may benefit from these insights by thinking more strategically on how to approach offshoring: How can we assess the complexity of our future multinational organization? Which channels of communication will be disrupted by relocation of certain tasks? Are there ways we can economize on mechanisms of coordination? On the other side, these insights contribute to research that focuses on appropriate organizational designs in complex environments (Ethiraj & Levinthal, 2004) and its inhibiting role on decision-making processes and decision makers’ estimation ability (Durand, 2003). Further, this dissertation contributes to research focusing on the role and strategies of architectural knowledge in organizational change (Henderson & Clark, 1990). Since offshoring signifies a change in the organizational configuration, it is demonstrated how firms need architectural knowledge on how the interdependencies spanning across geographies, cultures and institutions impact the organizational system and performance.

In conclusion, much research has argued that offshoring requires new theories to explain the phenomenon as the practice breaks with established theories on international expansion. In this thesis, offshoring is rather regarded as a unique empirical context in which existing theories on international expansion and organizational design can be investigated, extended and modified. The inherent challenges in changing a co-located organization to an internationally dispersed organization make offshoring an important empirical field for investigating complexity and design in contemporary organizations. Thus, offshoring should not be dealt with in isolation, but rather be viewed as a phenomenon that can further more established theoretical fields and practice of international business, strategic management and organizational design.

References


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New industries appear when knowledge from multiple industries is recombined to create revolutionary products or services. While this industry-creating role of knowledge recombinations is profound, their geographic sources are attributed to few knowledge hotspots often located in advanced economies. This dissertation reevaluates the geographic clustering of innovation in new industries. Contrary to the established view, we find that these industries experience a wider geographic circumference of innovation that spans even the emerging economies. The increasing appearance of new locations in the global innovation systems of these industries indicates lower barriers to entry and weaker first mover advantages for locations.

These contrasting results become more pronounced when viewed in the light of the established wisdom on new industries. Newly emerging industries are characterized by uncertainty in terms of strategy, operations, external environment and demand. Technological regime experiences frequent changes. Thus, what appears to be a converging dominant design and steady output growth may be disrupted by discontinuities (Klepper, 1997). The competition is based on technological expertise to manage as well as shape the evolving technological regime. In such a context, geographic proximity among the innovative locations, in other words, agglomeration benefits, are shown to improve spillovers of knowledge which is often highly tacit in the emerging industry phases (Audretsch & Feldman, 1996a, 1996b). Tuning into the local buzz (Bathelt et al., 2004) of such clusters may help to foresee the technological trajectory, reduce uncertainty and generate early-stage innovations. The established view on new industries thus leaves little room for entry of new locations into the innovation system of these industries and implies major first mover advantage for existing locations. Further, the technologically-intensive nature of the competition precludes existence of young, knowledge-disadvantaged locations from emerging economies.

We support our contrasting findings by building on two characteristic features of today’s knowledge economy, namely the global dispersion of technology (Cantwell & Mudambi, 2005) and the growing geographic spread of value creation (Mudambi, 2008). Multinational enterprises (MNEs) are indeed expanding their R&D networks to tap into dispersed knowledge sources. Lower spatial costs have led to an increasing fine slicing of global value chain shifting the economic activity from trade-in-goods to trade-in-activities. We argue that the established view on the geography of innovation in emerging industries was rooted in the trade-in-goods era. But the trade-in-activities feature of today’s economy allows for easier entry into the global innovation system and wider innovation geography.

We use the global wind power industry as the study setting. The industry came into existence in the early 1980s after the oil crises of the late 1970s. Since then, the industry has witnessed establishment of dominant design, steady output growth, shakeouts, changing policy regimes and technological discontinuities — characteristics of emerging industries. We study innovation geography of the wind power industry by employing a novel analysis in which innovation is unpacked into its constituent dimensions, namely technological, geographic, and the people dimension occupied by inventors. The three-dimensional analysis is conducted on the entire population of wind turbine patents from the United States Patents and Trademarks Office database.
Innovation Breadth, Innovation Depth and Geography

All scientific advances occur through two distinct though correlated processes. These have been termed “integration” (connecting diverse bodies of knowledge) and “specialization” (deeper analysis of the study area) (Mudambi, Hannigan, & Kline, 2012). The integration process can be measured by the diversity of the innovative process. In a like manner, the specialization process can be gauged in terms of the extent of specific and focused prior knowledge extant and used. In this sense, integration and specialization may be operationalized by the terms “breadth” and “depth” respectively. Breadth captures the number of discrete knowledge elements involved in creating innovations, that is, their technological scope. Locations that contain and support a wide variety of industries and technologies exhibit a high breadth of innovation. Depth, on the other hand, captures how well certain technologies are known. It develops as R&D activities continue in certain technologies. The locations that contain and support a great concentration of certain technologies exhibit high depth in those technologies.

We measure innovation breadth as the number of active technologies at a location and innovation depth as the extent of innovative activities in the set of local technologies. By applying network analysis, we examine how innovation breadth and depth at a location impact its innovation performance measured by its centrality in the global innovation system (Figure 1). We find that both innovation breadth and depth have negative curvilinear effects on the location’s innovation performance. However, breadth has a much larger impact than depth, suggesting that innovation performance is more sensitive to breadth than depth (Figure 2). We further argue that breadth can develop faster than depth, which implies that newer locations can undertake a breadth-focused strategy and accelerate their innovation performance. As seen in Figure 1, Shanghai, China, and Bangalore, India, serve as the examples of this result. Both these locations are late-entrants (2004 and 2006 respectively) in the wind industry’s innovation system, yet they became much central by 2011.

Role of Emerging Economies

We find that catch-up is of two kinds, namely catch-up in (i) output capabilities and (ii) innovation capabilities. Output capabilities embrace knowledge about the overall technology of the product and can often be acquired in the market, especially in emerging industries. Innovation capabilities, however, necessitate more profound knowledge of the overall technology and require firms to know more than the technology of the final product. We find that output catch-up occurs much earlier than innovation catch-up. This finding has important implications when viewed in the context of emerging economy firms. As seen in a number of industries, emerging economy MNEs (EMNEs) are rapidly catching up with the industry frontier. We argue that this to a large extent can be explained by their focus on output catch-up. Therefore, while many EMNEs appear to have caught up with incumbent advanced economy MNEs, we suggest that this catch-up relates mostly to EMNEs’ output capabilities and not their innovation capabilities. We find that their innovation catch-up is a slow process primarily undertaken by accessing state-of-the-art knowledge by acquiring foreign knowledge-bearing firms. Accessing knowledge requires closer interaction and negotiation with an R&D subsidiary that may be more powerful and driven by motives other than that of the EMNE.

If innovation catch-up is slow for emerging economy firms, the obvious next question concerns the appearance of emerging economy locations in Figure 3. Locations embody the knowledge of both the local firms and foreign firms’ subsidiaries. That results in a much broader and deeper knowledge base than any single firm leading to faster innovation catch-up of locations. Further, we find that the value chain fine slicing associated with today’s trade-in-activities era also applies to R&D whereby the exploitative R&D is often fine sliced and its relatively standardized slices are moved to emerging economy locations. Among them, those locations that support a broad range of related technolo-
gies and thus high innovation breadth become successful innovators in the emerging wind power industry.

References


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Pro-Internationalization Policy and Outward Foreign Direct Investment

Miguel Matos Torres
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What is the mechanism, or mechanisms, by which public support incentives influence the internationalization behavior of domestic firms? In this doctoral research I have been able to identify mechanisms through which policy operates upon firms’ internationalization, and how and why policy can fail.

I found that public policy works effectively through building firms’ resources and capabilities, but that it can be hijacked by opportunistic behavior, which includes “risk externalization” and the habituation (or addiction) of firms to the use of public support.

Politicians, public officials and academics who advise them believe that exports and outward foreign direct investment contribute to the economic development of their firms and their countries. Yet, the intersection of international business theory with public policy remains under-developed. This despite the widespread offering and application of public policy measures. These include incentives such as tax exemptions, reduced interest rates or even direct subsidization to encourage internationalization. Each of these is familiar the world over.

It is therefore all the more remarkable that scholars have generally neglected to investigate scientifically these mechanisms and impacts. Today, it is fair to say that we do not understand how effectively to promote outward internationalization, because we do not understand the way mechanisms work to implement policy upon firms’ behavior. We can also note that there is no well articulated theory to explain why developed and developing countries should promote their firms’ internationalization through exports, or through foreign direct investment. Yet the fact remains that they do promote outward internationalization, and as academics we are unable precisely to explain why.

An outcome of this deficiency is that governments lack a structured and objective rationale for pro-internationalization policies, in large part because academic research has failed to furnish them with the basis for accurate evaluation tools. Under this void, policy makers have come to rely on custom and practice in the way they design their characteristically top-down policies. Indeed, policy makers have grown reluctant to make changes to their established habit of promoting internationalization. This is because they see the relationship between policy actions and outcomes, i.e., the behavior of firms, as essentially speculative in nature, since it has not been subjected to rigorous testing to understand scientifically the mechanisms through which policies achieve their objectives.

My thesis unifies the instruments of official government intervention, mainly trade promotion, into the body of international business theory (Buckley & Casson, 1976; Dunning, 1958; Hymer, 1960) via a novel framework within which I am able to interpret why, and how, public aid for internationalization can increase not only exports but also foreign direct investment. The thesis is divided into eight chapters. Apart from the Introduction and the Conclusion, there are two literature reviews and four empirical papers based on survey data, which questions and main findings are presented in the following sections.

Why Do Firms Use Home Country Support Measures?

The actual process that firms go through to apply for public support is: (1) they become aware of public support and (2) they make a choice to use that public support. Because this process is two staged, I apply a Heckman Selection model. I found that the greater are the internal limitations of firms and the more demanding are the conditions in which internationalization takes place, then the greater is the use made of public support. In addition to this, I also found an interesting disjoint between awareness and use. Firms’ awareness of public support, while positively associated with more demanding conditions of internationalization, is unrelated to firms’ lack of endowments. Aside from this, the use of public support appears to be associated with the increased inherent risk of internationalization, which, in turn, is more likely within better-endowed firms. From this, I can infer that, as public support covers the increased risk of internationalization, then it becomes more likely that firms pursue modes of entry, or select locations, with higher levels of risk, precisely because of the availability of public support.

Have Firms with Foreign Direct Investment Actually Benefited from Home Country Support Measures?

Public support may boost internationalization as intended by home country governments, but, given the possibility of opportunistic behavior on the part of firms, this fact does not necessarily align with the original policy objectives to stimulate autonomy and sustainable competencies. Comparing firms with and without foreign direct investment through a probit model, I found that firms with such investment are older, larger and more productive, but also more intensive users of public support. Therefore, firms’ resources and capabilities matter in a
much more subtle and complex way than is portrayed in the resource-based view literature. This result agrees with my previous finding that the increased risk of internationalization is associated with the use of public support. Since this mode of entry is a higher commitment, a less liquid, and so a more risky mode of internationalization than exports, my research points to the need for a study that integrates exports and foreign direct investment to truly capture the real effects of public policy upon exports and foreign direct investment when both are being undertaken.

How Do Home Country Support Measures towards Internationalization Promote Exports and Outward FDI?

We know that the weight of evidence supports theory suggesting that exports and foreign direct investment interact strongly with each other and therefore need to be studied together. But such empirical work as there is to date has looked at the circumstantial impact of public support on exports alone (in isolation from other modes) while treating the mechanism as a black box. I use a structural equations model to investigate the impact of public support on sources of competitive advantage, and of the indirect effects of public support upon different modes of internationalization. In the initial stages of internationalization, firms use public support to reinforce their resources and capabilities, but they do not necessarily progress to export or internationalize into the more demanding conditions that can be found abroad. Firms which have enjoyed support that has upgraded their competitive advantages have subsequently become more disposed to expand into market conditions that are more challenging and risky than those they started with, and it is precisely at this point that they secure a new round of public support to fortify their resources and capabilities.

Conclusions

This thesis identified a dual gap in knowledge and understanding—one on the part of academics and a second on the part of practitioners, and those charged with designing and implementing policy, particularly policy officials. The findings therefore naturally fill this double gap.

For academics this research has demonstrated that, when it works, public policy works through its effect on the resources and capabilities of firms. It does not work simply through subsidizing the activities of firms in the international arena. However, when public policy does not work, it is likely the outcome of being hijacked by opportunistic firms, which are already perfectly capable of successful internationalization.

These findings have import for our students. They are a copybook demonstration of the imperative to look beyond the superficial logic of custom and practice—in our study, as related to internationalization theory and the practice of policy. For research students, it is a perfect example of a research gap that has languished in plain sight for over 50 years. And for those learning the principles of international business, it provides a logical linkage between theory and the policy domain—illuminating the hitherto arcane mechanism through which policy succeeds, and why policy often may fail. Students too often have been expected to swallow the staid line that policy is an inexact science.

For policy officials, the message is clear: targeting is essential. Effective selection of candidate firms that have the capacity to benefit from support is paramount. This way public money will work harder and achieve more for the welfare of domestic economies. Managers of firms in the early stages of internationalization, or considering internationalization, will glean from this research that they must employ public support as an investment in their firms’ ability to internationalize; all managers of firms must avoid thinking of support as a subsidy to business as usual.

How Do Firms with Foreign Direct Investment Evaluate Home Country Support Measures?

The main obstacles that firms cite during international expansion are: (1) the lack of resources and capabilities and (2) the more demanding conditions encountered as internationalization progresses. There is public support available to meet these adversities but, as firms evolve, the probability rises that the more capable firms will seek more profitable business through modes of internationalization, or select locations that pose increasing levels of difficulty. Applying an ordered probit model to firms with foreign direct investment, I evaluate these firms’ perceived importance of each type of public incentive. I found that firms with higher resources and capabilities attach less importance to public support, but that it is these same firms that tend to become intensive users of public support. It is this finding that encapsulates the tension for policy — ostensibly support measures are created to stimulate less capable firms to internationalize, but they are actually used most intensively by better endowed firms who, by their own testimony, attach less importance to support.

References


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“**What determines the international success and failure of firms?**” has always been, still is and will most likely remain for some time the *big question* in international business research (Peng, 2004: 102). This question — which is not only of great interest to scholars, but also to practitioners — captures the overarching theme of my dissertation. In sum, my dissertation emphasizes the importance of firm–location interactions for multinational enterprise (MNE) performance. My dissertation consists of three papers, each of which contributes to getting closer to an answer to the *big question* by examining a unique issue related to MNEs and performance at the interface between international business and strategic management. Paper 1 emphasizes the need for research on MNE performance to re-focus on firm-specific advantages and country-specific advantages. Paper 2 points out that MNEs particularly benefit from exploiting firm-specific advantages in technology within their home triad region, whereas higher degrees of multinationality beyond the home triad region are generally associated with lower performance, regardless of firm-specific advantages. Finally, Paper 3 develops an integrative MNE dynamic capabilities research framework that explains how MNEs recombine resources and capabilities to augment existing or attain new non–location bound firm-specific advantages, location bound firm-specific advantages, and country-specific advantages.

**Paper 1 – Antecedents of MNE Performance: Blinded by the Obvious in 35 Years of Literature**

Paper 1 is a systematic narrative literature review that examines the *variety* of antecedents of MNE performance. It makes two important findings. First, firm-level antecedents can be expected to have the strongest impact on MNE performance, while industry-level and country-level antecedents are less impactful. We deduce this from a summary of strategic management’s market-based view (Porter, 1981) and resource-based view (Barney, 1991) as well as international business’s internalization theory (Buckley & Casson, 1976; Rugman, 1981), supplemented by an overview of analyses of variances. Second, empirical studies on antecedents of MNE performance seem to lack a coherent theoretical framework, hardly discuss their use of a diverse set of performance variables, and overwhelmingly focus on the degree of multinationality as an antecedent. We deduce this from a synthesis of 63 studies published in the three most important business and management journals for international business between 1976 and 2010.

Paper 1 contributes to the *big question* in international business research by emphasizing the need to re-focus on antecedents of MNE performance other than multinationality. In particular, we suggest that future research should more carefully consider firm-specific advantages and country-specific advantages as well as interactions between them. Accordingly, practitioners should base strategic decisions about operations in foreign countries on these very factors, which also means that multinationality is rather an intermediate variable. For policy makers, this implies that institutions may be designed to confer country-specific advantages, thereby attracting MNEs.

**Paper 2 – Antecedents of MNE Performance in the Home Region and Beyond**

Paper 2 of my dissertation is an empirical study that elucidates how the performance impact of firm-specific advantages varies with the degree of multinationality in an MNE’s home triad region and with the degree of multinationality beyond an MNE’s home triad region, i.e., in the rest of the world. We find, first of all, strong evidence for the regionalization perspective’s (Rugman & Verbeke, 2005) point that multinationality in the rest of the world is associated with higher costs and hence affects performance more negatively than home region multinationality. Second, we find that firm-specific advantages in technology primarily benefit MNEs with high degrees of home region multinationality. Finally, we find that international experience of MNEs’ top management teams primarily benefits MNEs with high degrees of multinationality in the rest of the world. These findings are the results of robust fixed effects regression analyses of an original dataset comprising the largest listed German manufacturing MNEs (77 firms, 423 firm-year observations for the years 2004–2010).

The contribution of Paper 2 to the *big question* in international business research is to show that the performance impact of two types of firm-specific advantages that are usually considered to be non–location bound depends on their interaction with location at the regional level. Contrary to popular belief, MNEs do not seem to be able to exploit firm-specific advantages in technology anywhere in the world, but rather...
only in their home triad region. In the rest of the world, necessary investments in complementary assets may erode initial advantages. Furthermore, international experience of top management teams — theoretically a microfoundation of a higher-order firm-specific advantage — does not improve the success of an MNE’s operations within its home triad region, but somewhat alleviates the negative effects of operating beyond the home region in the rest of the world. This may be because top management teams primarily matter in so-called weak situations with ambiguity, complexity and high managerial discretion (Finkelstein et al., 2009), which are more likely in the rest of the world than within the home region. From the point of view of policy makers, Paper 2 provides arguments in favor of efforts to decrease administrative and economic distances, which together with cultural and geographic distances are key determinants of the costs of doing business abroad. The proposed Transatlantic Trade and Investment Partnership between the European Union and the United States may be an important step in this direction.

Paper 3 – Towards a Dynamic Theory of the MNE: Resource–Capability Recombinations

Paper 3 is a conceptual paper that integrates internalization theory, the resource-based view and the dynamic capabilities approach. It thereby advances the theory of the MNE to explicitly account for dynamic industry and country environments. We expound that an integration of the three abovementioned complementary theoretical perspectives is necessary in order to comprehensively explain the origin, creation and sustaining of MNEs’ competitive advantages. Contemporary internalization theory distinguishes between non-location bound firm-specific advantages, location bound firm-specific advantages and country-specific advantages (Verbeke, 2009), and it explains the optimal mode of cross-border transactions in which these three components of an MNE’s competitive advantage are involved. However, its genesis as a static comparative institutional approach makes it inadequate to explain the origin, creation, and sustaining of these three components of competitive advantage. The resource-based view explains that competitive advantages as a whole originate from idiosyncratic resources and capabilities, but it is static and equilibrium oriented and thus inadequate to explain how firms create and sustain competitive advantages over time. The dynamic capabilities approach builds on the resource-based view to explain how firms create and sustain competitive advantages in dynamic environments via sensing, seizing and transforming (Teece, 2014), but it shares the resource-based view’s shortcoming to only consider competitive advantages as a whole, not being able to distinguish between non-location bound and location bound firm-specific advantages and country specific advantages. Overcoming each perspective’s shortcomings and combining their strengths, we develop an integrative MNE dynamic capabilities research framework that explains how MNEs recombine resources and capabilities to augment existing or attain new non-location bound firm-specific advantages, location bound firm-specific advantages and country-specific advantages via sensing, seizing and transforming in dynamic industry and country environments.

Paper 3 contributes to the big question in international business research by proposing that successful sensing, seizing and transforming in an international context requires MNEs to implement underlying processes and activities that are clearly aligned with the theoretical framework we develop. First, the processes and activities that undergird an MNE’s sensing are more successful when they follow the extended resource-based view logic we develop, which takes the international aspects of MNEs operations explicitly into account. Second, the processes and activities that undergird an MNE’s seizing are more successful when they follow the logic of contemporary internalization theory. Third, the processes and activities that undergird an MNE’s transforming are more successful when they follow the logic of international business’s dominant theories about incentive structures and governance of transactions with foreign subsidiaries and external partners. In terms of international business and strategy education, Paper 3 implies that courses should not only teach the separate theories, but also provide guidance as to how processes and activities within firms can be better aligned to follow the theories’ logics.

References


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This thesis tests the applicability of the OLI (Ownership-Location-Internalisation), and the LLL (Linkage-Leverage-Learning) frameworks in the case of Indian multinational enterprises’ (MNEs) internationalisation through foreign acquisitions. It contributes to the academic debate about the need for new theories that explain the internationalisation of MNEs from emerging economies (EMNEs) by ascertaining which aspects of the theoretical explanations are valid, and which are not (Cuervo-Cazurra, 2012; Mathews, 2006; Ramamurti, 2012). In this process, it answers some intriguing questions presented in the literature, such as do EMNEs possess ownership advantages? And, if so, what are the sources of their ownership advantages?

It also reconciles the extreme views of internationalisation, i.e., asset exploitation view, and asset augmentation view, embedded within the Ownership-Location-Internalisation and the Linkage-Leverage-Learning frameworks, respectively, by exploring complementarities between the frameworks. In practice, MNEs are not ruled by frameworks. MNEs exploit their ownership advantages, and also form linkages (networks) to augment strategic assets. Thus, asset exploitation and augmentation strategies occur simultaneously, and the real research challenge is to explore how MNEs dovetail these strategies. To discover which aspects of the frameworks complement, and which compete, various interactions between tenets of both frameworks, at both country and firm level, were formulated.

Results suggest that the frameworks are complementary, and that they explain different facets of internationalisation (Dunning, 2006; Mathews, 2006; Narula, 2006). Indian MNEs possess ownership advantages, which are exploited by combining them with resources acquired from foreign networks. However, foreign networks may not always be favourable, particularly where resources obtained from foreign networks are incompatible with existing assets. The findings are presented in four papers, which are summarised below. Table 1 shows the research design and the structure of the thesis.

### Paper 1

Home country effects are found to be significant in determining cross-border acquisitions undertaken by Indian MNEs. Specifically, home institutions and market structures contribute to country specific advantages. Higher stock valuations in the Indian capital market lower the cost of capital and provide funds for acquisitions. This effect is further strengthened by the appreciation of the Indian Rupee against the US dollar, and the liberalisation of outward FDI policy which removed the absolute cap on outward investment and enabled Indian companies to undertake more and larger foreign acquisitions.

In addition to the above economic factors, proficiency in the English language assisted Indian MNEs to invest in English speaking countries, particularly the UK and the USA, where they have sought market and strategic assets, such as brands and technology. Further, the experience of operating in a risky political environment at home has made Indian MNEs resilient towards political risk. This is a country specific advantage which has empowered Indian MNEs to invest in developing economies of Asia, Africa and South America to seek natural resources.

The paper also tests the impact of country specific linkages on the internationalisation of Indian MNEs. Different types of associations, such as economic–political alliances and trade linkages between nations were used to measure country specific linkages. North–South types of country alliances, such as the Commonwealth, and trade linkages provided additional explanatory power (Buckley, Enderwick, Forsans and Munjal, 2013).

### Paper 2

Indian MNEs’ foreign trade and investment linkages were also found significant. This has not only given them exposure and experience of foreign markets but has also helped them identify foreign acquisition...
opportunities. Furthermore, resources acquired through foreign linkages help Indian MNEs build competitive advantages for internationalisation and overcome resource deficiencies. More specifically, Indian MNEs in technologically intensive industries, such as automobiles, pharmaceuticals, renewable energy, software and telecommunications, have augmented foreign knowledge-based resources to enhance their competitive advantages.

The asset exploitation hypothesis was examined to explore what kinds of firm specific advantages are possessed by Indian MNEs. Findings suggest that Indian MNEs possess financial reserves, which are exploited in making foreign acquisitions. It is argued that these financial resources are an outcome of imperfections in the home market. The late liberalisation of the home economy provided Indian MNEs monopolistic access to a large sheltered market for a long time. As a result, many Indian MNEs grew strongly accumulating financial reserves that can be used to undertake acquisitions to obtain resources not available at home.

This confirms previous studies that EMNEs lack other traditional competitive advantages, such as managerial or marketing skills. Even though Indian MNEs serve a large diverse market at home, their managerial and marketing skills are not sufficient to enable them to be internationally competitive. However, Indian MNEs possess adequate technological ownership advantages in some industries that facilitate the absorption of foreign technological resources.

**Paper 3**

This paper explores complementarities amongst country-level determinants by testing interactions between home-host country distance and country specific linkages. It finds that home country linkages influence Indian MNEs’ location choice and internationalisation strategy by moderating the negative effect of different kinds of distances, such as economic, cultural and geographic, between home and host countries. For example, an economic-political alliance, such as the British Commonwealth, bridges the cultural and economic distance amongst member countries through cultural and sporting events, policy similarities, and strengthening democracy and transparency. All these measures facilitate internationalisation of the MNE by reducing transaction costs associated with home-host distance (Buckley, Forsans, & Munjal, 2012).

Furthermore, results show that linkages between home and host countries complement country specific ownership advantages by adding to the overall explanatory power of country specific advantages in explaining foreign acquisitions undertaken by Indian MNEs.

**Implications**

The main contribution of the thesis lies in explaining the mechanisms through which the Ownership-Location-Internalisation and the Linkage-Leverage-Learning frameworks can be complementary, both at the country and firm level. It confirms that home country effects are strong in explaining EMNEs’ internationalisation. They shape EMNEs’ capabilities and resources, and also influence their location choice. It also extends the LLL framework by exploring the positive effects of country specific linkages. It suggests to policy makers in emerging economies that some protection at home and linkages with other countries can facilitate the internationalisation of their local firms.

At the firm level, managers should look beyond the boundary of the firm and exploit home country linkages. They should consider the effects of foreign resources and understand that not all of them will facilitate the firm’s internationalisation. Some may create an impediment. Theoretically, this research extends the Linkage-Leverage-Learning framework and the current perspective of the resource-based view, which presents a rather myopic view of the role of network resources which fails to distinguish between supporting and impeding effects.

**References**


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