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Comments from the Editors

In the last issue of 2013 we bring you an eclectic collection of articles that we find interesting and useful.

In "Terrorism Studies in International Business: Increasing Knowledge, Reducing Victimization," Gabriele Suder of SKEMA Business School and Michael Czinkota of Georgetown University propose that terrorism studies have become an integral part of the international business (IB) literature, despite the difficulties inherent in studying the phenomenon. Hopefully terrorism itself will suffer from enhanced exposure and knowledge, which, over time may lead to containment in the future.

Kalman Kalotay of the United Nations Conference on Trade and Development (UNCTAD), Switzerland, presents in "FDI in the Former Soviet Periphery in Six Charts" a concise yet informative review of what has been going on regarding investment in the periphery countries of the former USSR. He concludes that the small former Soviet republics need strong investment promotion efforts if they wish to overcome the handicaps he enumerates and convince potential foreign investors first to put them on the map and then to choose them for concrete projects.

In "Born Global In Bangalore: Emergent Pathways For International New Ventures via Multinational Enterprise Networks" Shameen Prashantham of the Nottingham University Business School China believes recent thinking on MNE networks suggests that opportunities arise for internationally-minded, innovative new ventures (INVs). These ventures leverage the innovation ecosystems of MNE's networks, mirroring a major change in the thinking of CEOs of large MNEs away from an insular focus on the company to a wider focus on the interorganizational networks that they seek to orchestrate, with an underlying factor of accelerated innovation in technology and management practices at the MNE–INV partner interface.

Romie Frederick Littrell, *Editor*
Auckland University of
Technology, New Zealand

Daniel Rottig, *Associate Editor*
Lutgert College of Business
Florida Gulf Coast University, USA

In an opinion/editorial piece, Yair Aharoni, Professor Emeritus of Tel Aviv University, presents "A Few Lessons From My Long Experience in IB Research," reflecting on what he considers a few of the major challenges and implications for IB researchers.

We hope you enjoy the variety of this issue. We are always open to your suggestions and encourage your contributions.

Terrorism Studies in International Business: Increasing Knowledge, Reducing Victimization

Gabriele Suder, SKEMA Business School, France

Michael Czinkota, Georgetown University, USA

We suggest that terrorism studies have become an integral part of the international business (IB) literature, despite the difficulties inherent in its research, and that the (ongoing) consolidation of this literature stream now provides IB researchers and practitioners with an affluence of insights to benefit from in the future.

From windmills to ugly faces

Terrorism analyses have been part of research in the fields of political science, geopolitics and criminology for centuries. In business studies, the phenomenon was typically scrutinized in a limited manner, mainly under a financial or political risk management and insurance perspective and, by some, as one of several potential triggers of disaster management.

In the IB arena, barely any research made reference to terrorism before 9/11/2001; if so, studies were resolutely country- and sector- specific, mostly revolving around attacks on commodities or tourism. Terrorism was not seen as a business-relevant problem where business could bring a solution. It was mainly framed in terms of protection from the, mostly limited, effects of terrorism. As to whether business could either prevent or trigger terrorist activities was not part of the field's concern.

A new era of terrorism in terms of level of intensity, reach, target and location, particularly since the tragic events of 9/11/2001, changed sensitivities. This also generated increasing attention to terrorism issues in the academic work on the internationalization of the firm. A new stream of literature, launched by only a handful of IB researchers, led to a growing number of academics and practitioners who have dedicated their work to the analyses of terrorism from various points of view and with a more global business perspective. They have created a body of contributions that now advances our understanding of the phenomenon, its impact and resulting strategic implications for the international firm.

Yet, early contributors had to fight against the windmills of opposition to qualitative research, adversity founded in data limitations and the lack of a conceptual cradle. They thus had set out to embed their projects in the works of scholars including Mascarenhas (1992), who had stressed the particular exposure of international business operations to uncertainty, emphasizing the significance of managers' perceptions and judgment. Similarly, Kobrin's (1992) work on political risk associated with foreign investment became a basis for extended argumentation in the context of terrorism. The way in which such events affect the firm depends, to a large extent, on the managerial perceptions of events and outcomes, which, in turn, will guide resulting action. Weir (2002) examined manmade disasters and postulated that risky reactions by companies are contingent on the negligence of appropriate strategies, or worse, in the belief in "managerial triumphalism."

However, any type of terrorism greatly increases the level of uncertainty in the complexity of international business (Enderwick, 2001; Suder & Czinkota, 2007). Global terrorism fosters a modification of perceptions, scale and scope of stakeholders, and it questions the universality of corporate tactics. 9/11/2001 and subsequent Western incidents of global terrorism have taught important lessons. General managers and strategists allow international business to look into the ugly face of terrorism and to yield paybacks from appropriate strategy rather than passively ache from unexpected tragedy. While the human sufferance caused by terrorists can and will never be neglected or excused by managers, international business theory and practice can play an vital part of prevention and harm limitation by not caving into their goals.

What changed on a conceptual level…

…was, first of all, the perception of risk and uncertainty. The scale, scope and target of 09/11/2001-induced terrorism, in its ugliness, has advanced international business understanding and capabilities. Terrorism has moved to the rank of a risk that needs to be assessed, evaluated and managed, and that the international firm of any sector needs not bear passively. The Boston Marathon attack has reminded the international events management and sports sector of this cruel reality.

The key objective of contemporary terrorism is the most efficient distribution of unexpected violence and the threat of violence against civilians that are (directly or indirectly) part of economic organizations and structures. The effect is maximized through the victimization of innocents and patrons of what they see as the capitalist world, and that a maximum of onlookers can identify with. More than a decade of experience with the new nature of this terrorism has triggered the increasing resilience of global and regional economic flows and forced firms to design new strategic adaptations.

One other recent example is the attack against gas exploitation sites in Algeria. Again, keeping international investors away from certain locations, disrupting value chains, spreading perpetual fear are meant to form an omnipresent and widespread threat.

As a result, for international business, global terrorism analyses have soared in importance and "terrorism" has changed from a mainly non-probabilistic uncertainty to a risk in its own name. As a management variable, terrorism has been entering the broad levels of corporate strategy and leadership. Marketplace, infrastructure, financial and reputational risks that many firms use to scrutinize domestically for their firm's scorecard, have been adapted to global challenges largely ignored (or at least, limited) until 2001. They are now directly linked to the firm's international environments and internationalization process, transaction costs, and firm management and performance under conditions of terrorism based risk.

> "…global terrorism analyses have soared in importance and "terrorism" has changed from a mainly non-probabilistic uncertainty to a risk in its own name."

We are looking at an increased understanding of the asymmetries of terrorism's structure and methods. Managers have learned that terrorists operate with relatively limited means and seek significant implications in terms of direct, easily "tangible" consequences (such as terrible highly visible loss of life, shock, stress, etc.) and in terms of indirect consequences (e.g., loss of revenue, reduced negotiation and strategic opportunities, declining confidence of stakeholders, supply chain modifications).

The basis for this understanding in IB is rested upon Enderwick's circles of analysis (2001), as well as early work identifying terrorism as the risk of violent acts to attain goals via fear, coercion or intimidation with a clear impact (directly) or via the international business environment (indirectly) (Czinkota et al., 2010; Suder, 2004). What terrorists seek are cyclic states of fear.

Impacts of terrorism

"Terrorism" within the IB domain has proven to be a particularly demanding challenge for researchers and practitioners for two reasons: its unpredictability and its quasi-intangible yet real indirect impact on business internationalization and performance.

Direct effects primarily encompass damage or disruption for power, communication, transport and other infrastructure due to physical damage, injury, trauma and death on human level, and destruction on a physical level. This level is mainly explored and conceptualized in the literature and includes business continuity planning/preparedness (Jrad et al., 2004; Zsidisin, Melnyk & Ragatz, 2005), business resilience (Enderwick, 2006; Sheffi, 2005), crisis management, disaster recovery (Decker, 2005) and disaster planning (Gerber & Feldman, 2002).

The analysis of indirect effects includes the examination of demand and supply effects, international transactions costs, international supply chains resilience and flexibilities, reputations, government policies, regulations, procedural changes (e.g., customs, migration, M&A policy) and the trends and flows of FDI and corporate internationalization strategy over time (Czinkota et al., 2010; Suder, 2004).

Interestingly, from the very cradle of such analyses, scholars and practitioners have recognized that the high perception of threat and uncertainty caused by terrorism may lead not only to loss but also to the creation of new business opportunities (Enderwick, 2001). This understanding was primarily grounded in observations of advantages yielded in the field of security, protection, insurance and risk management technologies. The redistribution of profit and revenue has characterized many sectors such as tourism, protection service providers or image collection and comparison firms. Global terrorism shapes FDI (re-)distribution, modifies (more modifiable) location decisions, and alters the scale and scope of global value chains.

The risk–return evaluation literature has added further insights into IB considerations, with some dilemmas and ambiguities. Two streams of research motivated by the negative risk return association have come into play to a somewhat insufficient degree: one stream results from a combination of the utility theory of Schoemaker (1982), prospect theory of Kahneman and Tversky (1979) and Bowman's (1980) "risk–return paradox"; the other one, more process oriented, was initiated by Bromiley (1991) and Wiseman and Bromiley (1996) with the link between productivity increase and risk taking. However, in the international business literature, the risk/return evaluation conceptual frame investigates terrorism analysis and assessment, using empirical findings, to demonstrate that strategic choices are increasingly taking into account in a positivation of this global risk return evaluation, to help mitigate the risks and yield benefits despite of (or sometimes, thanks to) extreme contexts (Branzei & Abdelnour, 2010; Kotabe, 2005; Suder et al., 2013).

Managerial issues

Today, firms consistently rate the uncertainty triggered by terrorism as high, and they undertake specific measures to reduce such risk (Czinkota & Ronkainen, 2009)

Mascarenhas (1982), in an early *Journal of International Business Studies* (JIBS) article, has already stipulated that only a systematic procedure for reducing uncertainty can function efficiently to secure corporate performance in the long term, and had placed special emphasis on the methods of control and flexibility in qualitative research with MNEs. Kobrin (1992) added that strategy depends on whether the risk is systematic or not. Other methods of influencing uncertainty include non-market strategy, corporate social responsibility policies and social innovation.

In addition to the extension of these early works, the surveys of managerial assessment and evaluation of political, geo-political and geo-economic environments have extended terrorism research. In a nutshell, corporations today strive to include terrorism's impact (as one of several key issues of international stability) into their strategic planning and the (re-) configuration of international business activity, using three levels of analysis. First, there is the primary level, where the most immediate and direct consequences of a terrorist action are investigated. Second is the micro-level of analysis where specific regions, industries, or performance levels in international value chains are scrutinized over time. The third one is the macro level, where short-, medium- and long-term global shifts and adjustments are considered, and linked to corporate identity risk exposure analysis. The core of this latter concept is the idea that identity is based on a specific set of variables that determines (terrorism) risk exposure. Variables likely to affect the risk of a particular company as opposed to the risk from the environment will include the products and services a firm offers; the sector in which it operates; the strength of its brand image; the perceived country of origin; the location of its head office; its past behavior; its link to alien cultural values; its perceived size and wealth and the lore associated with the creation of such wealth.

"Overall, the study of terrorism and its context for international firms has become an integral part of the IB literature, despite the difficulties inherent in its research."

Current research and practice: Future perspectives

The international business literature took some time to acknowledge the importance of global terrorism risks and its impact on international commerce and corporations. This occurred not because of insufficient scholarly awareness of the significance of terrorism. Rather, the difficulty in obtaining company primary data regarding highly sensitive issues surrounding terrorism and corporate preparedness for it had drawn a barrier to early scholarly analysis that only a few researchers were able to transcend at that time. Also, the psychologically complex exposure to the phenomenon itself may be challenging, given that some significant research work required field work and on-the-ground interviews. Amongst the first to research and publish about contemporary global terrorism were Enderwick (2001), Trim (2003) and Suder (2004). Continued exploration of IB and terrorism issues centered on state-of-affairs analyses of direct impacts, the loss and adaptations in global terrorism aftermaths, followed by conceptualizations to model indirect impacts and the study of corporate strategies on a micro-and macro-level (Gillingham et al., 2008; Spich & Grosse 2005; Suder 2006).

Today, big data have become available from previously confidential corporate and institutional sources. Since terrorism is no longer seen as unique and rare, more analyses are facilitating further insights and better understanding.

We have thus recently seen the emergence of various specific sub-streams of terrorism studies affiliated with IB studies. These include, for instance, the work of Branzei and Abdelnour (2010), who set out to explain the somewhat paradoxical observation (at first sight) that enterprise activities often flourish under extreme adversity. A study of internationalization into high-terrorism risk, institutionally incomplete business contexts proposed by Suder et al. (2013) scrutinizes related organizational and managerial absorptive capacity from a learning perspective. Getz and Oetzel (2010) analyzed MNE strategic intervention in adverse conditions of uncertainty and violent conflict. Yet other studies propose insights into the indirect effects of terrorism on brand value and rankings; compare terrorism to financial risk effects, or conduct investigations into the building of social networks to help broaden manager's capabilities of dealing with terrorism. We now even see statistical analyses that endeavor to uncover the relation between terror and corporate performance, measured for instance by return on equity (ROE) (Suder & Czinkota, 2013). Finally, as a growing availability of big data emerges, research needs to distinguish more between groups of international businesses.

Some limitations to corporate awareness (and thus, barriers to learning and adaptation) have nonetheless been revealed. Certain types of corporations are likely to tackle the terrorism threat head-on and strive to adapt and strategize (e.g., firms that compete in risky locales), while other firms, be it out of lack of immediate necessity, ignorance or insufficient motivation, have less incentive to dedicate themselves to the repulsion and prevention of terrorism. They are thus more vulnerable in the long term. Also, there is concern that corporate attention to and adaptive strategies for addressing terrorism are correlated to the frequency and geographic relevance of terrorist events.

Overall, the study of terrorism and its context for international firms has become an integral part of the IB literature, despite the difficulties inherent in its research. The consolidation of this literature stream now provides international business researchers and practitioners with insights for use in continued work. Terrorism itself will hopefully suffer from this enhanced knowledge, which, over time may lead to knowledge resulting in the containment of victimization in the future.

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Gabriele Suder is Jean Monnet Chair Professor of International Business at SKEMA Business School and Academic Director for SKEMA US, Raleigh, NC. She has been with SKEMA (*nee* CERAM) since 2002. Dr. Suder holds a German BA in Economics, Politics, Chinese and Japanese, an MPhil in Governmental Studies from the University of Strathclyde, and a PhD in Management from the University of Bath, UK. She is also a graduate of ITP at IMD Lausanne in 2008. For SKEMA, Gabriele teaches mainly in Sophia Antipolis, Raleigh, and Suzhou. Gabriele has been a visiting fellow at Australia National University European Studies Center, and regularly teaches at Aalto University, Finland and at GGS, Germany. She served as external examiner of ESCP-Europe's multi-campus Master in Management/MBA programme, as expert at the European Union for Education and 'Lifelong Learning', and at UNCTAD for Investment Trends (WIR). She publishes widely and appears regularly on national and international radio and TV for interviews. She is particularly well known for her early IB research publications on global terrorism and internationalization strategy in regional contexts. Gabriele joins the University of Melbourne as Director, International Relations, in early 2014.

Michael Czinkota is an Associate Professor at McDonough School of Business, Georgetown University. He has been listed in the leading ranks of prolific authors in IB, and is lead author of two major textbooks (International Business 8th ed. Wiley and International Marketing 10th ed. Cengage) He has served the U.S. government as Deputy Assistant Secretary of Commerce responsible for Trade Information and Analysis. Educated in Germany, Austria, Scotland, and the United States, Czinkota holds an MBA and Ph.D. in international business and logistics from The Ohio State University.

FDI in the Former Soviet Periphery in Six Charts

Kalman Kalotay, United Nations Conference on Trade and Development (UNCTAD), Switzerland[1]

The former Soviet periphery is not a major interest for international business scholars. This is partly understandable as these are small and little known economies, hidden behind the center of the Soviet Union until its break-up in 1991. After gaining independence in 1991, these peripheral countries underwent a transition which proved to be more painful than in other parts of the formally centrally planned world. Nevertheless, their policy makers carried out major efforts towards economic reforms. Still, given their handicaps, their countries have attracted modest inflows of foreign investment, although fast growing over the past decade. Given this new-found dynamism, a partial rebalancing of attention of research in favor of these economies would be welcome.

The context

Until 1991, the Union of Soviet Socialist Republics, or generally called the Soviet Union, consisted of 15 constituent entities. For most outside observers this was a homogeneous block; very few (e.g., Carrère d'Encausse, 1978) noted at that time that the republics were not at all equal. The three Baltic societies[2] considered themselves to be occupied and annexed territories, waiting for independence and a quick return the West, for this reason, this study uses the term "former Soviet Union and the Baltics." Of the remaining 12 republics, 6 were large or medium-sized. [3] Already in the Soviet era, these economies belonged to the center or semi-center of the USSR With the exception of Belarus, they were rich in natural resources, and their resources were linked with the capital city of Moscow and the outside world with relatively good infrastructure. Belarus was less endowed by natural resources but had a strategic location on the Moscow–Warsaw–Berlin main route. These economies also concentrated the bulk of scientific and technological resources of the Soviet Union.

The remaining six republics (Armenia, Georgia, Kyrgyzstan, Moldova, Tajikistan and Turkmenistan) could be considered as periphery, located in remote landlocked areas, with the exception of Georgia, which had access to the Black Sea. And except for Turkmen natural gas and a gold mine in Kyrgyzstan, they were also poor in natural resources. They were located typically in the remote areas of the Soviet Union, and with the exception of Armenia, they concentrated a smaller proportion of scientific and technological capabilities. These were differences difficult to gauge because a centrally planned economy with a will to show some progress in all areas of the USSR located some white elephants in these republics, offering a facade of equally distributed development.

With the break-up of the Soviet Union in 1991, the differences between the center, the periphery and the Baltic States became evident. The latter groups made a very quick although painful transition to a market system, and rejoined the European Union (EU) in a historically brief time (by 2004). The six large- and medium-sized economies progressed more slowly. In terms of trade policy orientation, they opted for the creation of the own group, the Commonwealth of Independent States (CIS), of which five of them are full members (Ukraine is de facto participating in the CIS, although officially it is not a full member). Following the footsteps of the Baltic States, they also forged links with the World Trade Organization (WTO), although the exception of Ukraine (2008) and Russia (2012), they have not yet gained full membership. They engaged in cautious opening towards the EU: with the exception of Belarus (due to political problems), all of them ratified a Partnership and Cooperation Agreement (PCA) with that grouping.

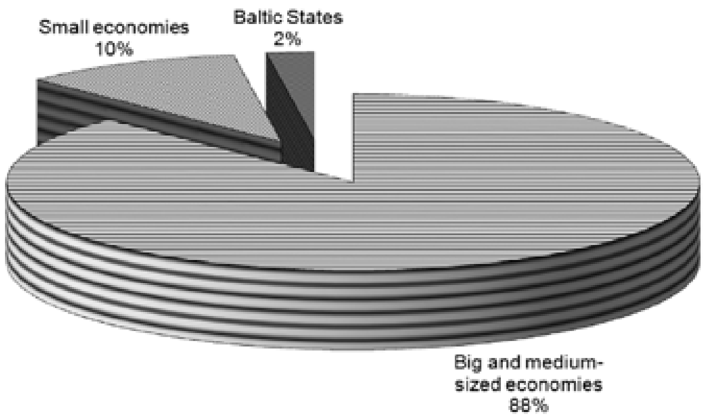
The six small economies have experienced the most serious difficulties in transition. The typically suffered the most serious declines in output and employment as their productive capacities totally lost their *raison d'être* with the breakup of the Soviet economic system. Their inherited weaknesses have often been coupled by political instability, further hindering their economic and social progress. Georgia and Moldova have been victims of separatist movements, leading to a loss of control over parts of national territory. Armenia in turn was engaged in a territorial dispute with Azerbaijan. Kyrgyzstan has been marred by two uprisings (2005, 2010), the latter one coupled with ethnic violence. Tajikistan was devastated by a protracted civil war (1992–1997), while between 1991 and 2006 Turkmenistan operated a single-party closed dictatorship. All these developments meant hardship for local populations and a halt to economic development.

These economies attempted to mitigate their handicaps partly by international integration efforts. This explains why four out of the six small economies are already members of the WTO. Only Tajikistan remains an observer and isolated Turkmenistan has no official relations with WTO. These smaller economies, with the exception of Georgia, are also members of the CIS,[4] and have, again with the exception of Turkmenistan, a PCA with the EU. Moreover, two of them, Georgia and Moldova are currently negotiating Deep and Comprehensive Free Trade Agreements with the EU, locking their regulatory environment with that of the EU.[5]

What attracts investment into small former Soviet republics

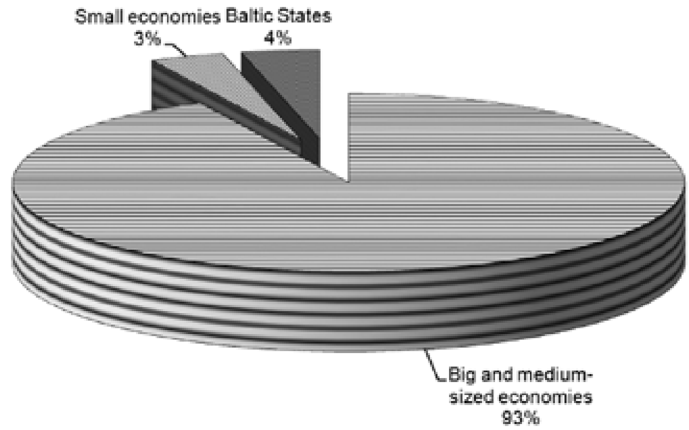
Despite the handicaps described above, investors could find certain business opportunities in the former Soviet periphery, especially related to competitive labor costs. In 2011, the population of the small economies was about 30 million, i.e. about 10% of the former Soviet Union, if the Baltic States are included (the share of big and medium-sized economies was 88% and that of the Baltic countries 2%) (Figure 1). At the same time, the small former Soviet economies accounted for only 4% of the GDP in purchasing power parity (PPP) (Figure 2). In fact, their share was slightly lower than that of the Baltics, whose population is almost five times less. In other terms, their average GDP per capita (in PPP) was about $4,300, three times less than in the large and medium-sized States (about $13,000) and almost five times less than in the Baltics (about $21,000). This is particularly surprising because it means that in term of standard of living, the big and medium-sized countries are now closer to the Baltics than to the former Soviet periphery.

Figure 1. Population of the former Soviet Union and the Baltic States by country group, 2011 (Per cent)



Source: Author's calculation, based on data from the United Nations Economic Commission for Europe (UNECE) Statistical Database.

Figure 2. GDP of the former Soviet Union and the Baltic States by country group, 2011 (Per cent)

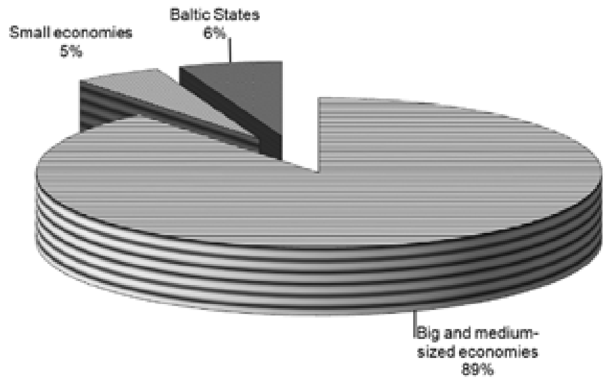


Source: Author's calculation, based on data from the UNECE Statistical Database.

A look at the level of reforms indicates that the former Soviet periphery has made in general a larger effort towards economic reforms than the large and medium-sized economies, although it lags significantly behind the Baltic States. However generalizations are difficult because the first two groups are very diverse. Among the small economies, Georgia, and to a lesser degree, Armenia and Kyrgyzstan are reform-driven societies, while Turkmenistan is one of the most "repressed" economies of the world. [6]

Progress with reforms is best compared with the Baltic States as the latter, too, used to be ruled by the Soviet Union, although their initial conditions for transition, especially in terms of human resources and institutions was more favorable than those of the Soviet periphery. However it also seems that since the early 1990s, those differences continued to increase. In terms of the Index of Economic Freedom of the Heritage Foundation, in 2013 the Baltics consisted in their majority "mostly free" economies, the former Soviet periphery in its majority "mostly unfree" and the large and medium-sized economies in their majority "repressed" economies. These averages naturally cover outliers. Among the large economies, Russia, the largest, is already "mostly unfree". Among the small economies, Georgia is "mostly" and Armenia "moderately free". If the ranking of the Baltic States is taken as "1", the average of the former Soviet periphery is about 3 and that of the large and medium-sized economies is "4" (Figure 3). The post-Soviet universe is also sharply divided in terms of "investment freedom". In the majority of cases, the degree of freedom fluctuates between 20 and 55%, but reaches of exceeds 75% in the three Baltic States, Armenia and Georgia (both small economies), while it is 0% in Turkmenistan (small economy) and Uzbekistan.

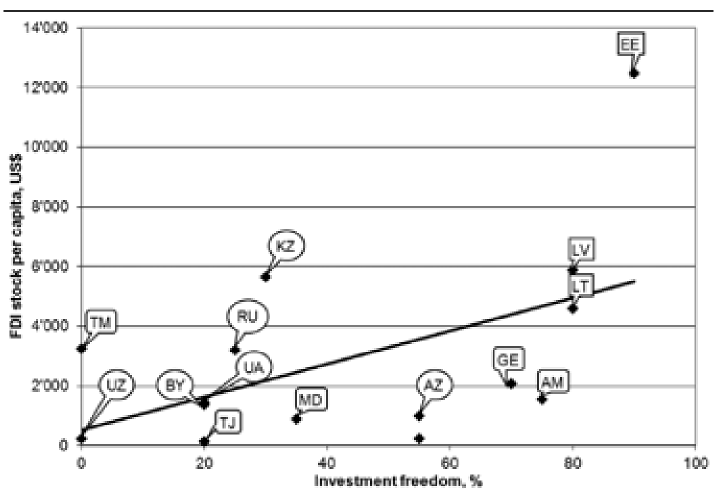
Figure 3. Institutional distance of the former Soviet Union from the Baltic States by country group, latest year available (Baltic States=1)



Source: Author's calculation, based on data from Heritage Foundation, Transparency International and World Bank.

In the former Soviet Union and the Baltic States there is some relationship between the level of investment freedom and FDI per capita, and the trendline is rising (more investment freedom in general goes hand in hand with higher FDI per capita) indicating the possibility that the former can influence the latter (Figure 4). However the R square is not very strong (27%), suggesting that other factors such as the general regulatory environment and natural resource endowments also play and important role. Of the six small former Soviet republics, five are below the trendline, i.e. they have attracted less FDI than their investment freedom would suggest. The only exception is natural-gas-rich Turkmenistan. Among the six large and medium-sized economies, only two (Kazakhstan and Russia) are above the trendline. They have attracted larger amounts of FDI thanks to their broad investment possibilities than their openness would suggest. Among the Baltic States, two are slightly below the trendline, while Estonia has attracted more than twice as much FDI as its openness alone – although impressive – would suggest.

Figure 4. Relationship between investment freedom and FDI stock per capita in the former Soviet Union and the Baltic States, 2011 (Per cent and US$)



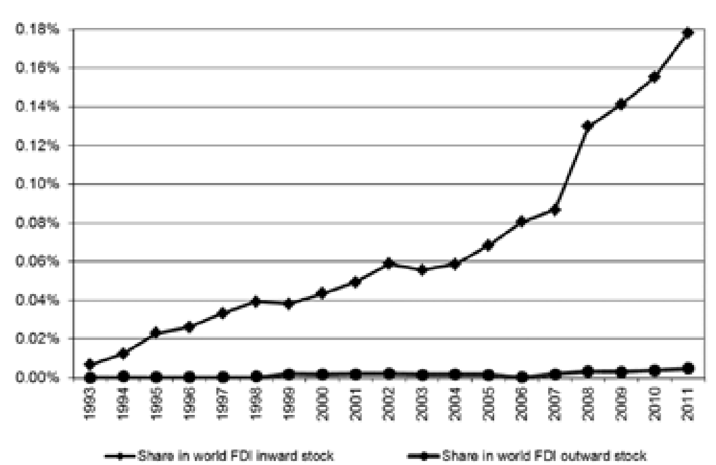
Source: Author's calculation, based on data from Heritage Foundation and UNCTAD's Foreign Direct Investment/Transnational Corporations (FDI/TNC) database.

In terms of fight for transparency as measured by the 2012 Corruption Perceptions Index of Transparency International, the distance of both the small and the large and medium-sized former Soviet economies from the Baltic States is large. The average ranking of the Baltics taken as 1, their values are 2.7 and 3.1, respectively (Figure 3). Only Georgia's global rank is comparable with those of the Baltic States; in the rest of the former Soviet Union, with the exception of Moldova (94th), the rank is well beyond 100. Finally, it is worth applying the Ease of Doing Business Rank of 2013 of the World Bank, even if it is more targeted towards locally owned small business than foreign investors, and always faces the difficulty of fully measuring the efficiency of implementation of laws. In this ranking again the Baltic States are in general the best ranked, with the exception of Georgia, which surpasses all of them with a global 9th rank. Also noticeably the global rank of Armenia is not far from that of the Baltic States. On average, if the Baltics rank is "1", that of the small economies is about "3" and of the large and medium-sized economies is "4" (Figure 3).

Inbound and outbound FDI

As the former Soviet periphery has overcome only part of its handicap (small size, low GDP, remote location) through regulatory reforms, its inward FDI has been modest in global comparison, although fast growing over the past decades, and has been moderately affected the crisis that started in 2008. By the end of 2011, its inward FDI stock reached $36 billion, i.e., 0.18% of the world total (Figure 5). Ten years before, in

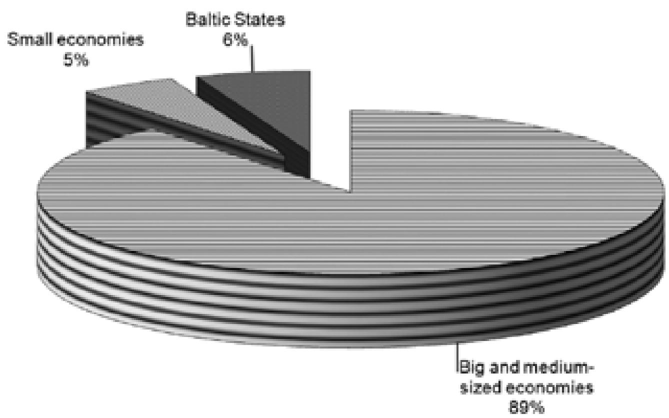
Figure 5. Share of the small former Soviet republics in world FDI inward and outward stocks, 1993–2011 (Per cent)



Source: Author's calculation, based on data from the UNCTAD's FDI/TNC database.

20001, it amounted to $4 billion only, i.e. 0.05% of world total. To put it into a post-Soviet perspective, the share of these small economies reached 5% of the total of the 15 countries that constituted the former USSR in 1991 (Figure 6). This share is only half of their share in population but higher than their share in GDP. Therefore there is an untapped potential in per capita FDI but not in per GDP FDI. It is notable, although it is mostly expected, that the share of the Baltics in inbound FDI stock (6%) exceeds both their share in population and their share in GDP.

Figure 6. Inward FDI stock of the former Soviet Union and the Baltic States by country group, 2011 (Per cent)



Source: Author's calculation, based on data from the UNCTAD's FDI/TNC database.

In the area of outward FDI, the former Soviet periphery is very weak, showing the lack of local firms and entrepreneurial skills for effectively carrying out such projects. In 2011, the combined outward FDI stock of the grouping remained under $1 billion, meaning that the inward stock was 37 times higher than the outward one, which is a striking unbalance. In the post-Soviet context, that accounts for a mere 0.2% (which cannot even be shown in a pie chart due to its minuscule size), compared with close to 2% for the Baltics and close to 98% for the large of medium-sized economies (of which Russia alone accounted for 89%).

Investment opportunities

The fast growth of inward FDI shows that despite all the problems the former Soviet periphery possesses certain attractiveness for foreign investors, going beyond the obligatory natural resources (which in this case means the Turkmen natural gas, the Kyrgyz gold, and hydroelectric potential in the Central Asian mountains). Despite small size and low income, these countries have attracted certain market seeking investors, especially in telecommunications, in which the Russian giants (MTS, Vimpelcom, Megafon) have been joined by Orange, TeliaSonera and Turkcell, in retail, in oil and gas distribution, building materials, food and beverages, and in banking. Success has been moderate in terms of efficiency seeking projects despite the existence of free economic zones in various countries. Moldova, the economy closest located to the EU has attracted automotive projects (Dräxlmaier, Lear, Leoni).

In all of these areas, there remain important untapped business opportunities. There are also other industries in which already existing comparative or competitive advantages could lead to more investment, such as agribusiness, ICT and tourism. The underdeveloped nature of infrastructure would also offer business opportunities, especially in the form of public–private partnerships.

So far the inflows of FDI in the former Soviet periphery have been attracted from various parts of the world, including the EU, North America and to some degree Asia. An especially important role has been played by Russian firms which are often taking advantage of historical and cultural links (Kuznetsov, 2012). The importance of these links goes beyond what the numbers would suggest – in any case, an important part of Russian investment is indirect FDI (Kalotay, 2012), i.e., registered as projects from third countries such as Cyprus – as Russian investors often follow very long-term strategic objectives going beyond short-term profit considerations. One recent case is Russian firms' long-term involvement in the development of hydroelectric power is Kyrgyzstan (Reuters, 2012).

Another specificity of at least some FDI in the former Soviet periphery is its potential link with official development assistance (ODA). This is a current phenomenon in relatively weak host economies in which the persistent lack of business opportunities cannot be overcome without the involvement of other, mostly public funding, especially in infrastructure development, which is often the most serious bottleneck to investment. This trend of mixing FDI, loans and ODA in single packages then can be reinforced by certain home/donor countries such as China and Russia which make those packages integral part of their international economic diplomacy. In the former Soviet periphery, a recent example is the Sangtuda 1 Hydroelectric Power Plant in Tajikistan, in which the majority participation of the Russian and Tajik Governments is complemented by Russian corporate investment by FGC UES and Inter RAO UES.[7]

To conclude the specificities of current and potential FDI, it is evident that the small former Soviet republics need strong investment promotion efforts if they wish to overcome their handicaps and convince potential foreign investors first to put them on the map and then choose them for concrete projects. This requires image building—already a difficult task given the troubled past of some of these countries—then forceful and professional targeting of potential investors, followed by good investor services, especially services related to establishment of firms and aftercare, as well as policy advocacy. Those economies such as Georgia and Armenia, which have good Doing Business rankings can use them as leverage in their campaigns with investors. With the exception of Turkmenistan, the former Soviet periphery has its own investment promotion agencies (in Armenia and Moldova an agency combining with export promotion). All the six have some forms of export processing zones providing incentives and other advantages to foreign investors. However it is less clear to what degree the investment promotion agencies fulfill their functions in a professional manner. In many cases, they have to compete for scarce human and financial resources, and their success depends on the decision of political forces ultimately deciding their distribution.

In lieu of conclusion: what about IB research?

The former Soviet periphery is far from being a top interest for international business scholars. In leading journals very few studies have focused so far on FDI or other issues of international business the Soviet periphery (such as Kaynak et al., 2006, comparing FDI in Georgia and Kyrgyzstan). In some other cases, a small former Soviet republic is compared with a large one (for example in Luthans & Ibrayeva, 2006, comparing entrepreneurship in Kazakhstan and Kyrgyzstan). It is more common that certain small former Soviet republics are part of a broader sample of countries analyzed (such as Gillespie et al., 1999, looking at diaspora investment in various countries including Armenia). The dates of these studies indicate that such interest is not taking off recently either, perhaps dues to the protracted economic difficulties of the former Soviet periphery. Having these considerations in mind, it is still surprising to see the enormous gap of interest compared with Russia, in particular, which under the umbrella of BRICs has seen international research interest explode recently, and especially the emerging market that has been the most lavishly covered: China. This study of course does not argue that all academics should switch from China or Russia to say Kyrgyzstan or Georgia but definitively some degree of rebalancing the neglect would be welcome.

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Endnotes

1. The views are those of the author and do not necessarily reflect the opinion of the United Nations.
2. Estonia, Latvia and Lithuania.
3. Azerbaijan, Belarus, Kazakhstan, Russia, Ukraine and Uzbekistan.
4. Turkmenistan's status is called "unofficial associate member".
5. Additionally, Moldova is member, together with the economies of the Western Balkans, of the Central European Free Trade Agreement.
6. According to Heritage Foundation, a "repressed" economy has its private sector activities seriously curtailed by laws and regulations.
7. The political, social and ecological controversy surrounding this case would deserve a separate study.

Kalman Kalotay is Economic Affairs Officer at the Division on Investment and Enterprise of the United Nations Conference on Trade and Development (UNCTAD). Currently he works in the group preparing UNCTAD's Investment Policy Reviews. Between 1996 and 2009, he was part of UNCTAD's World Investment Report team. He also served as associate (1996–2003) and deputy editor (2003–2004) of UNCTAD's Transnational Corporations journal. He holds a Ph.D. in International Economics from Corvinus University, Hungary.

Born Global in Bangalore: Emergent Pathways for International New Ventures via Multinational Enterprise Networks

Shameen Prashantham, Nottingham University Business School, China

In this paper I discuss under-researched possibilities at the interface of international new ventures (INVs) and multinational enterprise (MNE) networks. Writing on the occasion of the 25th anniversary of the *Journal of International Business Studies* (JIBS), Wright and Ricks (1994) predicted that an important future research direction in international business (IB) would concern the internationalization of entrepreneurial ventures. Their prediction has come true. That very year, Oviatt and McDougall (1994) published their seminal piece on INVs, whose influence was recognized with the JIBS Decade Award in 2004. Speaking on the occasion, Zahra (2005) noted that these scholars had created a welcome shift in the international business research conversation away from an exclusive focus on the large established MNE to include the INV[1] as a legitimate player on the global stage. While tremendous progress has been made in INV research, the argument made here is that it is perhaps time for a further shift in the conversation – such that INVs or born globals are viewed not merely as being distinct from large MNEs (which of course they are) but also as actors on the global stage who *interface* with large MNEs in myriad ways.

The possibilities at the MNE–INV interface, which was the focus of a panel discussion[2] at the 2012 AIB conference in Washington DC, represent a potentially major research opportunity in IB research for scholars with an interest in new venture internationalization *and* MNE networks. Recent thinking on MNE networks suggests that opportunities arise for internationally-minded, innovative new ventures to leverage the innovation ecosystems of MNE's networks (Buckley, 2009). This mirrors a major change in the thinking of CEOs of large MNEs away from an insular focus on the MNE to a wider focus on the interorganizational networks that they seek to orchestrate (Dhanaraj & Parkhe, 2006). Nokia's CEO Stephen Elop has described the global competitive landscape as "a war of ecosystems."[3] Thus new ventures do not operate in an environment that is disembodied from large MNE networks. But 'twas not ever thus. Changes have occurred over time, both on the part of MNEs in terms of their motivation and capacity to engage with INVs, and in the desire and ability of new ventures to partner with MNEs. The underlying factor in both of these is upward shifts in innovation, both in technology and management practices at the MNE–INV partner interface.

An emerging economy setting such as Bangalore offers a vantage point for gaining an especially vivid view of such shifts, and the unfolding of MNE–INV engagement, due to its growing sophistication over time. In my research on the internationalization of new ventures in the Bangalore software industry, spanning three phases over a decade, I have become aware of an upward trajectory in, and interface between, innovative activities of both foreign MNEs and indigenous new ventures. My research began early in the twenty-first century, when the phenomenon of "Bangalorization" – the migration (and loss) of jobs through outsourcing and offshoring – led to a corresponding emergence of born globals in places like Bangalore i.e. new ventures that internationalized almost from inception, as recipients of offshored business opportunities. As I expand below, studying INVs in Bangalore *over time*, from that staring point, has proved useful in yield a more complete picture of the complexity and dynamics of the MNE–INV partner interface.

The flipside of "Bangalorization"

My first phase of research (2002-5) in the Bangalore software industry took place in a context of opportunity for new venture internationalization stemming from the reputation effects associated with successful Y2K[4] software development projects. This was also a period of post-dot com crash aftershock which had curtailed some IT spending. Arguably the need for cost-cutting among Western firms *was* an opportunity as well, but smaller entrepreneurial firms were finding it harder to grow vis-à-vis their established large competitors like Infosys. Given the lack of a recognizable brand name, new ventures in Bangalore resorted to actively cultivating overseas network relationships. Those ventures founded by "returnees" — Indians returning home after a spell abroad

1 Some scholars use the term born global (Knight & Cavusgil, 2004). Alan Rugman and colleagues correctly point out that many INVs are more likely to be born regionals; thus born globals are likely to be a subset of the INV population. For ease of exposition, the terms INV and born global are used changeably here.

2 AIB members can view the video for this panel at https://aib.msu.edu/login/?redirect=/events/2012/Videos/ShowPlenaryVideo.asp?videoid=32.

3 See http://www.nokia.com/global/about-nokia/about-us/the-nokia-story/

4 The so-called Y2K problem resulted from the conventional use of two digits to represent a four-digit year in digital data during the 20th century.

— were typically advantaged, since they had overseas ties that they could tap into. While the leveraging of network ties is not uncommon for new ventures, a distinctive facet of many of these relationships was coethnicity. That is, Bangalore-based software entrepreneurs tended to look to overseas actors of Indian origin, some of them linked through kinship, to assist with their ventures' internationalization.

Such a networking strategy did have certain benefits. Survey data on Indian software ventures indicates that ethnic ties did indeed result in a deeper presence in host markets through higher-commitment entry modes (Prashantham, 2011). But longitudinal case-studies in Bangalore suggest that over time it is important to broaden the portfolio of ties to include non-ethnic ties (Prashantham & Dhanaraj, 2010). Consider for example the case of Ekomate, an entrepreneurial software venture in Bangalore which successfully internationalized into markets such as the US and UK, primarily by leveraging overseas ethnic ties. As competition in these markets increased, Ekomate diversified its portfolio of markets to include New Zealand and Italy by expanding its networks to include non-ethnic ties, and seeking to learn from initial and subsequent ties to augment its technology and business capability set.

> *"Survey data on Indian software ventures indicates that ethnic ties did indeed result in a deeper presence in host markets..."*

Thus Ekomate represents the case of an INV in Bangalore that:

- took advantage of Bangalore's growing reputation for software services development;
- cultivated overseas ties, several with coethnics but eventually with non-ethnics, although engagement with MNEs was minimal;
- successfully internationalized on the basis of providing competent software services at competitive prices.

Ekomate's experiences suggest three important lessons. First, internationalization activity requires the *active* leveraging of network ties, often based on bonds of common cultural identity. For INVs, entrepreneurs' overseas ethnic ties, if cultivated and utilized, can help them cope with challenging high-psychic distance markets (Prashantham & Floyd, 2012). Second, successful internationalizing calls for *discerning* leverage of network ties, in particular by recognizing that different types of relationships are useful for different things, and that the ties that help young internationalizing Indian software firms initially may not be the ones that help later on (Prashantham & Young, 2011). Third, with the passage of time, sustained internationalization entails the *reflective* leveraging of network ties i.e. the conscious focus on extracting (indirect) learning outcomes from relationships over time even if (direct) revenue-generating opportunities recede (Prashantham & Dhanaraj, 2010).

Upping the ante, dancing with gorillas

As the first decade of the twenty-first century wore on, it became apparent to many Indian IT firms that competition — from other Indian companies, MNE operations in India, and other emerging economies — was becoming fiercer. The pressure was acutely felt by smaller entrepreneurial firms. This necessitated a response. In the case of Ekomate the response was *market* diversification. Thus they actively looked to non-English speaking markets, such as Italy, where the Indian diaspora did not have quite the presence as it does in markets like the US or UK. This required Ekomate to step outside of its comfort zone to cultivate non-ethnic ties and adapt its routines and processes to this market.

A different, albeit relatively rare, response was to up the ante through *product* diversification, in particular renewing the firm's capability set to operate as a software product company rather than a software services company. Developing and selling software products is an altogether more daunting proposition calling for radical, rather than incremental, innovation and involving higher levels of uncertainty. Such a transformation is exemplified by another Bangalore-based firm, Skelta, which had originally been a software services start-up. But by the time I began my second phase of research (2005-8), Skelta had signalled its intent to be a software product company targeting Western markets. In a country with few examples of internationally successful product companies, this was a bold step. An early strategic decision was to build the product on Microsoft platform technology — meaning, in effect, that its offering would be a complement to that MNE's innovation ecosystem. Unsurprisingly, the CEO and his top management team sought to forge a strong relationship with Microsoft, an approach that can be fraught with risk for new ventures, as alluded to by the description of such partnerships as "dancing with gorillas" (Prashantham & Birkinshaw, 2008).

Being based in Bangalore proved to be a mixed blessing. In those days, Microsoft's engagement with smaller independent software vendors (ISVs) like Skelta was at a nascent stage, especially so in its emerging economy operations. Thus Skelta had to blaze a trail to make the relationship a reality. On a positive note, though, the subsidiary was entrepreneurial and receptive to the proactive overtures of this young company – and there weren't too many companies like it at the time. In addition to thereby gaining the subsidiary's attention, Skelta was also able to leverage the high priority that Microsoft's headquarters accorded India as evidenced by regular visits from high-ranking executives. Skelta was often "showcased" to such individuals and through links made with them, many of whom were of Indian origin, Skelta was able to extend the reach of its relationship with that MNE beyond the confines of India. Over time, Skelta's persistent relationship-building with Microsoft entities in India and overseas led to it being assigned a partner manager not only within Microsoft India but also in the US. Furthermore, Skelta coopted Microsoft partners from over 20 countries across all of the major regions, to act as its own re-seller ecosystem. Both of these outcomes had a direct and powerful influence on its rapid internationalization.

Thus Skelta represents the case of an INV in Bangalore that:

- responded to changing environmental pressures (and opportunities) to transform its product-market mix and capability set from that of a software services to a software product firm;
- engaged in boundary-spanning within and across national frontiers to develop a portfolio of network ties largely centred around Microsoft's wider ecosystem (or global factory);
- successfully internationalized on the basis of an innovative offering that was a complement to an MNE's ecosystem.

Advancing from the periphery to the core of MNE networks

During the third phase of my research (2008-11), I began to find that with improvements to the entrepreneurial ecosystem in Bangalore and entrepreneurs' rising aspirations, a small but discernible minority of new ventures that were IP-centric from inception had emerged. These new ventures increase the odds of swiftly shifting their engagement from the periphery (subsidiary-level) to the core (headquarters) of MNE networks by focusing on innovation from inception in a way that leveraged unique locationally-embedded advantages. In emerging economies like India and China, *frugal* innovation, targeting bottom-of-the-pyramid (BOP) markets (Prahalad, 2004), represents one firm of locationally-embedded advantage.

> *"The odds of repeating these successes will likely increase, especially as connectedness between the India subsidiary and global headquarters of MNEs increases"*

A case in point is Mango, a start-up that, from inception, focused on building a software product with a niche focus on mobile telephony for BOP segments. Mango's CEO viewed partnering with an MNE as the way forward for the venture to scale up its technology and take it to market, not just in India but also other developing countries with low-income segments. Mango was incubated within the prestigious Indian Institute of Management Bangalore. During this time it forged an effective relationship with the American MNE, Qualcomm. Having explored multiple MNE ties (in parallel), Mango succeeded in showcasing its technology to a visiting Qualcomm manager at a partner-networking event. The technology got the manager's immediate attention because it became rapidly evident to him that Mango's technology could fill a gap in Qualcomm's own offering. This encounter set off a string of incremental steps which resulted in Mango's rapid internationalization by leveraging the MNE as a conduit to large BOP markets, e.g., China and Indonesia, and later reached a lucrative culmination in a sale of intellectual property (IP) by Mango to Qualcomm.

This illustration exemplifies the emergent opportunities in economies like India whereby innovative new ventures could help MNEs fill-in-the-blanks of their product portfolios, and in so completing their offering shift the locus of engagement decisively from the periphery to the core of MNE networks. This is consistent with Buckley's (2006: 687) observation that: "electronic communication has opened new areas for small firms to fill in completing the networks of the MNE…as part of a symbiotic network with large firms...Indeed, large firms are often the conduit for the diffusion of SME innovations".

Thus Mango represents a case of an INV in Bangalore that:

- was conceived and founded as an IP-centric new venture focused on frugal innovation, and leveraged the growing sophistication of Bangalore's entrepreneurial ecosystem;
- engaged in boundary-spanning within Qualcomm, rapidly converting its local relationship at the periphery of the MNE network to a global relationship centered at the core;
- successfully internationalized by leveraging the MNE as a conduit to international markets through completing the offering of an MNE through locationally-embedded advantages.

Of course this is still a rare phenomenon in reality but what the Mango case shows is that it *is* possible — and perceptions of what is possible (even if not highly probable) could affect future behaviors of born globals in places like Bangalore in the pursuit of (rare) success such as Mango's; successes like this drive up the aspirations of peers. The odds of repeating these successes will likely increase, especially as connectedness between the India subsidiary and global headquarters of MNEs increases, and as Bangalore strengthens its entrepreneurial ecosystem in a bid to outgrow its "junior partner" status (Lorenzen & Mudambi, 2013), and stakes its claim as a world-class technology cluster in its own right.

Beyond Bangalore: energizing a wider research agenda

As the next step in this research program, I am exploring the emergent MNE–INV interface in Beijing's Zhongcuancun district. Clearly, here too new ventures have the potential to leverage locationally-embedded points of advantage to partner with MNEs. But a major contrast I have noted with the Bangalore-based new ventures I studied is their primarily domestic market orientation. A fascinating question that arises is: Under what conditions do local relationships transform into global ones? Much theorizing remains to be done on, for instance, the role of entrepreneurial boundary-spanning from the perspective of *both* MNEs and new ventures.[5] And in so doing, the more remarkable we are likely to find the phenomenon of the born global in Bangalore.

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Shameen Prashantham is an Associate Professor in International Business & Strategy at Nottingham University Business School China. His research focuses primarily on international new ventures, in particular the influence of MNE networks on these firms' internationalization, and is published in *California Management Review, International Business Review, Journal of International Business Studies* and *Journal of Management Studies*, among other outlets, and in a monograph, *The Internationalization of Small Firms: A Strategic Entrepreneurship Perspective* (Routledge, London).

5 Having begun by making reference to Oviatt and McDougall (1994), it is perhaps fitting to note that one of these pioneering scholars, Prof. Tricia McDougall, was the Program Chair of the 2013 AIB Conference in Istanbul, Turkey. This unprecedented involvement of an entrepreneurship scholar in IB's scholarly community augurs well in that a deeper understanding of INV-MNE engagement will benefit from closer collaboration between IB and entrepreneurship researchers.

A Few Lessons from my Long Experience in IB Research — Opinion/Editorial:

Yair Aharoni, Tel Aviv University, Israel

My long experience in IB research has taught me several lessons which may resemble or differ from the experiences of other researchers. I offer some of them in order to elicit your comments and generate a discussion among us. This paper is not a summary of my research work. Rather, I wanted to reflect on what I consider a few of the major challenges and implications for IB researchers.

Let me start by arguing the importance of talking to practitioners in order to get a real grasp of a problem or practice — often resulting in case studies rather than analyses of secondary data or questionnaire surveys. In 1959–1961, when I was doing my doctoral research at Harvard Business School, I was distressed by the apparent failure of Israel to attract foreign direct investments, despite the fervent attempts by the government to encourage it by enacting the Law for the Encouragement of Capital Investments. From my training in economics, I assumed that the conferral of tax benefits would induce foreign investors to initiate projects which they would not otherwise have undertaken. The problem seemed to be straightforward — how large did the tax incentives need to be?

I could have designed a questionnaire asking a carefully chosen sample of managers to rank the size of the tax holiday they would require in order to make a foreign investment, and added some other questions on related topics. I am sure that I would have received answers that could have been tabulated and regressed against other variables, and I am equally certain that the answers would have indicated that tax holidays are desirable — after all, what managers would answer that they would not want these tax holidays?

However, Harvard Business School required case writing as an integral part of doctoral research. I made a list of firms that had considered an investment in Israel and wrote about 40 case studies on the history of the decisions, based on interviewing managers and reading correspondence and other documents related to the decision. I soon found out that tax incentives did not play the decisive role I had expected them to play. Moreover, the picture emerging from my field research seemed to be one of utterly irrational behavior. The "decision process" followed by US businesspeople had very little in common with the classical economic theory of capital investment. To understand their behavior, it was necessary to recognize that decisions are made under uncertainty within an organizational and social system. Once I changed my research lens, what seemed irrational made sense. I could offer a behavioral theory that explained how and why decisions are made and how and why commitments accumulate. In 1966, I published a book based on my findings which are well known so I will not repeat them (Aharoni, 1966).

Had I chosen to study foreign investments through a mail questionnaire, however carefully designed, I would never have been exposed to the rich saga of the real foreign investment decision process and to the way real managers in real firms make decisions. Rather I could have suggested wrong policies. Since then, I have written more than 150 cases on all kinds of problems and researched a variety of issues. In this work, I have consistently benefited from the insights of businessmen. To be sure, I did not always rely on case studies and interviews since, in some of my studies, I used carefully designed questionnaires. Yet I have always tried to understand the actual behavior of persons within a firm — not how they *should* behave.

A second key point is that I expect IB scholars to study management rather than economics. IB scholars try to be as scientific as those in the natural sciences. Many of these researchers (including myself) were trained as economists, and economists prefer to apply econometric methods to what is perceived as descriptive research. The quest for additional rigor calls for a solid analysis of a large number of observations. Unfortunately, to achieve rigor, the researchers find themselves very distant from reality, which is socially and politically constructed rather than objectively determined. The pioneers of scientific management attempted to discover general rules of behavior such as the number of hierarchical levels or the span of control which were assumed to be pertinent to all organizations. Only decades later were contingent variables introduced. IB researchers also preferred to look for general rules and ignored contingent variables. Yet human behavior is very complex, and executives are also family members, belong to different clubs and interest groups and are citizens of a nation — and all of these affiliations impact on their behavior. Moreover, as Simon (1955) pointed out in the 1950s, they do not maximize. Since then, generations of behavioral economists — but unfortunately not IB scholars — have followed in his footsteps.

Classical economics-based theory alone is insufficient to understand the complexity of real life. We must incorporate politics, culture and institutions. Only if all of these approaches are woven into our theories may they be helpful for businessmen and for policy makers. One example is what I term "political strategy" — that is, concentrating on getting benefits from the government rather than on achieving competitive advantages in the marketplace. In a democratic society, power is diffused throughout the society, the spectrum of interest groups is wide and business itself is one of the most powerful organized interest groups. Some firms are state-owned and all large firms spend resources on lobbying. They have great political power – particularly, in small countries – but they are also deeply affected by the government and other environmental forces. Thus, when the government abandons its import-substitution policies and exposes firms to foreign competition, many firms go bankrupt.

In 1970, I taught at IMEDE, where I embarked on an intensive case-research effort on business–government interactions (Aharoni & Baden, 1977). I was able to identify the relevant actors in each situation and assess their strengths both in their home as well as in their host countries. I also found that human material needs are being satisfied to a larger extent through political mechanisms rather than through the market. I also studied boards of directors and the differences among state, trade-union and privately owned enterprises in Israel. I found that professional managers have the same objectives, aspirations and belief systems, irrespective of their firms' owners — be they the state, trade unions or private-sector owners. They pursue what they see as the firm's best interests, disregarding instructions. The simplistic views on the efficacy of planning or that of the market mechanism are both wrong. In my view, the key issue is to design objective and transparent systems for electing the best managers and directors and to avoid political appointments. These managers act within an uncertain environment of norms and institutions and, again, economic-based theory is not sufficient to understand the complexity of real life. The examples above illustrate that we must consider political, cultural and social factors, and acknowledge uncertainty.

Third, IB research is very much context-specific. It does not necessarily apply to different environments and diverse contexts nor is it independent of these factors. Researchers may study a large population and reach wrong conclusions because the choice of the population studied was not a representative sample. Thus, many observations on the behavior of manufacturing firms do not hold for services. As one example, many IB scholars have assumed that firms seek to control their subsidiaries to protect their intellectual property and therefore insist on full ownership. Yet hotel chain management seems to prefer joint ventures and use this form even when the government allows full ownership (more examples may be found in Aharoni (1997)). By the same token, many of the conclusions reached by Porter (1990) are the result of studying mainly US-based large corporations. However, many Israeli, Canadian and Danish firms did not grow first in their home market. In fact, the Israeli high-technology industry exports more than 90 percent of its output, and in several cases, the firm does not sell in Israel at all! Clearly, a tiny country with a very limited market size faces different issues than a large country. Theories based on the experience of US firms may not be applicable to small countries.

My case research showed that successful firms did not attempt to compete head on against foreign giants. Instead, they identified a particular market niche in which they basically had a monopoly — being the only firm that supplied a certain unique product or service. This observation was even more relevant in international operations. Israeli firms cannot even hope to compete head on in the global market against the giant multinational firms. They can, however, be very successful when they define a niche that is either ignored (often because of its size) or unknown to the giant firms in the industry.

Strategy, I suggest as my fourth point, is not about *gaining competitive advantage in an industry* but about *creating a monopoly in a well-defined niche*. In other words, strategy is about being an outlier and being unique — not about being part of the herd. A large flow of statistically based research efforts attempt to connect industry structure with strategy, performance or other variables. Yet a successful competitor *creates* an industry, achieving success by being unique in a certain specific and well-identified niche within which this firm does not compete but which it dominates.

Having studied managerial behavior and its interaction with government in a small and relatively less-developed country, I was curious to find out whether things were different in the United States and other developed countries. The result was a book I called *The No-Risk Society* (1981), which showed that demands for social justice and equity have turned into calls for more publicly provided insurance and fewer private risks. Governments are expected to reduce or shift the risks once borne by individuals, immunize the latter against almost any change and insure them against any conceivable hazard. Ironically, government programs to reduce risks have the effect of encouraging people to be more reckless in a new version of moral hazard — a "culture of dependency," the erosion of individual responsibility, the decline of the entrepreneurial spirit and a "no-risk society" in the end. Both successful entrepreneurs and long-established businesses do take risks, but they do so against a background of extensive protections and hedges, many of them – such as the $500 billion savings and loans bailout in the US – being supplied at the taxpayers' expense. The expense of these programs is not confined to the public budget. Individuals demand less government yet clamor for public benefits so that the public also pays invisible taxes in the form of regulations that protect business from competition. If a firm begins to falter, the government may rescue it through loans, subsidies or protective trade agreements. The new version of moral hazard became apparent when, in the financial crisis of 2008, it was taken for granted that firms may be "too big to fail," thereby reinforcing the importance of political factors.

Finally, the MNEs of several dozens of years ago extracted rents from existing resources and knowledge developed at home. In an ever-shifting turbulent environment, they are learning to adapt themselves to the changing environment and to develop new capabilities through a globally coordinated network. In this network, knowledge can be developed in any subsidiary and then transferred to the whole network.

I have offered my ideas on a few of the issues I observed in my IB research and I am interested to read about your experiences in this area.

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Yair Aharoni is Professor Emeritus at the faculty of management, Tel-Aviv University, a Fellow of the International Academy of Management and the Academy of International Business. During his long and distinguished academic career, Aharoni was the Daniel and Grace Ross professor of International Business and later the Issachar Haimovic Professor of Business Policy — both at Tel Aviv University. He was the Thomas Henry Caroll Ford Foundation Visiting Professor of Business Administration, Harvard Graduate School of Business Administration. (1978-79). He was also the J.Paul Stitch Visiting Professor of International Business at Duke University (1987–1995) and the director of CIBER (Center of International Business Education and Research). (1992-1995). He published several dozen books and monographs in Hebrew and in English ,more than hundred papers and chapters in books and more than 150 cases. For his academic achievements he was awarded both Landau Prize (2007) and Israel Prize in management science.(2010).

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Academy of International Business
G. Tomas M. Hult, Executive Director
Michigan State University
Eppley Center
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