Academy of International Business

INSIGHTS

Vol. 17, No. 4, 2017

Continuing the Quest for the Raison d'être of Our Field of IB and Ourselves as IB Scholars

aib
An official publication of the Academy of International Business

LETTER FROM THE EDITORS

Daniel Rottig, Ph.D., Editor

John Mezias, Ph.D., Associate Editor

With this fourth and final issue of 2017, we publish an eclectic set of articles. The first two articles are part of our new series of interactive lead articles—which we started last year—that raise insightful and thought-provoking questions in an attempt to engage the AIB community in fruitful conversations that we hope will advance our field.

In the first article, Andrew Delios asks, "What makes one a true scholar in International-Business research?" and so nicely complements the question of "Is Your 'IB' Research Truly "International'?" asked by Jean Boddewyn in the inaugural interactive lead article (which we published in Volume 16, Issue 2). Asking and discussing both of these questions is more important than ever given the recent anti-globalization sentiments in many parts of the world and the declining relevance and legitimacy of our field.

In the second article, reflecting on two key themes of AIB's 2017 annual conference in Dubai, Martin Kaspar discusses whether we are, in fact, experiencing a rapidly de-globalizing world and whether we, as a field of IB, are losing relevance. Martin Kaspar then asks the two questions of "So what does this mean for our field? And why should times of trouble—where globalization might or might not be under threat—be a second breath of life for IB?" and so encourages us to contemplate the true raison d'être of our field of IB, and ourselves as IB scholars.

We hope that these two articles will fuel the momentum we have built by publishing a recent special issue on "Making AIB and Our Field of IB More Legitimate and Relevant" (Volume 17, Issue 2) and the related discussions and panels at this year's annual meeting in Dubai, by encouraging you, our esteemed colleagues and AIB Insights readers, to join and continue the conversation on these important topics and questions. We invite you to respond to the authors by sending your comments through our interactive 'Comments' feature that you can find on the *AIB Insights* website at *https://aib.msu.edu/publications/insights* and receive a reply from our authors.

The third article, by Alejandro Ruelas-Gossi, questions the widely accepted paradigm which suggests that emerging countries ought to integrate themselves into global value chains primarily through activities focused on cost reduction, exploitation of natural resources, and low-value added services. This paradigm has led to a race-to-the-bottom among many emerging countries and widened the gap between the developed and developing world. Instead, Alejandro Ruelas-Gossi proposes a race-to-the-top paradigm that is based on the sophistication, or value enhancement, of resources that are distinctively present across regions around the globe and illustrates this new paradigm based on examples from the Basque Country (Spain), Chile, and New Zealand.

In the fourth article, Alexander Berman, Ram Mudambi, and Amir Shoham also discuss how to achieve a national competitive advantage, and do so through the lens of language. They demonstrate that language structure affects a nation's innovation performance and discuss preliminary findings of a five-year study that measured the effect of linguistic diversity on people's propensity and capacity to innovate based on language indices that reflect gender distinctions, emphasis on individualism/collectivism, and hierarchy differentiation. The authors further present some initial implications of these findings for managers of MNCs and for public policy makers.

In the fifth and final article, Robert Mefford reflects on the recent increase in volatility in the foreign exchange market and discusses its implications for managers of multinational corporations. More specifically, Robert Mefford explores how currency volatility affects many aspects of international business including strategy, investment and finance, operations and sourcing, marketing, and risk management as well as strategies to mitigate, or even benefit from it. The author further discusses strategies managers of MNCs can employ to hedge currency volatility in the short and long run, and looks ahead at possible currency volatility trends.

Daniel Rottig   John Mezias

Are You a "Truly International" Scholar?

Andrew Delios, National University of Singapore, Singapore

What makes one a true scholar in international business research?

A goodly number of scholars are now engaged in international business (IB) research as attested to by the more than 3,000 members of the Academy of International Business, of whom about 1,000 attend its annual conferences. However, *how many of them are truly IB scholars?*

This question is most relevant because IB researchers compete with scholars in other disciplines to identify and solve unique IB research questions. Besides, much research pitched as "IB" is, in many cases, not international at all (Boddewyn, 2016). Moreover, the IB scholarly community needs to be viewed as legitimate because it is staffed with capable and zealous individuals who conduct research to understand issues connected to globalization and internationalization.

Therefore, we need to ask ourselves if we, as scholars in the field of international business, are truly "international" in terms of our original and continuous learning about new environments. In this regard, the key development required of us as IB scholars is to supplement our core (although generic) research skills with a strong and experiential knowledge of countries, multinational organizations, and current IB issues of interest to their managers. This experiential knowledge development should begin during our doctoral programs and then continue to grow throughout our careers. True IB scholars need to be impassioned about their field, and make being "truly international" a central theme in their careers and in their lives.

Warning: A Personal Retrospective

Much of my motivation for the above argument comes from a personal retrospective on my own journey as an academic. It was partly captured in an editorial I co-wrote to express regret that too much research is exploitative rather than exploratory in nature (Corbett, Cornelissen, Delios & Harley, 2014). More recently, I wrote a direct critique of the formulaic and staid state of IB research (Delios, 2017) which stems partly from systemic issues in the publication process but also from our failures as self-professed IB experts—my failings included!

In my days as a PhD student, I did not do enough to enhance my status as a scholar who works in the IB area. My time as a doctoral student was solely focused on developing a generic set of research skills that could be applied to almost any area of management so that I could publish. I supplemented these skills with knowledge of research topics and theory that underlay the IB and strategy areas.

I was extremely fortunate to have Paul Beamish as my advisor for my dissertation and as my mentor for my career. During my PhD days, he noted this limitation to my development as an IB scholar. At the time, I was studying Japanese multinational enterprises—a topic to which Shige Makino, my senior in the program, introduced me. I had capabilities suited to do this research because I had developed moderate levels of Japanese-language fluency from two years of living in Japan, but my research of Japanese MNEs was solely quantitative in nature when I started it.

Consequently, Paul Beamish advised me to go out into the field and learn more about Japanese multinational enterprises by conducting interviews at their Canadian subsidiaries. After resisting initially, I followed his advice to undertake these interviews. Unfortunately, being expedient, I did not think carefully about what I learned from the interviews, and only years later did I see the value of this process.

If I had been a true IB scholar, I would have been able to leverage these interviews into something substantive for understanding Japanese MNEs. I would have been better able to talk knowingly about these firms to both academic and practitioner audiences. I could have formulated new research questions of substance, but I didn't. These failures imposed limits on my own understanding of an area in which I was supposed to be a specialist.

Now compare my approach to that of my close friend and colleague, Carl Fey, who has always been bold in his approach to IB research. He is fluent in several languages, including Russian. He was an entrepreneur who engaged in an import-export business before joining the Ivey Business School's PhD program. After deciding that his PhD research would be in Russia, he taught himself to speak the local language. He developed a basic competence in Russian by engaging passers-by in Russia in random conversations. He tried and tried, and he learned. Eventually he was even able to teach executive audiences in Russian. However, Carl did not become complacent but went on to his next challenge when he accepted an offer to be Dean in Nottingham University Business School China, in Ningbo, which is close to Shanghai.

I recount these incidents because *my central concern is that we have too many people who study and teach IB that have had formative experiences like mine, and few like Carl Fey's.* This is a major concern because it means that many researchers in our IB scholarly community are fundamentally *not* "international" scholars and know little about international business. They are simply good academics who study IB questions by happenstance.

Some of you may dispute my point by arguing that we have many foreign-born and foreign-educated scholars doing IB research. However, one cannot lay claim to being well versed in IB because having come from South America or Asia to study for a PhD in Europe and then taught at an institution in the United States. Certainly, this is a laudable achievement but this path does not lead to gaining real expertise in IB topics. It only means that you are a foreign national, maybe even a new citizen of a host country. However, you are not an IB expert simply because you were not born in the country in which you teach or studied.

Therefore, becoming an adept IB scholar is a much more involved process—a time-consuming deliberate process of skill and experience development that is tied to success in an academic discipline. If we are to have a well-defined place as a field, as a distinct area of study, and as a legitimate and differentiated discipline in the business school environment, we need a unique set of competences that define us definitively as IB scholars.

Our IB doctoral programs have rarely yielded such a differentiation in skillsets and knowledge because our focus has been on developing competences that match those of our colleagues in strategy, economics, marketing, or finance in terms of *technical* acumen. Yet, even a middle-of-the-road undergraduate student half-sleeping through a strategy class knows that imitation is not differentiation.

Like it or not, IB scholars are not leaders in empirical techniques, whether quantitative or qualitative. At best, we can match the technical skills of scholars in other areas of the business school, but researchers from other disciplines could easily transition to teaching and conducting studies in international business once they have familiarized themselves with the relevant literature and research questions. As Boddewyn (2016) argued, they are capable to do "universal" research because many hypotheses can be tested abroad as well as at home.

To avoid this conquest by the IB-scholar wannabes, the key for us is to become truly international researchers so that our studies may become differentiated from IB-themed research done by a casual non-IB scholar. *Developing a rich contextual knowledge of the phenomena we study and of the locations where we situate our research becomes our differentiation.* The benefits are many because it provides us with legitimacy as scholars and it helps us define ourselves as working in a field distinct from other management areas. The cost is our time and our commitment to our own professional development as well as to defining and growing the IB discipline.

Being a Respected IB Professional

How often have you sat in a seminar when it is clear that the presenter knows next to nothing about what he or she is presenting? The lecturer knows the relevant theory, the proper research question, the data and their sources as well as the econometrics and their implications, but he or she does not know anything of substance about the setting, the context, and the broad or narrow meanings of his or her research.

This lack of knowledge is painfully obvious to the audience. The presenters might feign knowledge of context by putting a photo on an introductory slide in order to show they can define the topic of their presentation. A well-prepared presenter will even have a cute story that connects to the data and setting for the research, but this story will have been culled from some media outlet. In sum, everything about the research is secondary, including the quality, which is second-best.

Instead, the best presentation comes from someone who took the time to embed himself or herself in the context so that the lecture gains life from his or her experience in that context. The presenter gains legitimacy and authority, and he or she is able to respond to even the most obnoxious questions. The audience learns not only about the theory and the data but also about the stories behind the story.

Understanding context also helps us, as a community of scholars, to ward off one of the most persistent criticisms of academic research – namely, that we are out of touch with reality. This critique stings because it is too often true but it also hurts because it trivializes all the hard work that goes into producing a sound piece of research.

Knowing context helps to counter such critiques. An adept scholar can speak about the generalities and broad implications of his or her academic research while also citing evidence and information that makes the meaning of the research accessible. Thus, we can talk about the growth of private equity in emerging markets and the management challenges associated with it, but the story becomes more lively and convincing when we know about the personalities involved, the specific situations the scholar has dealt with, their failures and successes, and their attributions for the latter.

Our unique skill becomes the ability to link such stories to academic research. Ill-trained academics cannot do this nor can the media because they only have the skills needed to focus on one part of the story—either the stories of informants or the quantitative patterns and trends in the secondary data.

When we do not know context, we lose the ability and opportunity to speak to a wide audience. IB research necessitates, hopefully, engaging with interesting research questions. Universities' corporate communication teams, popular media outlets, and even journals seeking a non-technical take on a piece of research—they all desire accessible stories about our research. Without context, we must use our imagination to concoct the stories behind the cells in our spreadsheets. However, we can give our imaginations a rest by actually learning about the phenomena we study, which makes the subsequent communication about the phenomena much easier.

In the End

I hold these critiques to be true, but I am also fully aware that a good number of scholars do indeed develop these skills and perspectives on research. They do make the investments required to become "truly international." However, this development most often comes late in their academic life, usually catalyzed by a tortuous series of failed teaching episodes or executive education disasters that impel them to learn what they formerly eschewed learning. The journey need not be so traumatic if we focus on contextual knowledge and skill development.

Importantly, we must foster this form of skill and experience development early in the career of IB scholars. We need to find scholars who love and embrace all things international. We need to encourage a strong engagement with context to build scholars with unique competences suited to the phenomena they study. Our practices of investigation need to mimic the phenomena we study so that we may become truly adept at understanding, explaining and educating others about IB phenomena.

The growth of the Academy of International Business has been impressive, but we need that growth to come from scholars who are fully embedded in, engaged with, and passionate about international business.

Now, the big questions: *What have you done to become a "truly international" researcher? What do you suggest can be done to develop "true" international scholars and scholarship in our field?*

Please kindly post your answers and relevant comments through the interactive comments system, which you can access through the AIB Insights website at https://aib.msu.edu/publications/insights. I will respond through this site and we may publish the best answers and comments in a subsequent issue of AIB Insights.

References

Boddewyn, J. 2016. Is your "IB" research truly "international?" *AIB Insights*, 16(2): 3-5.

Corbett, A., Cornelissen, J., Delios, A. & Harley, B. 2014. Variety, novelty, and perceptions of scholarship in research on management and organizations: An appeal for ambidextrous scholarship. *Journal of Management Studies*, 51: 3-18.

Delios, A. 2017. The death and rebirth(?) of international business research. *Journal of Management Studies*, 54(3): 391-397.

Andrew Delios (bizakd@nus.edu.sg) is a Professor in the Department of Strategy & Policy, NUS Business School, National University of Singapore. He completed his PhD in 1998 at the Richard Ivey School of Business, University of Western Ontario. He became a Fellow of the Academy of International Business in 2013. Andrew is an author or co-author of more than 80 published journal articles, case studies and book chapters, as well as an author of six books. He served as an Associate Editor and General Editor of the UK-based Journal of Management Studies for seven years. He has also been the editor-in-chief for the Asia Pacific Journal of Management and an area editor at the Canadian Journal of Administrative Sciences. From 2011-2013, Andrew served as the President of the Asia Academy of Management. His research looks at strategy, governance and global competition issues in emerging economies, the international strategies of Japanese multinational corporations, and the geographic and product growth strategies of publicly-listed companies in China.

CONTINUING THE QUEST FOR THE RAISON D'ÊTRE OF OUR FIELD OF IB AND OURSELVES AS IB SCHOLARS

The Role of AIB and IB in a De-Globalizing World

Martin Kaspar, Durham University, UK

At the 2017 AIB conference in Dubai, two themes seemed to dominate the debate, either as dedicated panel-topics or as implicit subtext of many sessions: the questions of (a) are we living in an era that is rapidly de-globalizing and, the—seemingly unrelated—question of, (b) whether IB is in the process of losing its relevance.

It could be argued that there is probably an element of truth in both statements, that both questions are more interconnected than it appears at first sight, and that the potential threat of a de-globalizing world might even strengthen the role of IB in the future.

We will discuss each of these two questions in turn, outline where they are connected, and explain how this could lead to a more central role of IB in the near future.

Are We Living in an Era That Is Rapidly De-Globalizing?

Whether we are indeed experiencing a gradual—or even rapid—de-globalization is a difficult question to answer. Judging by the number of panels and session-headlines at this years' AIB conference, one could certainly get this impression: "Globalization under threat: how should IB respond?" "Business in a less globalized world—where to go from here?" or "De-globalization: lessons from history."

Similarly, many publications—academic and non-academic—point in this direction; to illustrate, we would only like to point to a few examples, such as Sauvant (2013) who, citing UNCTAD figures, pointed out that we observe a continuous rise of policy measures and FDI regulations which make investment climates less welcoming. Or Abbosh et al. (2017), who observed that barriers for trade and investment to cross borders are increasing (e.g., "the number of trade-restrictive measures in the G20 nations almost quadrupled from 324 in 2010 to 1,263 in 2016).

There are individual aspects which collectively paint a darker picture, as outlined by Boddewyn and Rottig (2017), e.g., less international business, guarded globalization of emerging markets and the anti-globalization movements in developed counties, or Witt's (2017) observation that the big internationalization-policy-projects are in trouble. WTO negotiations for trade liberalization (the "Doha Round") ended in failure, TPP has been abandoned, and NAFTA is questioned by a US president who is an outspoken opponent of free trade and open borders. Even the vociferously "Pro-Free-trade nations"—Canada and the EU member states—barely managed to push the Comprehensive Economic and Trade Agreement (CETA) through against the vocal protest of their own populations. Hence, as Witt (2017) so poignantly remarked, globalization, which for a quarter of a century seemed unstoppable, increasingly "looks more vulnerable than inexorable."

But while the "anti-globalization narrative" sounds intuitively plausible, and the seeming slowing down of goods, services, and investments crossing national borders apparently confirms this, there are other narratives, rarely heard, but maybe equally plausible. Maybe the slowing numbers of goods crossing our borders is based on something other than the world entering a new era of isolationism and economic nationalism?

It could be argued, that this is the inevitable slow-down of a several decade long off-shoring process. The diminishing-return curve or saturation point, where all companies who wanted to re-locate production to low cost countries have eventually done so. Or we over-state the seriousness of the slowing-down of globalization due to inaccuracies of the figures on which we base this assumption. BOP figures are famously problematic in measuring FDI activities (Beugelsdijk et al., 2010). Not to mention national specifics which make FDI figures hard to interpret (Sutherland & Anderson, 2015).

Our observations could be biased given the relatively high cut-off points introduced for BOP reporting, an effect which not only could distort figures due to the change in reporting standards but also on account of the fact that most of the large MNCs already enjoy a global presence – and that it is arguably now small and medium-sized enterprises (SMEs) who are globalizing. With the high cut-off points we are potentially systematically (and in ever increasing numbers) under-estimating the flows of investments due to ever more transactions falling below the reporting threshold.

Maybe the effects of the OECD's base erosion and profit shifting (BEPS) initiative and the tightening of national legislation seeking to curb round-tripping or the use of tax havens is creating a far more pronounced effect in statistics than we had assumed. Which would point more to a decade-long obliviousness to artificially over-expanded cross-border investment flows due to tax purposes, than a slow-down of economic activity or even de-globalization.

Finally, technological change is also having a significant impact on cross-border flows. Due to advanced manufacturing, 3D printing and robotics, the once unbeatable advantage of low-labour cost countries evaporates, and efficiency seeking FDI is losings its main driver. Similarly, the increasing "de-physicalization" of products (e.g., CDs and DVDs into stream-able files, maps into an APP on mobile devices) is converting products into bits & bytes which might cross borders, but whose economic value we are unable to measure. So simply because we cannot measure it, it does not exist?

So while there is undoubtedly a hardening of the policy context, and while the metrics with which we have—so far—measured globalization are indicating a slow-down, the jury is still out on whether we are truly living in less globally interconnected times, whether what we are seeing (or measuring) really is the harbinger of economic nationalism, or whether it isn't rather a new economic paradigm which so far we are unable to quantify.

This leads us to the second main theme of this year's AIB conference.

Are We, the IB Field, Losing Relevance?

Without too much of a stretch of imagination one can argue, that right now, this is the case. While we call ourselves international business, it is undisputed that the vast majority of the output we produce isn't read by either the business community or the political decision makers. Hence, it is hardly surprising that, as Boddewyn & Rottig (2017: 3) remark, "we have failed so far to help our stakeholders—students, managers and policy-makers—make sense of our constantly changing world." The dramatic part of this is, that this isn't new. Ten years ago, Cohen (2007) observed that academic, peer-reviewed journals aren't written for and certainly not read by practitioners.

"*While we call ourselves international business, it is undisputed that the vast majority of the output we produce isn't read by either the business community or the political decision makers.*

At this year's AIB conference in Dubai, the same conclusions were reached—but then quickly and nonchalantly brushed aside with reference to the academic incentive system. There is no other way. Publish or perish—the omnipresent excuse on everyone's lips. But if our research output isn't read by, and doesn't seem to have any relevance to, business people or policymakers, what is it then really for? And as a long-term consideration, why should a large sector such as ours be financed by public funds if there is no discernible use to those who provide and sign off these funds? In our very own interest we should make sure that we are relevant, interesting, and useful to the business community and to policymakers.

Even if to us the benefits are obvious, we need to look at our work through the eyes of those we allegedly speak for. Looking at the typical IB journal article, why should business people bother to read our output? Cohen (2007) rightly remarked that we focus on methodology and theory, and—at best—add a sentence or two on practical application. More importantly, however, I would contend that we are not even talking about the things practitioners would be interested in. We largely produce replication studies of previous articles which, in turn, are dealing with highly theoretical issues that can somehow be linked to the great theories in our field. Few, if any, deal with practical, real-world problems.

This is largely due to what can and cannot be published in academic journals. While for the individual, publishing in

A-journals is furthering his or her career (and hence, perfectly understandable), as a field this practice will lead us straight into a dead end. The shocking bit in all of this is that most of us see this danger, but merely shrug our shoulders and carry on. "The system can't be changed" is a frequent response, and this might or might not be the case. But in order to stay relevant, we simply have to find new and uncharted areas to research, and we need to engage with business people and political decision makers.

And therein, I would contend, lies the other problem. Do we actually want to do that?

A few weeks ago, I was privy to a celebrated and highly published academic explaining to an experienced and well-connected businessman that the question he raised is invalid and irrelevant, not least because it doesn't tie into the theories and models how business people are taking decisions. Would it not be a reasonable assumption that a businessman might have some insight into such things? So, apart from it being breathtakingly arrogant, it is precisely what Boddewyn and Rottig (2017), von Glinow (2017), and Doh (2017) are warning us of. It is the cutting oneself off from ones' own sources as well any interest of the purported end-user. This is a prime example of the elitist detachment that Collinson (2017) was taking about.

If we are serious about the much repeated mantra that relevancy and impact do indeed matter, it appears to be obvious that, "practitioners [...] are the best source of research questions of greatest urgency in the working world, as well as the data" (Garman, 2011: 131). Instead of continuing to ignore practical questions and continue on our quest to hunt for "gaps in the literature," slicing extant research into narrower and narrower hypothetical questions that have lost all relevance and connection to reality, we ought to bridge the by now sizeable gap between the concern of practitioners and the output of researchers. The gap between theory and practice. If we want to be relevant, we ought to think research questions from the end-user. How do we add value for these people? What are the questions that keep them up at night? And—a healthy dose of self-interest—how do we ensure that our output enters into the public debate?

What Does This Mean for Our Field?

So what does this mean for our field? And why should times of trouble—where globalization might or might not be under threat—be a second breath of life for IB?

We are not the only ones who are feeling the heat. Increasingly, there is a complicated and confusing world out there; one which raises more questions than ever before. Business people and policymakers are desperately looking for answers. And, if we are willing to rise to the challenge and deal with real-world problems, rather than the slightly narcissistic navel-gazing of our own pet theories, there is an eager readership waiting out there for those who, with a birds-eye view, might make sense of the messy world they find themselves in. Business people and politicians are as confused and worried by the question of whether we are experiencing another era of de-globalization as we are; they are wondering—as many of us do—whether history is repeating itself. Merely being part of the effort to seek to answer this question should drive our field right into the epicentre of decision makers' interest.

But for that we need to speak to business people and to political opinion leaders; we need to leave "our ivory towers" (von Glinow, 2017) and walk the production halls, trading rooms, and ministerial corridors. Just ask yourself, when was the last time you asked a business person what they are concerned about? Not a narrowly defined survey question, where on a Likert scale they could tick a box—but an open-ended question of what they consider to be important? Collinson (2017) is absolutely right in noting that we need "a clearer understanding of the processes, practices, and policies" that guide practitioners' lives. We need to ensure that our output is read not just by a handful of fellow academics but by those who, and for whom, we profess to research. For that, we need to chart a fuller, a more realistic picture, we need to work interdisciplinary.

And, we might need to re-think some of our theories. If one of the hallmarks of a globalized world is consistently low inflation rates (imported deflationary effects through a lower costbase), would the end of globalization then not result in the re-emergence of inflation? If digitization is changing the rules of the game and shortening global supply chains, would understanding IoT, LPWAN and OPC UA—things the business community is currently trying to get to grips with—not be a pre-requisite to be able to carry the debate?

The world is changing: global supply chains are in the process of being reconfigured, today's future markets might not be tomorrow's future markets, and the metrics that have served us well for decades are becoming more and more useless in a digitized world. And the fifteenth replication study of something we have known for a decade really isn't adding any useful answers (other than possibly being accepted for publication in an A-journal).

If we truly want to, and if we dare to step out of our self-chosen limitations, we might find ourselves right in the center of policy debate and in the spotlight of managers' interest, contributing our part to answers in this ever more complex world—a world which potentially is indeed becoming more restrictive and where international trade and investment are getting more difficult to navigate. But wouldn't that mean that high-quality intellectual input is more important than ever?

If we come to the conclusion that we are in fact entering a period of de-globalization, the business community won't simply nod their head in acquiescence and accept that it is all over now, but they will want to have answers, and models, and ideas about "what next."

Operating internationally will probably always be possible, but more complex and expensive. Companies might, as Witt (2017) suggested, need more than one strategy. Sauvant (2013) observed that the rise of protectionism predates the financial crisis and might have more to do with a reassessment of nations of how they benefit from foreign investors.

As a field, we have to ask ourselves if we have potentially missed that phenomenon—just like economists didn't see the biggest financial crisis in a century coming. Should we then not hurry to get to grips with this new reality, rather than focus on the ever same old theories that led us to a point where we wonder whether we are, in fact, still relevant? Should understanding and explaining that new business environment not be the core of what our field is all about?

Seeking to answer the question of whether we are experiencing de-globalization and, if so, how to deal with its repercussions, should be a major boost for our field. And, if we are willing to engage with the business community and political opinions leaders, we might be finding the very raison d'étre we seemed to have been looking for so eagerly at our 2017 AIB annual meeting in Dubai.

References

Abbosh, O., Nunes, P. & Ovanessoff, A. 2017. *Adapting Your Digital Business to a Fragmented World*. Accuenture Research.

Asmussen, C. G., Pedersen, T., Devinney, T. M., & Tihanyi, L. 2011. Introduction to Part II: Dynamics of Globalization:Location-Specific Advantages or Liabilities of Foreignness? In *Dynamics of Globalization: Location-Specific Advantages or Liabilities of Foreignness?* p. 45-53.

Beugelsdijk, S., Hennart, J.-F, Slangen, A., & Smeets, R. 2010. Why and how FDI stocks are a biased measure of MNE affiliate activity. *Journal of International Business Studies*, 41(9): 1444-1459.

Boddewyn, J., & Rottig, D. 2017. How to Regain Legitimacy and Relevance in a New Era for International Business: If Not Us, Who? *AIB Insights*, 17(2): 3-6.

Cohen, D. J. 2007. The very separate worlds of academic and practitioner publications in human resource management. *Academy of Management Journal*, 50(5): 1013-1019.

Collinson, S. 2017. The Declining Relevance and Legitimacy of IB Scholarship in a World That Really Needs It. *AIB Insights*, 17(2): 7–10.

Doh, J. 2017. Phenomenon-Based Research in International Business: Making IB Relevant Again. *AIB Insights*, 17(2): 14–16.

Garman, A. N. 2011. Shooting for the Moon: How Academicians Could Make Management Research Even Less Irrelevant. *Journal of Business and Psychology*, 26(2): 129-133.

Ghoshal, S. 2005. Bad management theories are destroying good management practices. *Academy of Management Learning and Education*, 4(1): 75-91.

Sauvant, K. 2013. The rise of FDI protectionism. *Columbia FDI Perspectives*, http://ccsi.columbia.edu/files/2013/12/sauvant_rise.pdf.

Sutherland, D., & Anderson, J. 2015. The Pitfalls of Using Foreign Direct Investment Data to Measure Chinese Multinational Enterprise Activity. *The China Quarterly*, 221: 21-48.

Von Glinow, M. A. 2017. Plus Ça Change, Plus C'est La Même Chose? Or, That Was Then, This Is Now. *AIB Insights*, 17(2): 11–13.

Witt, M. A. 2017. *The End of Globalisation?* https://knowledge.insead.edu/economics-finance/the-end-of-globalisation-5046, accessed 11.07.2017.

Martin G. Kaspar (martin.kaspar@fraenkische-ip.com) is Head of Business Development at a German Mittelstands company within the Automotive industry and a PhD candidate at Durham University. He regularly contributes to practitioners magazines, has a column at fdi intelligence and is a regular speaker at FDI- & digitalization-conferences, as well as IPA and Chamber of Commerce events. He has also been a speaker / participant at E15 Investment Facilitation events of the World Economic Forum, Ditchley Park, economic delegations, the Munich Economic Forum, UNCTAD and BoKoWiTa.

Race-to-the-Top Strategy Paradigm

Alejandro Ruelas-Gossi, University of Miami, USA

Introduction

This article proposes a novel approach to business strategies and public policies toward bridging the gap between developed and emerging economies. A race-to-the-top paradigm, based on the sophistication (value enhancement) of resources that are distinctively present across every region in the planet is proposed. This approach introduces a virtuous circle by leveraging a country's natural advantage through a value-enhancing sophistication strategy toward a self-perpetuating virtuous circle of development. Leveraging those resources may potentially attain high levels of sophistication, and accordingly, of higher per capita income/value for the region/nation. A development strategy based on value-enhancement is superior to a strategy based on mere cost reduction. Examples from New Zealand, the Basque Country (Spain), and Chile are presented. A number of implications for business strategy as well as for public policy are discussed, and a framework for this new paradigm based on five patterns is explained in the article.

The widespread paradigm among policymakers and academics that study the process of how developing countries catch-up with developed countries (Ghemawat & Altman, 2016; Ruelas-Gossi, 2004) is that, essentially, the way forward for developing countries is to integrate into the global value chains, mostly by carrying out low value-added activities within the chain (Ruelas-Gossi & Sull, 2006). Accordingly, we have witnessed development strategies that are focused on reducing costs based on the exploitation of natural resources with lower potential for added value (extractive and agricultural sectors), assembly process (à la Maquila Industry), and low value-added services (such as call-centers) (Ruelas-Gossi, 2004, 2010a).

Traditional Paradigm

For almost five decades, countries in Latin America, particularly Mexico (and other countries in Central America), have welcomed foreign assembly plants and factories, known as *maquiladoras*. Let us consider a real example (from McClatchy-DC): Sergio Martinez, a worker in a maquiladora, PKC. His salary has been the same for more than a decade ($7.50 a day). Sergio is part of the millions of workers who can only dream of buying the appliances, or the cars they help manufacture. He and his family live like poor dirt farmers, in what Mexicans call a *jacal* (a homemade shanty of scrap wood and tarpaper). These poor living standards are not just emblematic of the industrial sector of Mexico—a human cog in a global supply chain—but also a magnet for foreign investment. The poverty traps them with the same salary for years. The government tries to compensate with subsidizing credit, to purchase appliances or even simple houses, sinking them into debt. Their children rather than staying in school, will end up going to factories like their parents, or worse, will join criminal gangs.

Mexico is not the exception, but the rule. And this race-to-the-bottom paradigm of keeping low salaries can be even worse (Kay & Lewenstein, 2013). The non-written rule is to comply with what we call the metrics of the poverty trap: lowest cost, best quality and delivering on time. When those are not met, a more drastic event occurs. After almost 20 years in Costa Rica, Intel cut 1,500 jobs and relocated them to Asia in 2014. Both outcomes of the current paradigm are undesirable: the poverty trap and the sudden loss of jobs, fostering a vicious circle of low-cost activities that fail to accumulate the skills for sustained long-term growth. Costa Rica surrogates itself to externally-generated knowledge, jobs with enslaving conditions and effectively becomes a remora of developed countries, making the country more exposed to the volatility of foreign direct investment (FDI).

The New Top Strategy's Paradigm

For nearly a decade, I have pointed to the perils of a maquiladora-dependent-economic-model for emerging economies (Ruelas-Gossi, 2010a, 2010b) because it is deeply flawed, but since there was for decades an "alternative" (the easy one), it became the preferred path of choice. Nobody questioned that the forces of globalization with its off-shoring practices (arbitrage) were an integral part of the global-supply-chains.

The geoeconomic world was then divided, into the world of *thinking* and the world of *doing*. Year by year this division got more acute. The *thinking* jobs remained in the developed economies. The *doing* jobs were transferred to developing economies, dragging them into the metrics of poverty, mentioned above.

The Long Global Great Recession—as well as the advanced-manufacturing (robots)—has provoked a drastic loss of jobs in developed economies, and in looking for someone to blame, some developed economies found in trade-agreements a suitable scapegoat. The resurgence of protectionism is being pervasive in both Brexit and Trump campaigns. It is becoming the new-normal argument for keeping jobs inside.

The model proposed here offers a new avenue of interaction that avoids the zero-sum game of the traditional off-shoring arbitrage practices. The race-to-the-top strategy paradigm provides a fresh *thinking-thinking* paradigm. It is based on the sophistication (value enhancement) of resources that are present (natural) in a given country. This approach introduces a virtuous circle by leveraging a country's natural advantage through a value-enhancing sophistication strategy toward a self-perpetuating virtuous circle of development. It requires a drastic rethink of the role of FDI from MNCs in economic development for an emerging country. Rather than serving to create low-paid jobs, FDI would be drawn to a country to enhance and develop its economic potential through the construction of value in the society.

This redefinition entails an enormous shift in relations between MNCs and emerging markets. For emerging economies, this model offers the chance to develop in a more sustainable way that is more advantageous to the broader population. However, to realize this, the emerging economies need the sophisticated knowledge of a developed market counterpart. In the long term, this model offers better economic conditions in a foreign market for an MNC through customers with more buying power.

Promoting genuinely sustainable economic development between an emerging economy and MNCs would help stem the mass exodus of people fleeing the troubled regions of the Middle East and Africa for the more stable regions of Europe. For instance, if emerging economies began to enjoy the benefits of economic specialization and sophistication, fewer people would be motivated to move elsewhere. Therefore, this new strategic perspective could generate a solution for political and social problems from migration movements.

On the other hand, the beggar-thy-neighbor forms of trade that became popular with the explosion of global trade in the 1990s, such as offshoring, are no longer fit for this purpose in a world where shared prosperity and development are the only guarantors of shared security and stability. Thus, the answer is by bringing value, not volume, to the equation; by enhancing the sophistication of what nature gave in abundance to each of the world's regions. Time is of the essence, especially with the aftermath of the Great Global Recession still biting in emerging markets.

This paradigm of development is associated with high salaries policies that directly impact in increasing per capita GDP. We believe that every region on the planet possesses unique characteristics, and it is from the development of those characteristics that every nation must find a unique path of development, and that the value-enhancement is started through a deliberate act of bricolage, i.e., the construction or creation from a diverse range of available resources.

Lessons of Race-to-the-Top Strategies in New Zealand, Basque Country, and Chile

Let us consider novel lessons of this new strategic perspective from developed and emerging economies.

The impact of the milk sector in the economy of New Zealand provides pragmatic lessons of race-to-the-top strategies. NZ performs the global largest share of dairy products, and it reached in last decade the highest levels of sophisticated goods from milk, duplicating its GDP per capita. Industry's outputs are sophisticated through the intense R&D activities of the Biotech dedication of NZ's universities such as Victoria, Waikato, and Auckland. Farmers get access to improved methods of production and smart business practices. Production and processing of milk is organized through a successful model of cooperatives companies, like Fonterra, the global company owned by 13,000 farmers (Ruelas-Gossi, 2016).

In Spain, the Basque Country has enhanced its steel industry through a new strategic perspective. Basque Country had an unemployment rate of around 25% and a per capita income of approximately US$13,000 in the 1990s. It reached full employment and more than tripled per capita income to US$42,500 in less than two decades. Local leaders managed this by enhancing value – not reducing it. More than 50% of the region's workers are employed in the industrial sector, mainly steel. The price of steel is set in international markets and is subject to high cyclical variations. But the Basque Country focused on product and process innovations, which minimized exposure to price volatility. It was able to increase the value of its exports, even as labor costs rose. The country achieved this through supporting world-class research and innovation. To ensure effective knowledge transfer, private sector participants join the boards of R&D think-tanks like Tecnalia, Ikerlan, that had reached a global strong presence (Ruelas-Gossi, 2016).

In Chile—to cope also with the cyclical variations of copper—they made an innovative leap into the healthcare sector, that represents a clear departure of the commodity trap. A metal traditionally known as one of the best conductors of electricity, has begun to shine in the healthcare field.

They launched a joint public- and private-sector (copper firms, R&D centers at universities) initiative aiming to enhance the development of the country's mining sector, a project utilizing copper as an antibacterial agent at the Hospital of Calama in Chile's Second Region. It involves applying copper and copper alloys to medical devices that require repeated touching or handling. Such devices include serum holders; pencils for inputting data on computer screens; meal tables for patients; levers that regulate beds and bed arms, and chairs for hospital visitors. In each case, the goal is to combat the spread of infections inside the hospital. The Environmental Protection Agency in the US has recognized copper as the leading anti-bacterial metal in the world, opening enormous uses and possibilities for copper in hospitals. Chile holds the largest GDP per capita in Latin America.

Patterns of This Race-to-the-Top Paradigm

I have identified 5 patterns of this race-to-the-top paradigm:

Focusing on the high-value of their market segments. According with the international entrepreneurship field, the creation of future goods and services arises from the exploration of opportunities across national borders. In the new paradigm, each company explores these opportunities for new products and services in their market segments. Through their networks with organizations and government institutions the firm can generate outputs with high value for their segments. For instance, like New Zealand's Tatua and Westland, smaller cooperatives related to Fonterra, that develop specialized, unique, and niche products, as a result of private-public competitiveness policy toward enhancing the milk sector or like the Basques, that rather than trying to make the cheapest steel in the world, they enhanced value. For instance, they don't produce steel for making doors but for sophisticated products such as spacecraft.

Deepening the science behind the business. The activities of R&D are expensive for the firms, especially in Latin American emerging economies (Ruelas-Gossi, 2004). That is why the Inter-American Development Bank (IDB) has stimulated an international policy to create research centers in countries such as Chile and Colombia. These centers can depend on the government or universities and they generate knowledge with high impact in the production of technological innovations. For example, like the Chilean R&D Centers identified copper's antibacterial qualities and its ability to limit the spread of pathogenic microorganisms, or New Zealand tech initiative that developed biofuel by processing a waste stream from casein (main protein milk) manufacture into bio-ethanol, and anti-cancer therapies.

Expanding into more products/industries. The knowledge based view (KBV) argues that knowledge is the most important resource for a firm (Wernerfelt, 1984). The development and strategic use of knowledge enables companies to build a competitive advantage through which they can create value and earn superior returns (Barney, 1991; Grant, 1996). When knowledge is protected through patents, firms can explore new uses for this knowledge as a base for new products and then develop new industries. For instance, the use of copper in food processing and at industrial scale like copper-lined air conditioning filters, or even as antimicrobial agent in socks, towels and underwear, and also it will extend its use in the home, in bathrooms and kitchens. Or the New Zealand milk expanding into healthcare goods: like breeding cows that produces low-fat milk, high in omega-3 oils and polyunsaturated fat, organic dairy ingredients, complex lipids from milk, infant formula from goat milk and the world's first long-life goat milk. The Basques have mixed the steel with technology in a very large variety of machinery applications and finished goods such as elevators, escalators, ramps, walkways, etc.

Orchestrating public-private cooperation through robust policies development, In the orchestration, the companies create value by generating innovative combinations of resources that satisfy client needs. The orchestration integrates different nodes that are the individuals, the business units, the companies or government institutions that control the relevant resources and make them available to fill the existing gap in the market (Ruelas-Gossi & Sull, 2006). For example, like the Basques, who after signing the third stage of the Basque Economic Agreement in 1981, the regional government brought together public and private sector players to introduce new competitiveness policies, creating a web of nonprofit institutions linked to public and private universities, or the private-public competitiveness policy toward enhancing the milk sector of New Zealand's exports, rooted in the orchestration of multiple factors: farmers, non-profit organizations, and government; contributing with the ongoing application of innovative technologies, on-farm productivity, new product development, advanced education system, and a sophisticated infrastructure; and

Sourcing ideas—through FDI—globally. Specific knowledge is key to the development of innovations in organizations. The creation and protection of new specific knowledge allows companies to create long-term benefits, improve competitive positioning and significantly improve corporate performance. In Latin America, the investment in R&D is low and the universities play a key role in the generation of specific knowledge and innovations they can capture national and international financial resources for exploring ideas and then transforming them in innovations. For example, the intensity of the interaction between the University of California System with New Zealand through entities like UCEAP (University of California Education Abroad Program). This academic interaction has allowed the transformation of ideas in products with high value around the dairy NZ industry.

Here some recent examples from Latin America that are trying to escape from the commodity trap like Ecuadorian Pakari, the Chilean Codelco innovative applications (Wharton, 2008), the salmon skin shoes, with a growing success in both the US and Western Europe or the colorful Colombian flowers from the field to your table.

In a nutshell, the right policy question is not whether to enter an existing global value chain, but how to create its own original value path, with the ultimate goal of sophistication and enhanced value.

Conclusion

In general terms, organizations and governments in emerging economies have taken the easy way when they have prioritized "doing" instead of "thinking," while the gap between rich and poor keeps widening (Prahalad & Hammond, 2002). Latin American emerging economies have based their development on the exploitation of natural resources in the last decades and they have also adopted policies for the promotion of FDI in their countries by incentives of low cost of labor and including better taxes conditions. This situation has generated a focus in emerging economies on producing goods and services that others are creating.

This short article proposes a novel approach to business strategies and public policies toward *bridging the gap* between developed and emerging economies. A race-to-the-top paradigm, based on the sophistication (value enhancement) of resources that are *distinctively* present across every region in the planet. This approach introduces a virtuous circle by leveraging a country's natural advantage through a value-enhancing sophistication strategy toward a self-perpetuating virtuous circle of development. Leveraging those resources may potentially attain high levels of sophistication, and accordingly, of higher per capita income/value for the region/nation. A development strategy based on value-enhancement is superior to a strategy based on mere cost reduction. The examples from New Zealand, the Basque Country (Spain), and Chile can help not only managers but also policymakers in emerging economies rethink their foreign investment policies in promotion.

References

Barney, J. 1991. Firm Resources and Sustained Competitive Advantage. *Journal of Management,* 17(1): 99-120.

Ghemawat, P., & Altman, S. 2016. Emerging Economies: Differences and Distances. *AIB Insights,* 16(4): 7-9.

Grant, R. 1996. Toward a Knowledge-Based Theory of the Firm. *Strategic Management Journal,* 17(Special issue): 109-122.

Kay, E., & Lewenstein, W. 2013. The Problem with the "Poverty Premium". *Harvard Business Review,* 91(4): 21-23.

Muniz, F. 2014. *Francisca Apparcel: ES salmon leather y chilote house shoes.* http://www.cityen.cl/francisca-apparcel-es-salmon-leather-y-chilote-house-shoes/.

Prahalad, C., & Hammond, A. 2002. Serving the World's Poor, Profitably. *Harvard Business Review,* 80(9): 4-11.

Ruelas-Gossi, A. 2004. El paradigma de la T grande: innovar en mercados emergentes. *Harvard Business Review AL*, 63-71.

Ruelas-Gossi, A. 2010a. Mexico´s Maquila Syndrome. http://hbr.org/2010/10/mexicos-maquiladora-syndrome.

Ruelas-Gossi, A. 2010b. *How Colombia Can Turn Its Economy Around*. https://hbr.org/2010/12/how-colombia-can-turn.

Ruelas-Gossi, A. 2013. The Four Obsessions of Management. *Harvard Deusto Business Review,* 52-60.

Ruelas-Gossi, A. 2016. Why Mexico's economy doesn't depend on the next U.S. president. *Harvard Business Review*, November 9: https://hbr.org/2016/11/why-mexicos-economy-doesnt-depend-on-the-next-u-s-president.

Ruelas-Gossi, A., & Sull, D. 2006. Orquestación estratégica: La clave para la agilidad en el escenario global. *Harvard Business Review,* 84(11): 43-52.

Wharton. 2008. *In Chile, Copper makes an innovative leap into healthcare sector.* http://knowledge.wharton.upenn.edu/article/in-chile-copper-makes-an-innovative-leap-into-the-healthcare-sector/.

Wernerfelt, B. 1984. A Resource- Based View of the Firm. *Strategic Management Journal,* 5(2): 171-180.

Alejandro Ruelas-Gossi (aruelas-gossi@bus.miami.edu) is a professor of strategy at the University of Miami School of Business Administration and a visiting research professor at New York University Stern School of Business. He is a consultant for several Fortune 500 companies such as Sony, Motorola, Microsoft, Bristol-Myers, IBM, Philips, Caterpillar, Cemex, Baxter, Ernst & Young, Aon, Techint, AT&T and Abbott. He was founder and GM of the "Think-tank Orkestra" in the Basque Institute of Competitiveness, Spain.

Language Structure and Its Effects on Innovation

Alexander Berman, Temple University, USA
Ram Mudambi, Temple University, USA
Amir Shoham, Temple University, USA

Introduction

Recent studies in a wide range of fields have related language to a number of characteristics including trust, cognition, perception, and sense-making. Language is a key aspect of international business, but thus far it has been studied mainly from a cross-cultural perspective (Brannen, Piekkari, & Tietze, 2014). In this paper, we argue that the effects of language run much deeper and can affect real aspects of national competitive advantage. In particular, we demonstrate that language structure affects a nation's innovation performance. This insight is novel and relevant for both theoretical and practical aspects of international business, with particular significance for enterprise-oriented global innovation strategies as well as for tailoring government policies and regulations.

Understanding the different levels of innovative output between countries has been a major issue of interest for academics, practitioners, and policymakers alike. What factors allow certain nations to attain and maintain competitive edge, positioning themselves as global innovation leaders? Responses to this question have led governments and agencies worldwide to adopt a wide range of policies as they seek to stimulate their domestic economies, enhance military strength, and attain global influence and independence. Similarly, multinational corporations and other global business actors continuously evaluate nations' relative capacity and positioning vis-à-vis innovation. These business players actively utilize this knowledge when they develop strategies to source and cultivate new technologies and ideas, locate research and development infrastructure, procure human capital and intellectual property assets, and optimize international networks of cooperative alliances and joint ventures. On a more conceptual level, academic researchers have evaluated a wide-range of innovation-related stimuli and developed a number of related constructs and theories. The complexity and multidimensionality of this research, combined with its relevance for practitioners and policymakers, presents both challenges and prospects for academics. Innovation research continues to gain relevance and popularity among scholars in many disciplines related to management and international business, fostering and cultivating relevant new insights and propositions.

There is presently an established, well-documented association between innovation productivity and countries' institutional environment, political structure, geographic locus, and relative level of economic development. The empirical evidence clearly indicates that the worldwide output of knowledge-intensive technologies and processes is concentrated in specific regions, where it is reflected in the comparative levels of R&D investment and patenting, as well as how the global network of corporate alliances and other cross-border cooperative ventures is configured. General observation indicates that that the most innovative countries tend to be wealthier and more economically-developed, such as the United States, Japan, or Germany. A closer look, however, reveals that there is substantial heterogeneity the innovative productivity of nations with comparable socioeconomic measures. For example, why has Malaysia generated 3.4 times more patenting activity than Poland in the past several years, despite its smaller population size and lower estimated GDP per capita? Similarly, why did Finland generate 3.6 times more patenting activity than Norway in the past several years, despite its generally comparable population size, location, and socio-economic structures but much lower estimated GDP per capita? Therefore, a close analysis indicates that countries' relative level of innovative productivity is much more complex than a mere reflection of differences in population size, institutional environment, political structure, geography, or economic development. What other factors contribute to the topology of global innovation, and is there a connection between concentration of knowledge-intensive development efforts and the cultural attributes derived from linguistic influence on cognition?

Language is one of the most important features that changes discontinuously at national borders (Beugelsdijk & Mudambi, 2013). Grammatically, languages differ widely in the way they separate genders, encode time, address hierarchies (age or status-related), and differentiate between individual and collective emphases. The role of languages in the formation of societies and in general societal behaviors has been evaluated over the past couple of centuries and documented in several fields of scholarly studies, and in practice (Whorf, 1956). However, only recently have scholars initiated efforts targeted at understanding the specific association between language structure and *managerially relevant* individual and societal behaviors. This stream of research evaluates how the cognition-related impact of linguistic structure leads to differentiated outcomes, thereby effecting global economic behavior and policies. For example, Chen (2013) finds that languages with a grammatical association of future and present influence future-oriented societal behaviors such as savings, retirement planning, smoking, safe sex, and avoiding obesity. Other recent empirical studies recognize that countries where the language's structure emphasizes gender have lower female participation in senior management occupations, and are more likely to regulate women's involvement in politics (Santacreu-Vasut et al., 2013, 2014). The formality of language structures has also been found to influence power dynamics in international teams (Tenzer & Pudelko, 2017).

> "These findings highlight the importance of understanding the effects of language structure in cross-cultural and cross-national business communications and activities.

These findings highlight the importance of understanding the effects of language structure in cross-cultural and cross-national business communications and activities. Connecting linguistics and innovation, two major areas of research that are integral to international business, presents an opportunity that is both interesting and managerially relevant. In this essay, we specifically examine language structures that reflect (1) gender distinctions, (2) emphasis on individualism/collectivism, and (3) hierarchy differentiation, and evaluate the effect of these linguistic differentiations on nations' patenting productivity and performance. Scholars in the fields of linguistic and anthropology have evaluated these three particular language categories in great detail. They have accumulated a comprehensive database of grammatical information that encompasses a very large number of global languages, thus enabling the feasibility of this study. Furthermore, in our opinion, prospective theoretical mechanisms that relate differences vis-à-vis these specific three grammatical categories and innovation-related behaviors can be formulated and understood in a more intuitive manner, when compared to available alternatives. Our findings demonstrate that there is a significant correlation between these variables, illustrating an association between language structure and innovation.

Preliminary Analysis and Takeaways

To measure the effect of linguistic diversity on people's propensity and capacity to innovate, we created language indices that reflect gender distinctions, emphasis on individualism/collectivism, and hierarchy differentiation. We then evaluated the correlation between these indices and the aggregate country-specific per-capita patenting activity for a five-year period from 2008 to 2012.

Gender Distinction

We expected higher level of gender discrimination within language structure to be negatively correlated with innovative output. We anticipated such association to be driven by the way such language structures cognition, thus effecting societal norms and behaviors in a manner that restricts female participation in various socio-economic activities, including those that contribute to innovation. Results of our study are consistent with these expectations. Specifically, correlation between the gender index and the per-capita distribution of patents is about -0.20, *indicating that innovative output is lower in countries where language structures are more gender discriminative.* Figure 1 displays this association. Notably, if we exclude Israel from analysis, the suggested association becomes meaningfully stronger with correlation between gender indices and the per-capita distribution of patents of about -0.3. Israel is a distant outlier with very high per capita patent output and highly discriminative language structure with respect to gender. These results suggest that a greater level of sex-based grammatical discrimination has a negative effect on the speakers' capacity for innovation. This finding complements previously referenced studies that identify the association between gender-based language structure and female participation in politics and in senior management occupations. If innovation productivity, is, in fact, among the effected behavioral variables, then understanding the nature and magnitude of this effect has an important strategic relevance to business disciplines and to a wide range of associated partakers.

Emphasis on Individualism/Collectivism

We expected higher emphasis on individualism within language structure to be positively correlated with innovative output. We theorized that such linguistic emphasis influences cognition and asserts a favorable effect on creativity, thus effecting societal behaviors in a manner that stimulates knowledge-intensive development activities. Results of our study are consistent with these expectations. Specifically, analysis of patenting activity against the individualism/collectivism linguistic index indicates that *residents of countries with an individualistic language structure tend to innovate more than those from countries where language structure reflects a greater emphasis on collectivism.* The positive correlation of 0.34 shown in Figure 1 is significant and exemplifies this association. This finding provides further support to the view that language structure, in fact, influences economically important societal behaviors. Understanding of this relationship has relevance not only to organizations' global innovation strategies, but also to governmental efforts of developing policies and regulations aimed to enhance countries' economic and strategic positioning and performance.

Hierarchy Differentiation

We expected higher level of hierarchy within language structure to be negatively correlated with innovative output. Our rationale was similar to that for the Individualism/Collectivism emphasis. We anticipated that a greater level of formal hierarchy within language structure influences cognition in a manner that inhibits creativity, thus inducing a negative effect on innovation productivity. The results of our study, however, contradict this hypothesis. Specifically, linguistic index of hierarchy has a positive 0.23 correlation with per-capita patent output, indicating that *countries with more hierarchical language structures are associated with a higher output of innovation*, as illustrated in Figure 1. This finding is puzzling, and we have not yet developed a sound theoretical mechanism for such potential association. One possible explanation is that a greater level of formal hierarchy within language structure influences cognition in a manner that has a favorable effect on path-dependent thought processes, which, in turn, may have a favorable effect on innovation-related developmental behaviors. Another possibility is that our results are effected by the omitted variable bias, whereby the observed positive correlation is influenced by another variable that has a favorable effect on innovation productivity and that also correlates with our linguistic hierarchy differentiation index. We hope that a more comprehensive research on the topic will lead to a better understanding of this relationship.

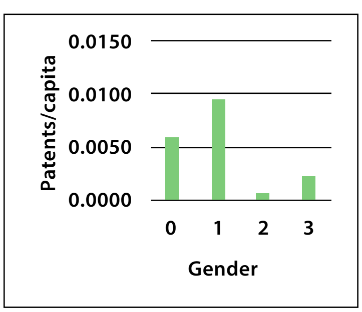
Relevance and Implications

The preliminary findings from our analysis indicate that there may indeed be an association between language structure and innovation. These insights have important relevance to the IB field, since identifying a source strategic advantage is a crucial first step for government agencies, multinational firms, and other global business stakeholders in their efforts to enhance strategic positioning and performance. If language structure, in fact, influences innovation output, then governments and businesses can utilize this knowledge to identify processes, develop strategies, and enact policies that either address or leverage the consequences of related effects. For example, government of a country where native language structure inhibits innovation potential of its population may be able to develop child education policies and programs that address the related cognitive consequence. Similarly, multinational corporations may be able to enhance their innovative productivity by incorporating native language-related knowledge into the process of designing their internal research and development teams, and/or implementing their global alliances and joint venture

Figure 1. Histograms of patents per capita for linguistic categories of gender, individualism, and hierarchy

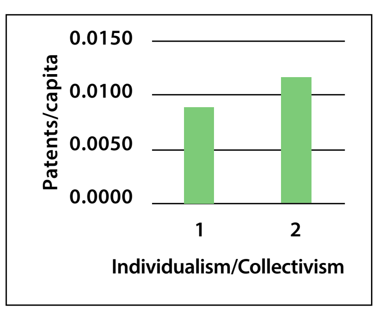
Gender Index: Higher scores indicate a more gender discriminative structure

GII v2	Patents/Capita	
0	0.0061	CORRELATION
1	0.0096	-0.198
2	0.0008	Significance Level
3	0.0024	0.064



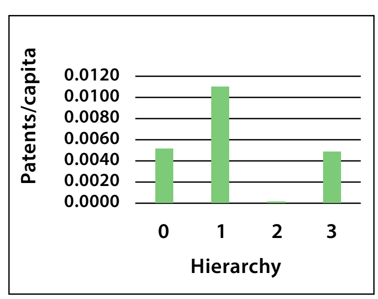
Individualism/Collectivism Index: Higher score reflects emphasis on individualism

Pronoun Drop	Patents/Capita	
		CORRELATION
1	0.0089	-0.344
2	0.0116	Significance Level
		0.001



Hierarchy Index: Higher scores indicate a greater emphasis on a formal hierarchy

Politeness	Patents/Capita	
0	0.00509	CORRELATION
1	0.01104	0.230
2	0.00011	Significance Level
3	0.00489	0.026



strategies. Therefore, findings of our study are not only novel, but also relevant to both theoretical and practical aspects of international business, with particular significance for enterprise-oriented global innovation strategies as well as tailoring government policies and regulations. Although the insights from our study are informative, the complex relationship between linguistic and innovation productivity remains poorly understood. We hope that future investigators will continue to challenge this limitation by developing new constructs and implementing tailored and robust examinations that will not only enhance our understanding of the overall subject matter, but also enable a concrete evaluation of its relevance to global economy and to the development of national and firm-level competitive advantage.

References

Beugelsdijk, S., & Mudambi, R. 2013. MNEs as border-crossing multi-location enterprises: The role of discontinuities in geographic space. *Journal of International Business Studies*, 44(5): 413-426.

Brannen, M. Y., Piekkari, R., & Tietze, S. 2014. The multifaceted role of language in international business: Unpacking the forms, functions and features of a critical challenge to MNC theory and performance. *Journal of International Business Studies*, 45(5): 495-507.

Chen, M. K. 2013. The effect of language on economic behavior: Evidence from savings rates, health behaviors, and retirement assets. *American Economic Review*, 103(2): 690-731.

Santacreu-Vasut, E., Shoham, A., & Gay, V., 2013. Do female/male distinctions in language matter? Evidence from gender political quotas. *Applied Economics Letters*, 20(5): 495-498.

Santacreu-Vasut. E., Shenkar, O., & Shoham, A. 2014. Linguistic gender-marking and its international business ramifications. *Journal of International Business Studies,* 45: 1170-1178.

Tenzer, H., & Pudelko, M. 2017. The influence of language differences on power dynamics in multinational teams. *Journal of World Business*, 52(1): 45-61.

Whorf, B. L. 1956. *Language, thought and reality: Selected writings of Benjamin Lee Whorf*. Cambridge, MA: The MIT Press.

Alex Berman (*alex.berman@temple.edu*) is a PhD student in the department of Strategic Management at the Fox School of Business, Temple University. He holds a BS from Cornell University and a MBA from Boston University, with a sub-concentration in Finance. Prior to joining Fox, Alex spent about 10 years at Goldman Sachs and Babson Capital Management LLC. Alex is also a founder of BAIS Enterprise LLC, a Registered Investment Advisory firm in New York.

Ram Mudambi (*ram.mudambi@temple.edu*) is the Frank M. Speakman Professor of Strategy at the Fox School of Business, Temple University, USA. He holds a Master's degree from the LSE and a PhD from Cornell University. He is a Fellow of the AIB and is currently Co-Editor of the *Global Strategy Journal* (2017-2019). His work has appeared in the *Journal of Political Economy*, the *Journal of Economic Geography*, the *Strategic Management Journal* and *Harvard Business Review*, among others.

Amir Shoham (*amir.shoham@temple.edu*) is an associate professor of finance and international business at the Fox School of Business Temple University. He holds degrees in Economics and Business Administration from Ben-Gurion University. His research interests focus on the impact of language and culture on financial and economic outcomes. His work has appeared in the *Journal of International Business Studies*, the *Journal of Economic Behavior and Organization* and *Human Resource Management*, among others.

Turbulence in the Currency Markets—What Does It Mean for International Business?

Robert N. Mefford, University of San Francisco, USA

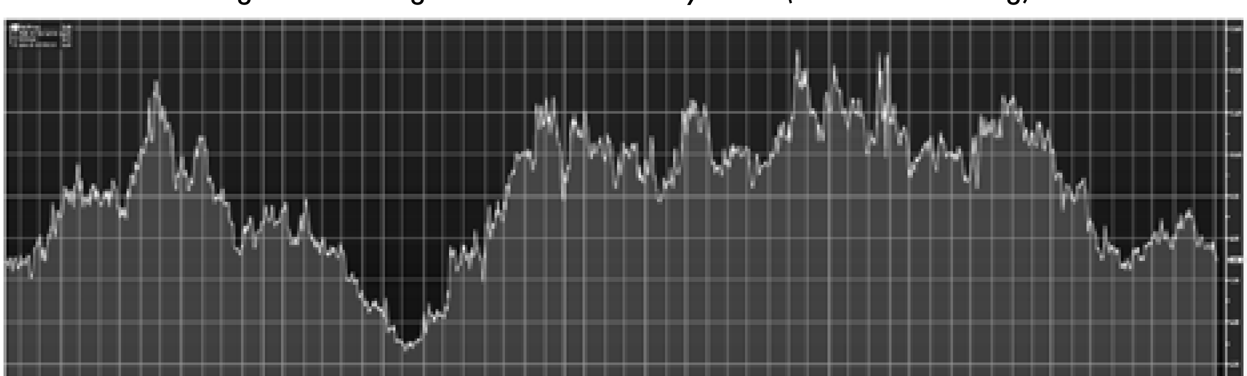
In 2014 global currency markets erupted with volatility not seen since the 2008 global recession. The US dollar (USD) strengthened against the euro and yen, and many emerging market currencies plummeted. Then in January 2015 the Swiss central bank removed its ceiling on the Swiss Franc and it rose 30% in one day against the euro. Throughout 2015 the USD continued to strengthen against other major currencies. However, in early 2016 the USD fell against these same currencies. The Chinese yuan, in contrast, strengthened relentlessly against the USD until mid-2015 when the Chinese government engineered devaluation, and it has since fallen 7% as of late 2017. In June 2016, Britain's vote to leave the EU created another bout of extreme volatility, with the pound falling 10% against the USD within a few days. After Donald Trump was elected President of the U.S., the USD gained 3% against a basket of currencies within a month. These trends and reversals have caused great volatility in the interbank forex market (FX), which historically was less than 20% a year for major currencies but now some experience this in a week. This volatility is good for currency traders and speculators, but what does it mean for managers of multinational enterprises (MNEs)? This article explores how currency volatility affects many aspects of business including strategy, investment and finance, operations and sourcing, marketing, and risk management as well as strategies to mitigate, or even benefit from it.

Why Has Volatility Increased in the Forex Markets?

Figure 1 shows how FX volatility has increased for 23 currency pairs since 2012, with volatility falling through 2012, spiking in 2013, falling in 2014, and rising to high levels again in 2015 and into 2016. Through October of 2017, FX volatility has fallen but remains above the low levels of 2014. Volatility is 3-month option implied volatility for 23 USD-based currency pairs including both developed country and emerging market currencies.

A confluence of factors drove this heightened volatility in currency markets. First, the euro and yen have long been considered overvalued on a purchasing power parity basis. To many economists adjustment was inevitable. However, currencies

Figure 1. JPMorgan Global FX Volatility Index (source: Bloomberg)



seem to go through cycles of over and undervaluation that may persist for years (Rogoff, 1996). So what triggered adjustment in 2014? There appear to be several factors.

In 2013 the Japanese government initiated a program of quantitative easing (QE) to boost its sluggish economy by lowering the value of the yen to boost exports. The yen soon began a gradual and persistent decline. QE expanded money supply and lowered interest rates, which contributed to the yen's decline. Currency traders accepted these devaluation efforts, thus building momentum for further declines. Witnessing successful QE in Japan and the US, the European Central Bank (ECB) launched its own QE program in early 2015, and just its announcement precipitated a rapid decline of the euro.

Meanwhile, faster GDP growth, falling unemployment, and increased consumption in the U.S. encouraged the Federal Reserve to end its QE program in October 2014 and hint that it would begin raising interest rates in 2015. It did not actually begin raising rates until 2016, and further rate increases are expected through 2017 into 2018. In 2016, U.S. interest rates were higher compared to Europe and Japan, and the prospect of the difference widening created demand for US fixed income investments and boosted the USD. Concurrently, appreciating U.S. equity markets and real estate created investment demand for USD. Divergent monetary policy and economic growth between the US and Europe and Japan contributed to uncertainty about future global economic prospects. Also, the unconventional nature of QE, and its unproven effects, added another layer of uncertainty in currency markets, thus further heightening volatility.

Falling commodity prices, particularly oil, also contributed to FX volatility. Since most commodities are priced in USD, consequences for currencies of commodity exporting countries have been severe. The Russian, Canadian, Brazilian, Australian, and South African currencies fell precipitously. This, plus slowing economic growth in these countries, has led to capital flight and additional pressure on their currencies. Slowing GDP growth in China added uncertainty about future demand, commodity prices, and currency valuation. All this uncertainty about growth and exchange rates, coupled with conflict and political turmoil in Syria, Iraq, and the Ukraine, as well as political unrest in Argentina, Brazil, and Venezuela, added to volatility in the FX market.

2014 became a year of global political uncertainty, spurring a rise in the safe haven currencies, the USD and Swiss Franc. The yen, traditionally also a safe haven currency, for reasons discussed previously, was not in 2015. However in 2016 it assumed that role again, rising significantly. The European sovereign debt crisis reemerged with a new anti-austerity government in Greece. The uncertain future of the euro contributed to its depreciation. Despite agreements between the IMF, EU, ECB, and the Greek government, Europe's sovereign debt crisis is far from resolved. In addition, the refugee crisis and British exit from the EU created greater economic uncertainty across the Eurozone. Donald Trump's election as President of the US in November 2016, and possible implementation of his protectionist and nationalist policies, will likely maintain high levels of volatility in currency markets for some time.

Currency has become a *separate asset class* for many investors in recent years, increasing trading volume (Pojarliev & Levich, 2015). Daily volume, estimated at $5 trillion a day in 2016 by the BIS, is up about 25% since 2010. Once the USD's ascent was established, it was perpetuated by traders including hedge funds (Menkhoff et al., 2012a). The FX recent history seems to confirm that momentum and trend-following have become major strategies shaping currency price paths. Value traders predicting the fall of the euro and yen against the USD, carry traders buying high interest rate currencies and selling low interest rate ones, and retail currency traders tend to be short-term traders and trend followers whose strategies require price movement to be successful. Increased trading by these players, slow economic growth, and political instability are major causes of heightened volatility in global currency markets (Spronk et al., 2013). The *high level of uncertainty* in the global economy is the major driving force behind the volatility in the FX market.

How Does Currency Volatility Affect International Business?

Few decisions in multinational firms are not affected by currency values and expected changes in those values. These even impact firm competitiveness. A strong currency hinders exports and benefits imports, while a weak currency does the opposite. In a strong currency country exporters will be in a less competitive position, while importers will benefit. Foreign investment decisions, both portfolio and direct, are strongly impacted by currency volatility in the long and short run. Financial firms and non-financial firms with substantial short-term investments find that currency effects magnify returns and losses on their portfolios. Direct investment into facilities and mergers and acquisitions may be discouraged by currency volatility as firms defer FDI until more clarity in exchange rate paths is perceived (UNCTAD, 2014). The concurrent political and economic instability causing much of the currency volatility may also cause hesitation in investment decisions.

Currency volatility affects sourcing decisions as well. Countries with weak currencies become more attractive as manufacturing or sourcing sites. In very price-elastic industries such as clothing and shoe manufacture, weaker currencies in most Southeast Asia countries, coupled with already low labor costs, have made them more attractive sourcing locations. Mexico's weak currency attracts both FDI in the auto and aviation industries and contract manufacture in other industries. Firms in countries with strong currencies seek productivity enhancement with automation and improved work methods to offset their currency disadvantage. This includes China, where the RMB has strengthened in recent years, despite depreciating lately.

The strong USD has taken a bite out of US multinationals' earnings. The value of their European, Japanese, and other foreign source income in countries with weaker currencies has been reduced, in some cases 10-20%. Even if these losses are not realized until profits are repatriated, they still impact reported results, which negatively affect share prices, management bonuses, and performance evaluation. Through translation exposure, MNEs also experience reductions in global equity on their balance sheets when consolidating financial statements of foreign subsidiaries.

Finance groups in global firms are responsible for mitigating short-term effects through risk management and hedging activities and for the long-term consequences of managing investments and financing for foreign subsidiaries as well as the parent firm. Many developed and emerging market firms have sought financing in USD because the US has relatively low interest rates. A weak local currency increases the burden of paying back foreign currency debt. At the same time investors have pulled back from emerging market corporate debt due to concerns about slowing economic growth and increased default risk. Firms with USD revenues, such as exporters, are somewhat insulated, but many firms do not have such cover.

Global firms also must confront effects of currency volatility on transfer prices, cash flows, and working capital positioning. Transfer prices among subsidiaries will fluctuate along with the currencies involved and affect each subsidiary's revenues and costs. It will also influence where working capital accumulates and is depleted affecting subsidiaries' daily operations. Cash held by subsidiaries in weak currency countries will lose value in terms of the firm's home currency. Additionally MNEs in weak currency countries will show translation losses when consolidating financial statements of those subsidiaries. There may be tax consequences as the income of subsidiaries is altered by currency changes affecting costs and revenue.

How Can Firms Manage Currency Volatility?

Exchange rate volatility presents not only risks but opportunities. Firms that respond more quickly and effectively to this challenge will gain competitiveness against rivals. Responses, just like consequences, are both strategic and operational and span a range of functions and decisions in MNEs. Strategically the most important decisions will involve which products and services to offer in which markets. The ideal strategy is to export from weak currency countries to strong ones and to source products and materials in weak currency countries. Also a firm based in a strong currency country can position itself in less price-elastic product lines or in less price-sensitive markets. This generally implies brand name, higher technology products and services sold in more developed countries. Another response, short of changing the product lineup, is to shift production and sourcing to countries with weaker currencies. This could be a faster response to current conditions for firms that outsource these activities, but may not be as effective in the long run to mitigate currency volatility as strategies emphasizing changing products and services and matching costs and revenues in key currencies.

Marketing decisions can also play a critical role. The amount and type of advertising and promotion can be altered to respond to lower or higher competitiveness in a particular market due to currency fluctuations. For example, selling into countries with weakened currencies can be mitigated to some extent by expanded advertising and promotional methods. The firm might also choose to forego price increases in a weak local currency to maintain market share. On the other hand, a firm exporting from a weak currency country may choose to lower foreign currency prices to gain market share.

Production and sourcing decisions are also critical in dealing with currency volatility. Sourcing flexibility is limited for some firms because of existing capital investment and proprietary technology. But most firms have at least some sourcing flexibility. The trends towards contract manufacturing and outsourcing in developed countries enable a firm to shift supply sources. For some products sourcing can be fairly quickly shifted (e.g., clothing and shoe manufacturing) while for others, even if possible, the lead time to find, vet, and develop suppliers can be fairly long. Short of shifting production locales, a firm could source some materials in lower cost countries where exchange rates have fallen. The best long term solution for mitigating exchange rate exposure is producing where you sell, which matches revenues and costs in the same currency.

The firm's finance group should be heavily involved in formulating strategic and operational decisions that benefit from or mitigate currency exposure. Tools and methods, such as standard hedging tools (forwards, futures, options and swaps), shifting cash within the global corporate network, and working capital management (e.g., netting, leads and lags on payments, transfer pricing, cash centralization) can help meet the challenge of exchange rate volatility. These short-run techniques can mitigate currency volatility, but again longer-term measures such as long-term financing in currencies with substantial revenues (i.e., matching), cross-currency swaps to realign the current financial structure, and centralizing management of corporate cash flows, should also be implemented to position the firm for an extended period of unpredictable long-term currency movements.

Table 1 summarizes major strategic and operational hedges for foreign exchange volatility. Different hedges are separated by whether they are primarily short-term or long-term. Most hedges can be used in response to either an appreciating or a depreciating currency, but of course they would be employed differently (e.g. reduce exchange rate pass-through in a depreciating currency country and increase it in an appreciating one). Some longer-term hedges can be effective for either scenario by mitigating effects of a currency movement in either direction (e.g., match revenues and costs by currency).

Conclusions and a Look Ahead

Is the current turbulence in currency markets a short-lived phenomenon, or does it portend an extended period of high volatility? Of course, no one can be certain whether FX will revert to relative stability or continue on the more turbulent path of the last several years. The answer is very important to global firms as they make their strategic and operational decisions.

There are reasons to expect an extended period of currency volatility. Slow growth in the major developed economies suggests that monetary stimulus programs of the Bank of Japan and the ECB will continue for some time resulting in low and, even negative, interest rates. The U.S. Federal Reserve is expected to continue raising interest rates in 2017 and 2018. Anticipation of diverging interest rates has been a major driver of recent currency volatility, and exchange rate volatility will likely remain until more certainty about interest rates is achieved. Political instability in the Middle East, Latin America, Ukraine, and Africa also contribute to volatility, and these conflicts are far from resolved. A third contributor to exchange rate volatility has been European factors: the Greek debt crisis, Brexit, the refugee crisis, and the rise of populism. How these issues will play out is far from clear and will probably not be resolved anytime soon. The election of Donald Trump as president of the U.S. and ambiguity about his economic and political policies creates another layer of uncertainty. Although global commodity prices, especially oil, are difficult to forecast, they will significantly affect many firms' costs and revenues. Since most commodities are priced in USD, USD volatility adds another layer of risk in pricing commodities in a local currency. Uncertainty breeds volatility, and right now uncertainties affecting currency markets are likely to continue for some time with no clear resolutions in sight.

MNE managers should plan for an extended period of FX volatility and, as much as possible, insulate their firms from it. Attempting to forecast currency movements is extremely difficult, especially in the short run, and many economists consider exchange rates essentially a random walk (Rogoff, 2009). The most effective way to insulate a firm from currency movements is to match cash flows in the major currencies by selecting markets and products on the revenue side and production locations and sourcing decisions on the cost side. As an additional overlay, financing in currencies of major revenue streams can be an effective hedge (e.g., euro revenues can be matched to euro financing with €-denominated debt). For shorter-term hedging conventional instruments of FX forwards, futures, options, and swaps can be utilized. Beyond insulation and hedging, however, firms can use currency movements as an opportune time to secure competitive advantage. By exporting to countries with strong currencies and sourcing in countries with weak curren-

Table 1: Hedging Strategies for Currency Volatility

	Short Run	Long Run
Marketing	Adjust advertising & promotion	Change target markets
	Alter prices/exchange rate pass-through	Retool product lines
	Change product mix	
Production	Change sourcing countries	Change facility locations
	Increase outsourcing	Improve productivity
		Increase automation
Finance	Hedging (forwards, futures, options, swaps)	Match financing to revenue by currency
	Adapt working capital management	Currency swaps
		Centralization of cash mgmt.
Strategy	Increase exports to strong currency countries and imports from weak	Match revenues with costs by currency

cies, MNEs can gain advantage over less fleet competitors. This requires flexibility in both marketing and supply chains, which is a desirable quality in any MNE, but particularly in these times of large currency movements. With the proper strategies, currency volatility can be an opportunity as well as a threat to MNE's. This requires planning and positioning as discussed in this article.

References

Menkhoff, L., Sarno, L., Schmeling, M., & Schrimpf, A. 2012a. Currency momentum strategies. *Journal of Financial Economics,* 106: 660-684.

Menkhoff, L., Sarno, L., Schmeling, M., & Schrimpf, A. 2012b. Carry Trades and Global Foreign Exchange Volatility. *The Journal of Finance,* 67(2): 681-718.

Pojarliev, M., & Levich, R. 2015. *A New Look at Currency Investing*. Charlottesville, VA: CFA Institute.

Rogoff, K. 1996, The purchasing power parity puzzle. *Journal of Economic Literature,* 34(2): 647-668.

Rogoff, K. 2009. Exchange rate in the modern era: what do we really know? *Review of World Economy,* 145: 1-12.

Spronk, R., Verschoor, W., & Zwinkels, R. 2013. Carry trade and foreign exchange rate puzzles. *European Economic Review,* 60: 17-31.

UNCTAD. 2014. *World Investment Report 2014*. Geneva: UNCTAD.

Robert N. Mefford (*mefford@usfca.edu*) is a Professor of Finance at the School of Management at the University of San Francisco. He has published more than 30 articles on a variety of topics in international business, finance, and operations and supply chain management. He received his BS degree from the University of Southern California, his MBA from UCLA, and an MA in Economics and a PhD in International Business from UC Berkeley.

CALL FOR PAPERS & PROPOSALS

In recent years, *AIB Insights* has published a number of special issues on current themes and topics that are of interest to the AIB membership. These special topic publications include:

- Making AIB and Our Field of IB More Legitimate and Relevant (Vol. 17, Issue 2)
- The LEAD Research Project (Vol. 17, Issue 1)
- Global Strategy and Emerging Markets (Vol. 16, Issue 4)
- International Trade and Investment Agreements: Sovereignty at Bay in the 21st Century? (Vol. 16, Issue 1)
- Reshoring (Vol. 15, Issue 4)
- AIB and Emerging Markets (Vol. 15, Issue 1)
- International Student Internships (Vol. 14, Issue 4)
- Stepping on Cultural and Religious Assumptions (Vol. 14, Issue 2)
- Chinese Outgoing Foreign Direct Investment (Vol. 14, Issue 1)
- International Business in the Middle East and North Africa (Vol. 13, Issue 2)
- Defining a Domain for International Business Study (Vol. 13, Issue 1)
- Annual AIB Best Dissertation Award special issue series (Issues 3 of Volumes 13-17)

Other themes and topics currently being considered for special issue publications include:

- Gender Issues in International Business Research and WAIB (Women of the Academy of International Business)
- Facts, Misconceptions and Opportunities for IB Research in the Middle East and North Africa Region
- Innovative Experiential Learning Exercises in International Business Education
- Toward Crowdsourcing in International Business Research
- Best Practices for Managing and Developing AIB Chapters

We encourage authors to submit short (around 2,500 words), interesting, topical, current, and thought-provoking articles related to the aforementioned special issue topics. See the Editorial Policy on the back cover page.

We further welcome submissions of proposals for special issues and particularly encourage current topics related to IB research, education and business practice from AIB's 18 chapters and respective regions that are of interest and relevance to the broader AIB membership. In addition, we encourage special issue proposals on current themes related to international business in emerging markets as well as innovative and thought-provoking new IB research ideas and streams, IB pedagogical methods, and trends in IB business practice.

Send your submissions, ideas, or questions to *insights@aib.msu.edu*

EDITORIAL POLICY

AIB Insights is the Academy of International Business official publication that provides an outlet for short (around 2,500 words), interesting, topical, current and thought-provoking articles.

Articles can discuss theoretical, empirical, practical, or pedagogical issues affecting the international business community. The publication seeks articles that have an international business and cross-disciplinary orientation with IB researchers and faculty as the intended primary audience.

Authors should highlight the insight of their article in the first paragraph. They should prompt the reader to think about international business and international business teaching/learning in new ways. Articles sought should be grounded in research, but presented in a readable and accessible format.

Articles written for *AIB Insights* should be free of professional jargon and technical terms, light on references, but heavy on insight from the authors' experiences and research. Terminology should be defined if it is not in the common domain of the IB literature. Authors should remember the intended audience of the publication and write accordingly. A regression equation, a correlation matrix, a table or a graph needed to support a point may be included.

AIB Insights does not seek the kind of articles that are intended for traditional journals in international business, such as the *Journal of International Business Studies*. The publication is intended to inform, educate, and enlighten readers with state of the art information on a topic with a broad appeal to the profession. Acceptable articles may fall into one of several categories:

1. Research insights from authors' stream of research
2. Current issues affecting international business as a discipline
3. The use of technology in international business
4. The evolving nature and evolution of the International Business department/function/discipline
5. Internationalization of the curriculum
6. Innovative approaches to teaching international business
7. Teaching pedagogy and content articles
8. Other topics of interest

Please include a cover page with all the authors' contact details (email, university affiliation, full address, telephone, fax if used). The second page should include 50-75 word biographies of participating authors. Articles submitted should follow *JIBS* referencing style for consistency. *AIB Insights* is published four times a year and available in print and digital format. Please submit your manuscript via our online manuscript submission system at *aib.msu.edu/publications/insights.* For any questions, please contact the *AIB Insights* editorial team via email at *insights@aib.msu.edu*.

Submit your manuscript at *aib.msu.edu/publications/insights*

AIB Insights (ISSN: print 1938-9590; online: 1938-9604) is an official AIB publication and provides an outlet for short, topical, stimulating, and provocative articles. Past issues of *AIB Insights* can be accessed at *aib.msu.edu/publications/insights*.

AIB Insights is jointly published with the *AIB Newsletter* by the Academy of International Business Secretariat. For more information, contact the AIB Media and Communications Coordinator at:

Academy of International Business
Michigan State University
Eppley Center
645 N Shaw Ln, Rm 7
East Lansing, MI 48824 USA
Tel: +1-517-432-1452
Fax: +1-517-432-1009
Email: media@aib.msu.edu