

About Your Career

PROF. DR. NORIFUMI KAWAI, MPIA (Pittsburgh)

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About Your Career



The screenshot shows a web browser window with the URL <https://careers.bat.com/job/tokyo/global-graduate-programme-hr/27325/8525517760>. The page features the BAT logo (A BETTER TOMORROW) and navigation links: "Just for you", "Stay in touch", "Sign in", "Our business", "Culture", "Opportunities", "Selection approach", and "Our Stories". The main content area has a yellow background with a photo of three diverse young adults. The text on the page reads: "Global Graduate Programme - HR".

BAT is evolving at pace - truly like no other organization. To achieve the ambition, we have set for ourselves, we are looking for colleagues who are ready to live our ethos every day. Come be a part of this journey!

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About Your Career



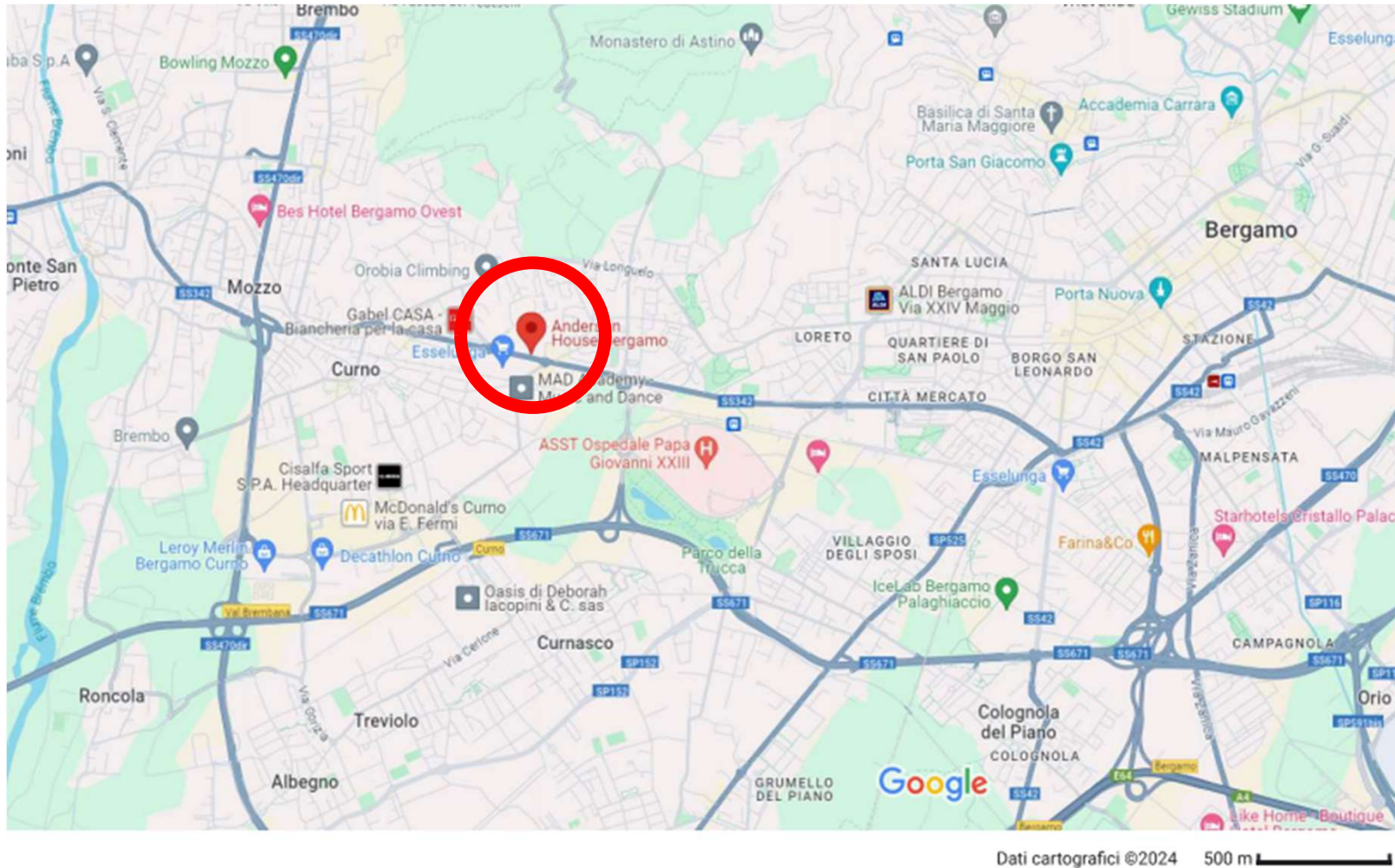
■ Qualifications

- Bachelor or Master degree with any major
- Fresh graduates or junior professionals (less than 3 years of working experiences) are welcome to apply
- Leadership demonstrated through extra-curricular activities
- Confident, highly motivated and result-driven
- Proactive and able to work under pressure
- Globally mobile
- Driven and ambitious
- Have strong analytical skills
- Fluent in English and Japanese (both written & spoken) – equivalent to JLPT N1/ TOEIC 900/TOEFL 100

About Your Career



■ Anderson House Bergamo



Antecedents of Firm Diversification

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■ Reading Assignments

❖ Antecedents of Firm Internationalization

- **Boustanifar, H., Zajac, E. J., & Zilja, F. (2021).** “Taking Chances? The Effect of CEO Risk Propensity on Firms’ Risky Internationalization Decisions.”, *Journal of International Business Studies*, 1-24.
- **Rubén Fernández-Ortiz & Guadalupe Fuentes Lombardo (2009).** “Influence of the Capacities of Top Management on the Internationalization of SMEs.”, *Entrepreneurship & Regional Development*, 21(2), 131-154.
- **Matta, E., & Beamish, P. W. (2008).** “The Accentuated CEO Career Horizon Problem: Evidence from International Acquisitions.”, *Strategic Management Journal*, 29(7), 683-700.

Antecedents of Firm Diversification

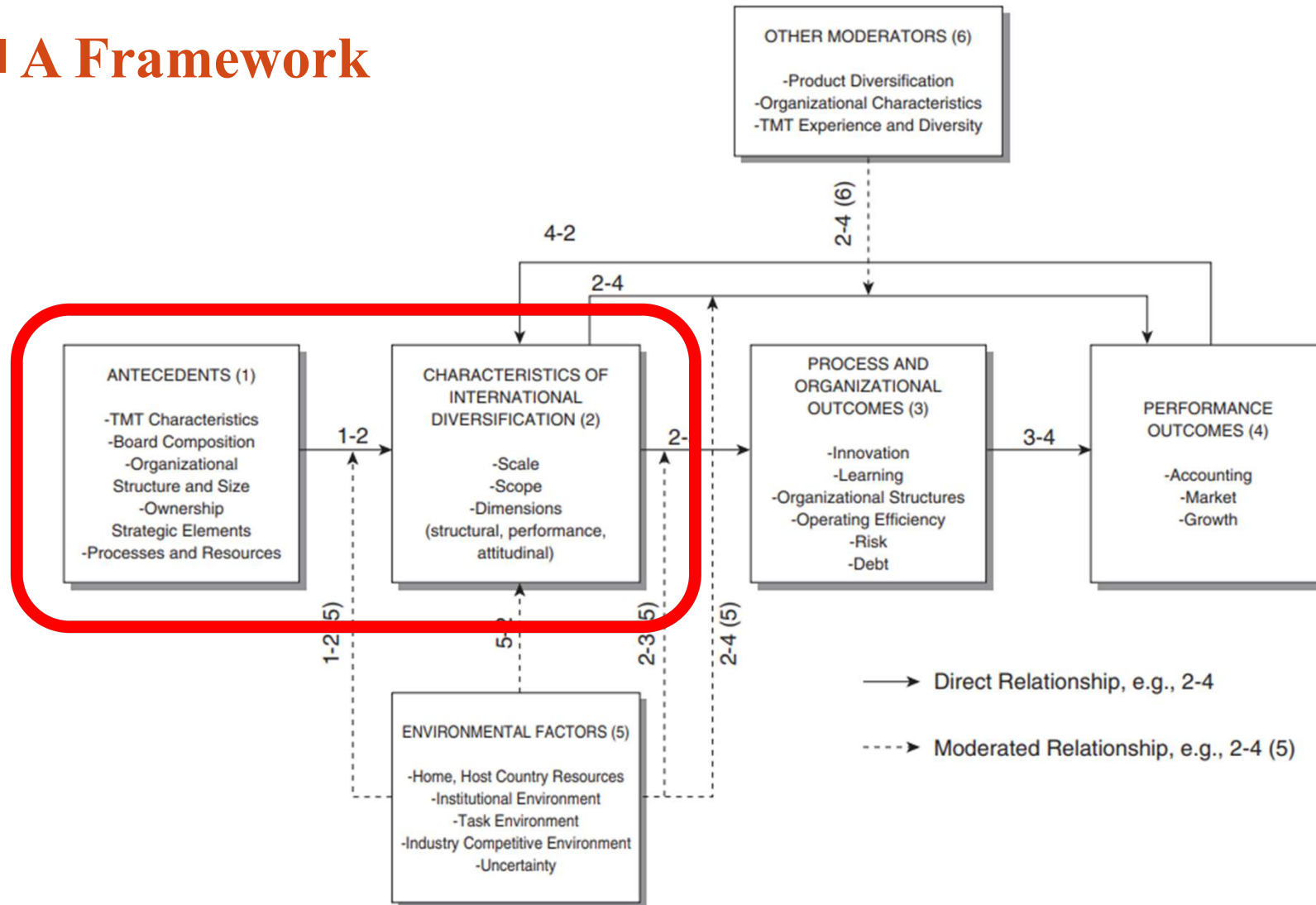


Antecedents (Drivers) of Firm Diversification?

Antecedents of Firm Diversification



■ A Framework



Source: Hitt et al. (2006: 836) in *Journal of Management*.

Antecedents of Firm Diversification



■ Fernández-Ortiz & Lombardo (2009).

❖ Questions

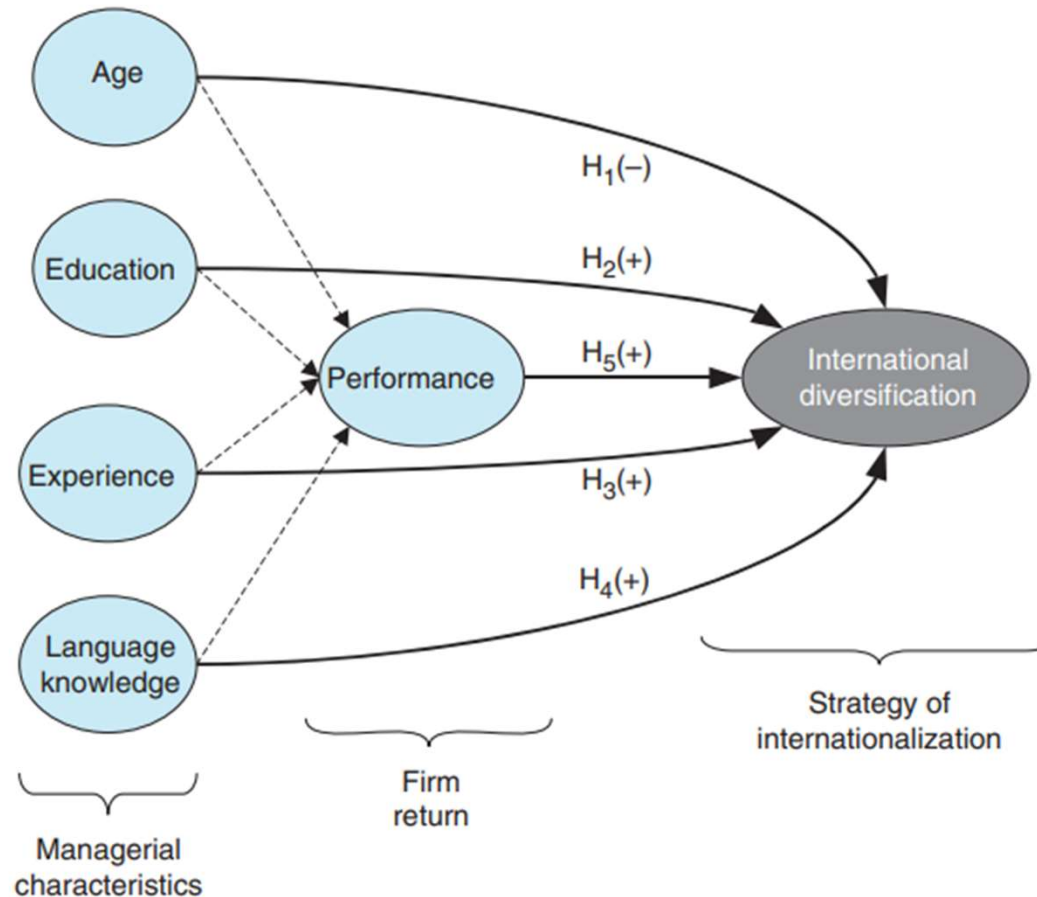
1. What is this article **all about**?
2. Is there any specific difference between **small & medium sized enterprises (SMEs) & large firms** in terms of **international strategies**?
3. Clarify the **detail of the theoretical framework** these authors proposed.
4. Discuss the **key rationale** for the respective **testable hypotheses** & interpret the empirical results with care.
5. What **practical suggestions** can you make on the basis of this scholarly investigation?
6. Specify the **drawback** of this piece of work.

Antecedents of Firm Diversification



■ Fernández-Ortiz & Lombardo (2009).

❖ Proposed Conceptual Framework



Source: Fernandez-Ortiz & Lombardo (2009: 140).

Antecedents of Firm Diversification



■ Fernández-Ortiz & Lombardo (2009). ❖ Possible Human Capital Variables?

Human capital investment	N	Outcomes of human capital investment	N	High task relatedness	N	Low task relatedness	N
Education, general	69	Entrepreneurial skill	6	Start-up/owner experience	31	Education, general	69
Education, level	46	Entrepreneurial competence	6	Industry specific experience	22	Education, level	46
Education, years	11	Entrepreneurial knowledge	5	Management experience	21	Education, years	11
Education, non-formal	1	Management skills	3	Management exp., yes/no	10	Education, non-formal	1
Education, parent	1	Specific social skills	3	Management exp., years	5	Education, parent	1
Start-up/owner experience	31	Business skills	2	Management exp., level	4	Work experience	12
Industry specific experience	22	Marketing skills	2	Management exp., number positions	2	Meta-cognitive skills	2
Management experience	21	Meta-cognitive skills	2	Business education	7		
Management exp., yes/no	10	Decision skill	1	Parent entrepreneur	7		
Management exp., years	5	Expertise	1	Entrepreneurial skill	6		
Management exp., level	4	Industry skills	1	Entrepreneurial competence	6		
Management exp., number positions	2	Managerial competencies	1	Entrepreneurial knowledge	5		
Work experience	12	New resource skill	1	Deliberate practice	3		
Business education	7	Opportunity skill	1	Marketing skills	3		
Parent entrepreneur	7	Organization skill	1	Management skills	3		
Deliberate practice	3	Technical skills	1	Specific social skills	3		

Source: Unger et al. (2011: 350). "Human capital and entrepreneurial success: A meta-analytical review." *Journal of Business Venturing*, 26(3), 341-358..

Antecedents of Firm Diversification



■ Boustanifar, Zajac & Zilja (2021).

❖ Questions

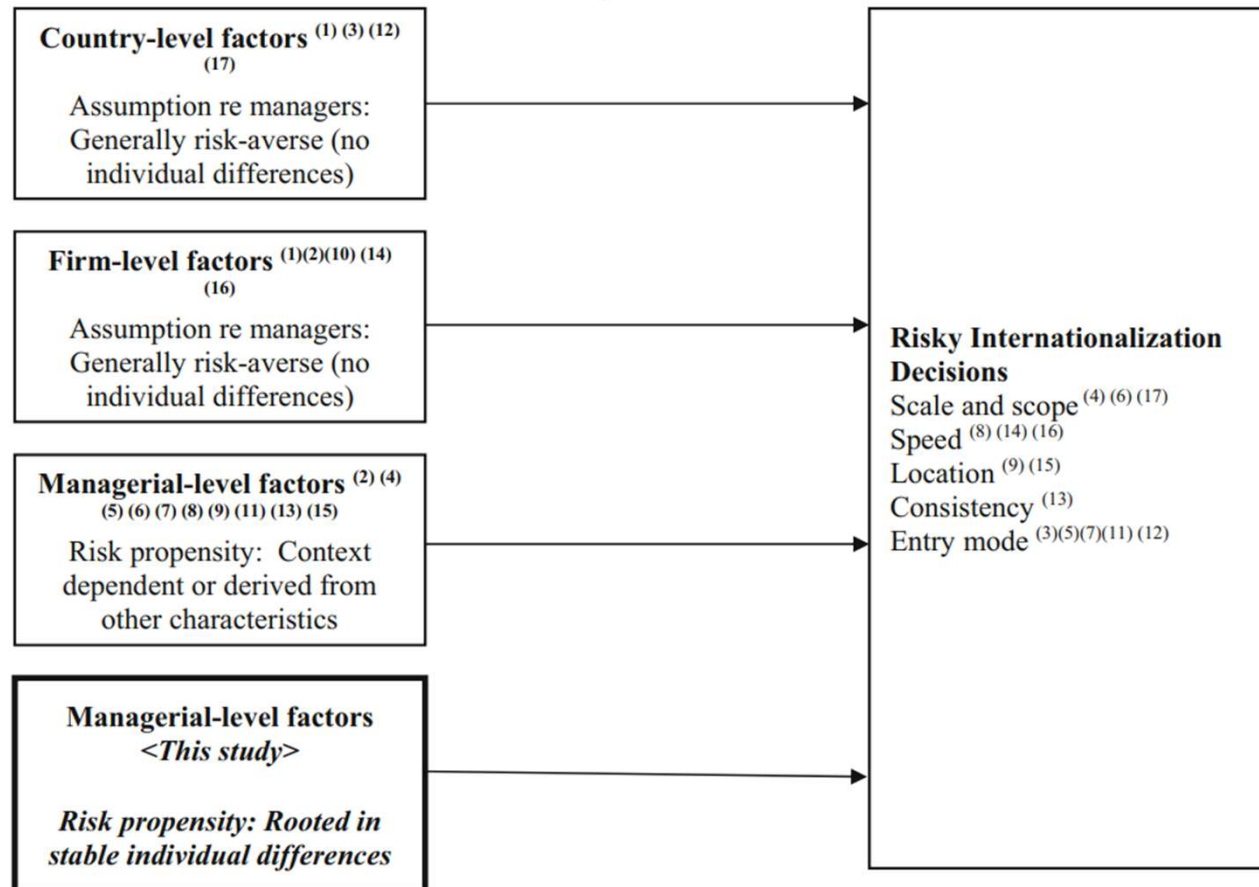
1. Why do these authors focus on **CEOs** & their **risk propensity**?
2. What is the **main contribution** of this article? What is the **uniqueness** of this article?
3. Explain the **underlying logic** behind the association between **CEO risk propensity & firm internationalization**.
4. Discuss **why** the impact of CEO risk propensity on firm internationalization becomes greater when the **cultural distance** greater.
5. Are there **any other specific conditions** under which the **CEO risk propensity-firm internationalization** nexus varies?
6. What is the **managerial relevance** of this article?

Antecedents of Firm Diversification



■ Boustanifar, Zajac & Zilja (2021).

❖ What Predicts Firms' Risky Internationalization Decisions?



Source: Boustanifar, Zajac & Zilja (2021:304).



■ Using Power Effectively

❖ Power

- A leader's **ability to get things done in a way he or she wants them to be done.**
- A leader derives his or her power from **several sources or bases.**

❖ Organizational Bases of Power

- **A formal management position** on the basis of a leader's power.
- (1) **legitimate**, (2) **reward**, (3) **coercive** & (4) **information.**

❖ Personal Bases of Power

- **A leader's personality characteristics & behavior** that are the basis of the leader's power.
- (1) **referent** & (2) **expert.**

Antecedents of Firm Diversification



■ CEO Duality is Good ?!

❖ Unity of Command

- Holding **both roles** allows him/her to **act more efficiently**.
- Provides firms with a **clear focus on both objectives & operations**.
- **Eliminate conflict between the CEO & the chairman**.
- Having leadership focused in a single individual enhances a **firm's responsiveness & ability to secure critical resources**.
- When separating the 2 jobs (*i.e.*, CEO & chairman), CEOs may find it harder to **make quick decisions**.
- Companies (*e.g.*, **Coca-Cola, JP Morgan**) have refused to divide the CEO's & chairman's jobs & support the duality structure.

Antecedents of Firm Diversification



■ CEO Duality is Bad ?!

❖ Agency Theory

- Duality **complicates the issue of CEO succession.**
- Duality may reinforce **popular doubts about the legitimacy of the system** as a whole & evokes images of bosses **writing their own performance reviews & setting their salaries.**
- To combat the legitimacy issue, a number of largest corporations (*e.g.*, **Ford, GM, Citigroup, Oracle, Apple & Microsoft**) have divided the roles between the CEO & chairman & **eliminated duality.**

Antecedents of Firm Diversification



■ **Matta & Beamish (2008).**

❖ **Questions**

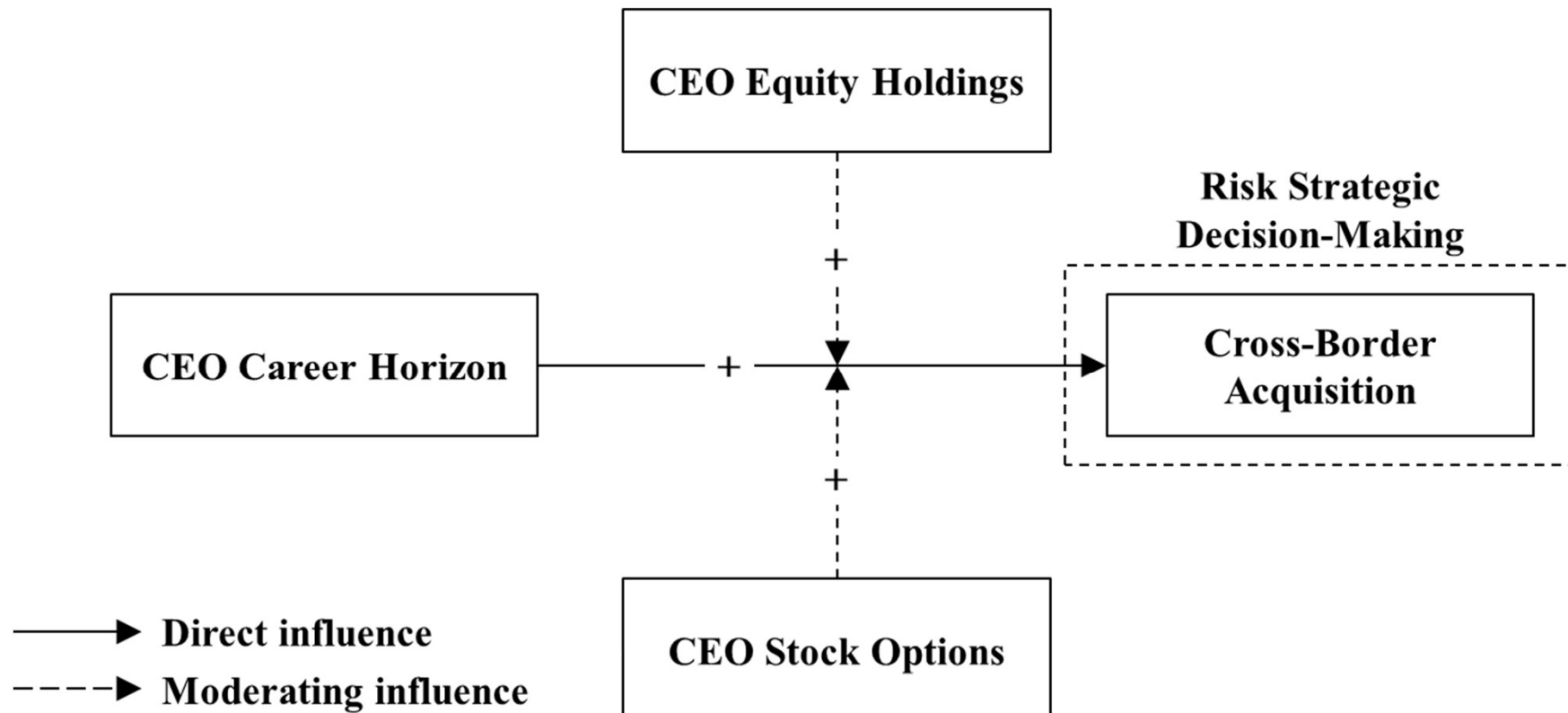
1. Clarify **why** this article is **important** from a theoretical & practical point of view?
2. What is the **major issue** deriving from the **CEO career horizon**?
3. Explain the **underlying logic** of a positive association between **CEO career horizon & firm engagement in international acquisitions** in greater depth.
4. Discuss why **both equity holdings & in-the-money options** reinforce the positive relationship between CEO career horizon & international acquisition.
5. Draw **managerial implications** based on the empirical findings.

Antecedents of Firm Diversification



■ **Matta & Beamish (2008).**

❖ **Proposed Conceptual Framework**





■ The Modern Corporation: The Separation of Owners (Shareholders) & Management

❖ Agency Theory

- The **agency problem** arises (1) *when the goals of the principals & the agents conflict* & (2) *when it is difficult or expensive for the principal to verify what the agent is actually doing.*
- The problem of risk sharing arises (1) *when the principal & the agent have different attitudes toward risk.*
- **Example**

The **executives** may prefer **additional diversification initiatives** because they can increase **the size of the firm & the level of executive compensation.** **BUT** such diversification initiatives may **erode shareholder values** due to a **lack of synergies.**



■ Governance Mechanisms: Aligning the Interests of Owners & Managers

❖ Managerial Rewards & Incentives

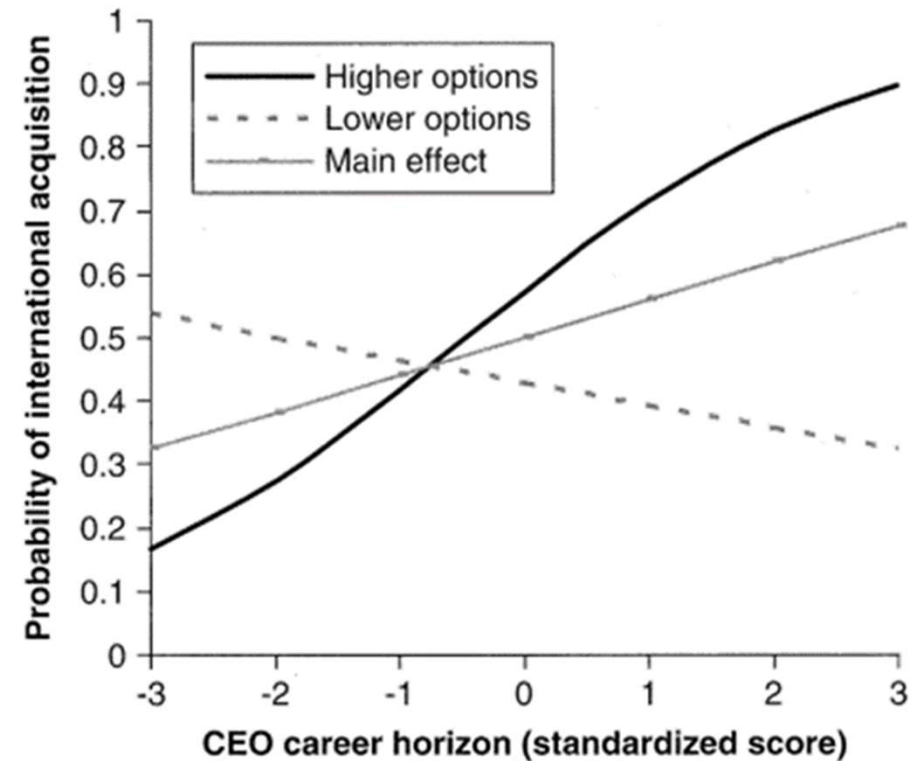
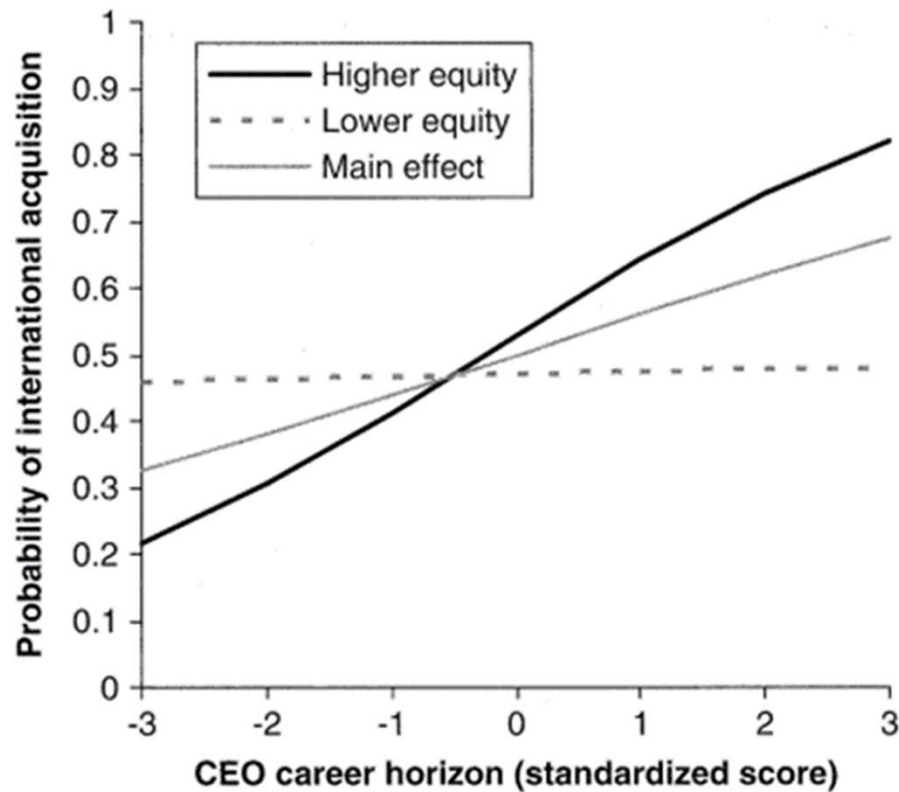
- A mix of **3 basic policies** to incentivize CEOs to maximize the firm value:
 - I.** Boards can require that the **CEOs** become **substantial owners of company stock**.
 - II.** ‘**Salaries, bonuses, & stock options**’ can be structured to provide **rewards** for superior performance & **penalties** for poor performance.
 - III.** ‘**Dismissal for poor performance**’ should be a **realistic threat**.
- In recent years the granting of **stock options** has enabled top executives of publicly held corporations to **earn enormous levels of compensation**.
- **Stock options** can be a valuable governance mechanism to **align the CEO’s interests with those of the shareholders**.

Antecedents of Firm Diversification



■ **Matta & Beamish (2008).**

❖ (1) Equity Holdings & (2) Stock Options



Source: Matta & Beamish (2008: 694).

Quiz

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■ Yes/No Questions: Are these sentences correct or wrong?

1. Management contracts are most commonly performed by industrial-equipment, construction, & consulting companies.
2. Minority equity stakes are those collaborations where two or more parties invest in a new entity with each party contributing both tangible & intangible resources.
3. Partner compatibility can include the firm's strategic fit & resource distribution.
4. The Uppsala perspective highlights that firm-specific assets are the central determinant of FDI.
5. Cross-border M&As enable foreign firms to overcome the cost inherent in a long “culture & institutional distance”.



■ Answers

1. **Turnkey operations** are most commonly performed by industrial-equipment, construction, & consulting companies. ✗
2. **Joint ventures** are those collaborations where two or more parties invest in a new entity with each party contributing both tangible & intangible resources. ✗
3. **Partner complementarity** can include the firm's strategic fit & resource distribution. ✗
4. **Hymer's monopolistic advantage** highlights that firm-specific assets are the central determinant of FDI. ✗
5. **JVs** enable foreign firms to overcome the cost inherent in a long “culture & institutional distance”. ✗



■ Reading Assignments for 04.03.2024 (Monday)

❖ Consequences of Firm Internationalization

- **Hsu, W. T., Chen, H. L., & Cheng, C. Y. (2013).** “Internationalization & Firm Performance of SMEs: The Moderating Effects of CEO Attributes.”, *Journal of World Business*, 48(1), 1-12.
- **Vermeulen, F., & Barkema, H. (2002).** “Pace, Rhythm, & Scope: Process Dependence in Building a Profitable Multinational Corporation.”, *Strategic Management Journal*, 23(7), 637-653.

The End of Today's Lecture



ご清聴有難う御座いました。

Thank you so much!

Vielen Dank für Ihre Aufmerksamkeit!

Grazie mille !

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