

Isobe, et al. (2000). “Resource Commitment, Entry Timing, & Market Performance of Foreign Direct Investments in Emerging Economies: The Case of Japanese International Joint Ventures in China.” *Academy of Management Journal*, 43(3), 468-484.

PROF. DR. NORIFUMI KAWAI, MPIA (Pittsburgh)

International Business & Trade
Università degli Studi di Bergamo
Dipartimento di Scienze Aziendali
Bergamo, ITALY

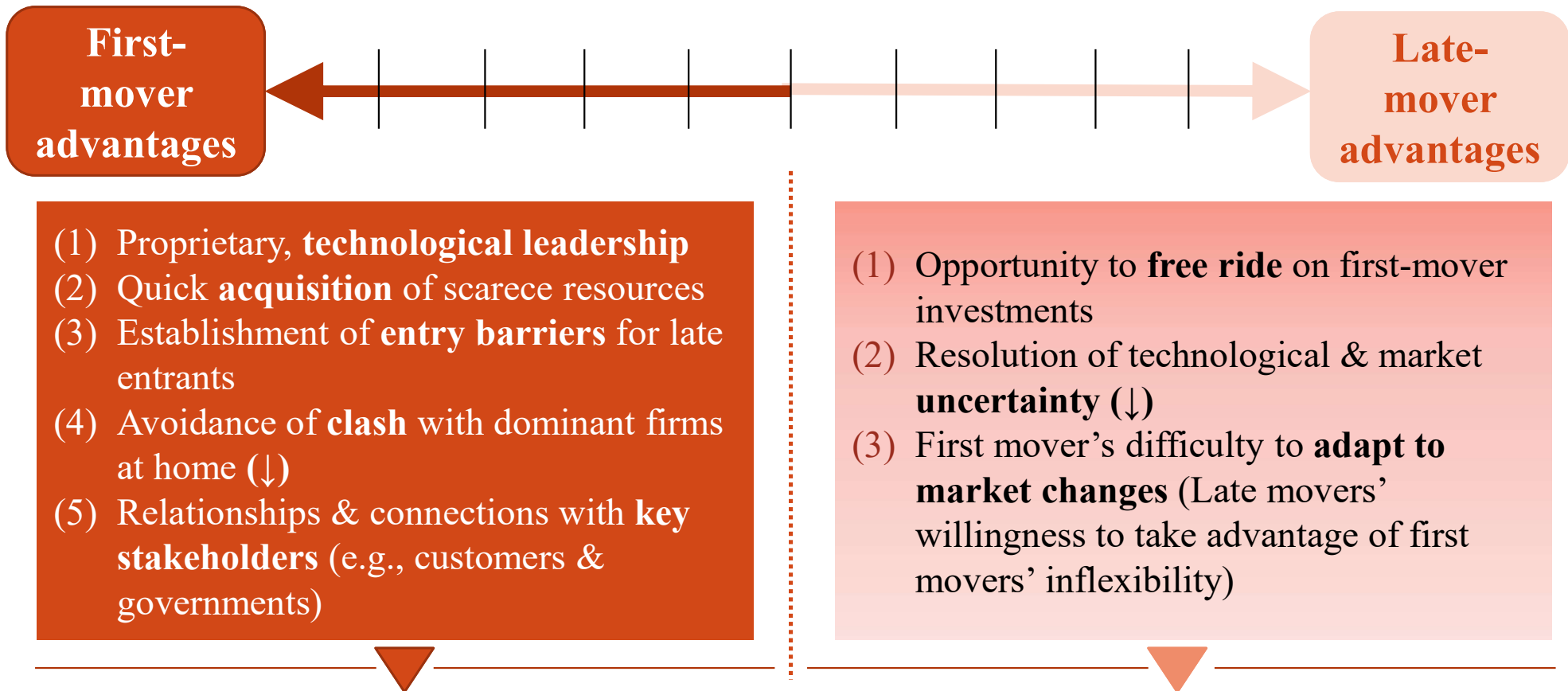


■ Questions

- ❖ Discuss the **originality & novelty** of this scholarly investigation.
- ❖ Explain the **strengths & drawbacks** of **first-mover advantages**.
- ❖ Provide **contextualized discussions** on how the availability of **supporting infrastructure** influences **technology transfer & the timing of entry**.
- ❖ Discuss the underlying logic behind the positive effect of **parent control** on **technology transfer**.
- ❖ Explain the **most responsible factor** for predicting **successful JV projects in practice** by extending the empirical results.
- ❖ Select **one Western MNC** operating successfully in **one of emerging economies & identify what made it successful**.



■ First-Mover Advantages & Late-Mover Advantages



*“Entry timing per se is not the sole determinant of success & failure of foreign entries. It is through interaction with other strategic factors that **entry timing affect performance**”.*



■ Technology Transfer is Difficult & Challenging !

1 Knowledge Retention

Challenges

Can the firm keep the knowledge it has accumulated?

Common obstacles

Employee turnover & knowledge leakage.

2 Knowledge Sharing

Challenges

Are people willing to share knowledge with others inside the firm?

Common obstacles

‘How does it help me?’ syndrome & ‘knowledge is power’ mentality.

Challenges

Is knowledge communicated effectively between people & business units?

Common obstacles

Inappropriate channels, language barriers.

Challenges

Do potential recipients appreciate & utilize knowledge available elsewhere in the organization?

Common obstacles

Limited absorptive/learning capacity.

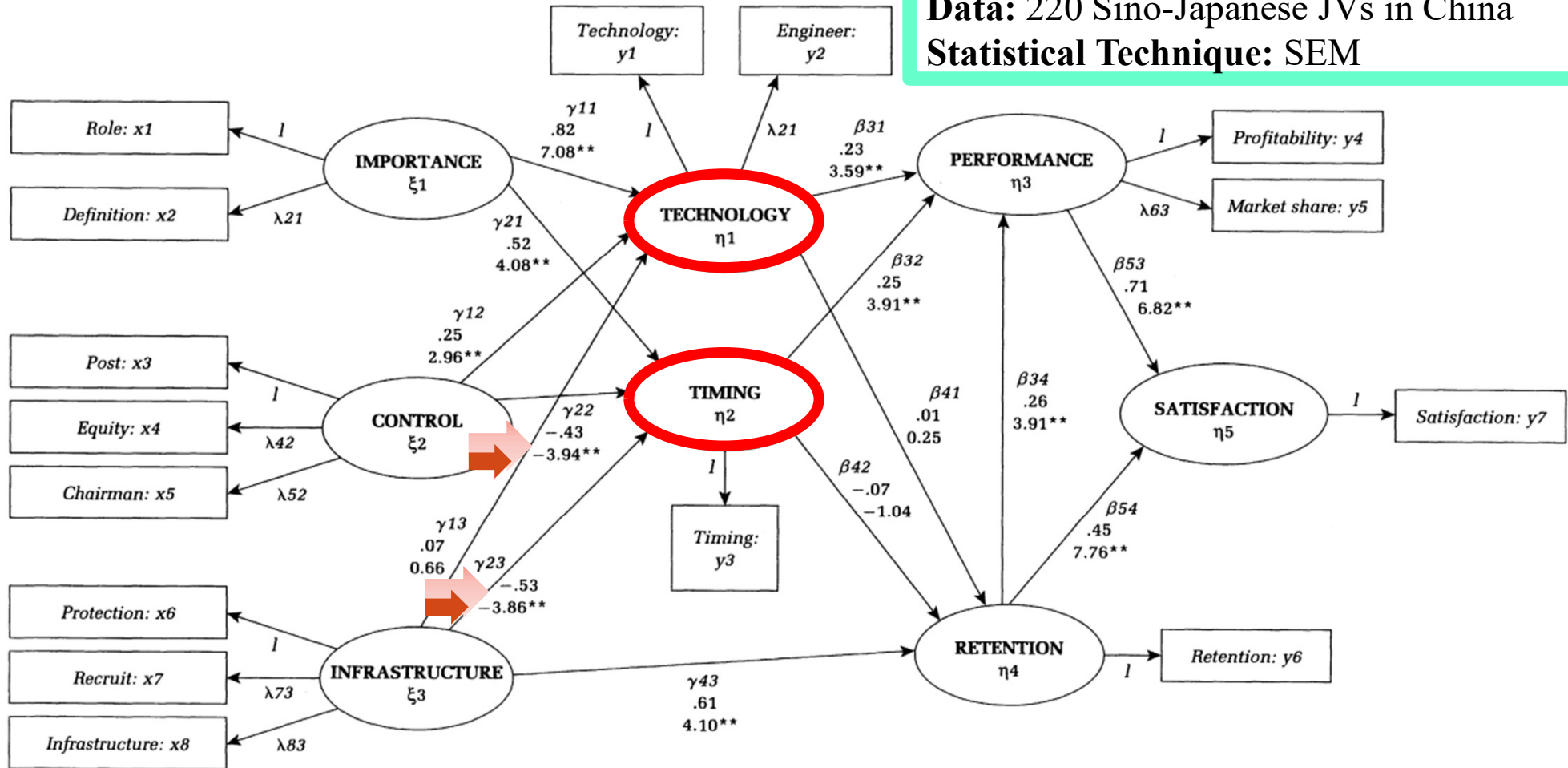
3 Knowledge Transmission

4 Knowledge Utilization



Proposed Conceptual Model

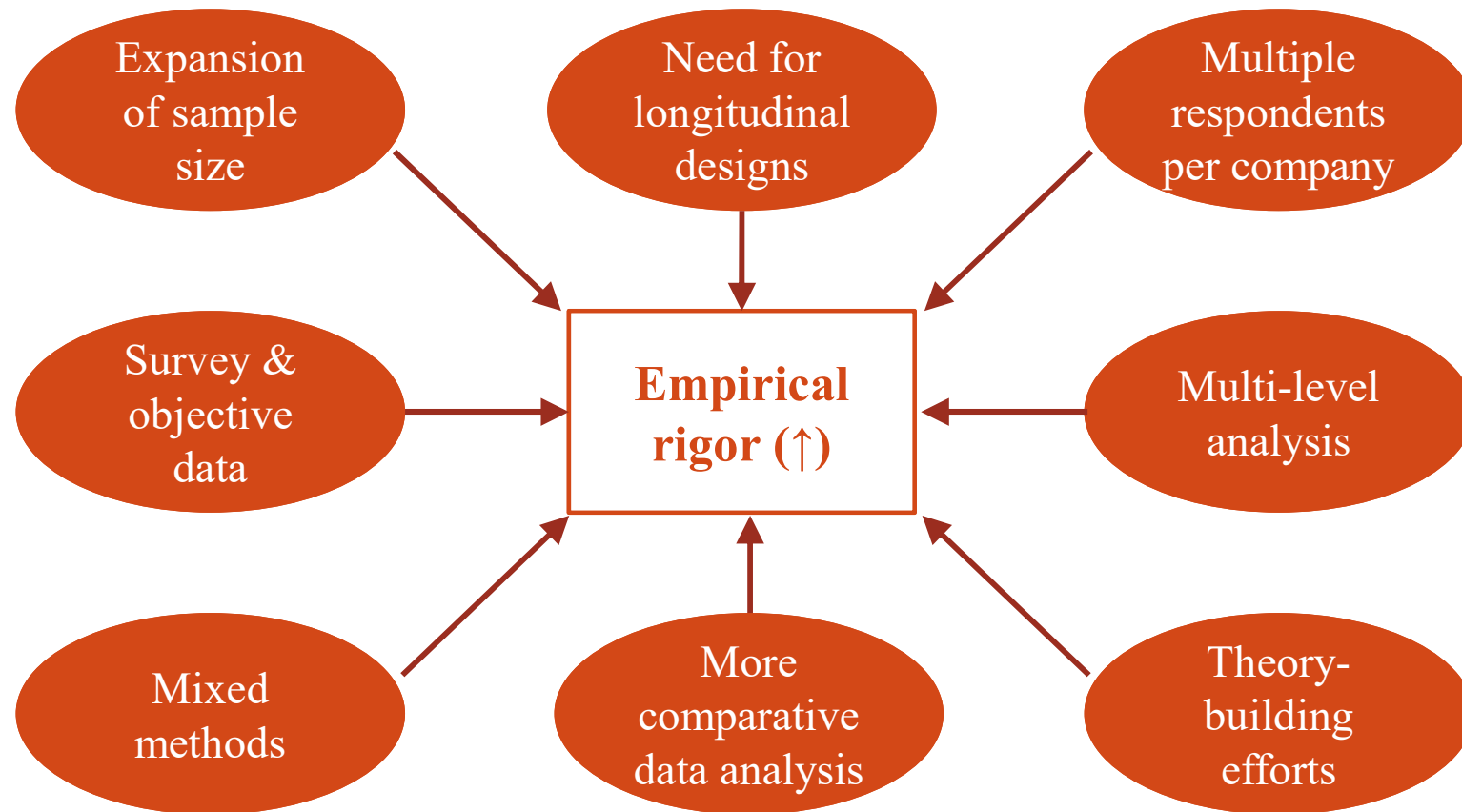
Data: 220 Sino-Japanese JVs in China
Statistical Technique: SEM



Note: Isobe et al. (2002: 1999).



■ Critical Methodological Challenges



Peng (2000). “Controlling the Foreign Agent: How Governments Deal with Multinationals in a Transition Economy”,
Management International Review, 141-165.

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■ Questions

- **WHAT** is the **major argument** of this article?
- **WHY** is it so important for multinational enterprises (MNEs) to have a **strong relationship with governments**?
- **WHAT** does it mean by **local governments** acting as “**agents of the state**”?
- Clarify the **dynamics of MNE-government relationships** in the three cases.
- **WHAT implications for practitioners** can be made from the conclusive remarks of this article?
- Find out **one failed international joint venture** & investigate core factors responsible for its failure in depth.



■ Geographical Location

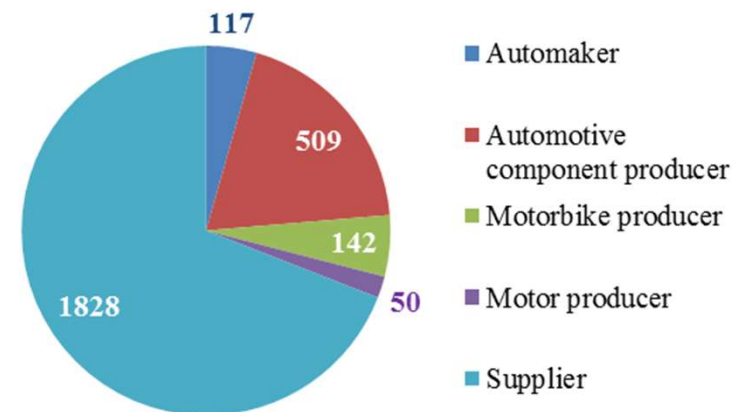


Source: Own illustration.

Production Value of Automakers in 2007 (Million Yuan RMB)

1. Jilin:	136,533.3
2. Hubei:	112,003.4
3. Guangdong:	93,224.4
4. Shanghai:	87,522.2
5. Beijing:	61,981.8

Automobile Industry (Number)





■ Summary of '3' Joint Venture Cases

Joint Venture Cases	Beijing Jeep Corporation, Ltd.	Shanghai Volkswagen Automobile Company	Guangzhou Peugeot Automobile Corporation
Negotiation	1979-1983	1978-1984	1980-1985
Total initial capital	US\$51 million	US\$40 million	US\$52 million
Foreign partners	<ul style="list-style-type: none"> American Motors Corporation (31%) 	<ul style="list-style-type: none"> Volkswagen (50%) 	<ul style="list-style-type: none"> Peugeot (22%) National Bank of Paris (4%) International Finance Corp. (8%)
Chinese partners	<ul style="list-style-type: none"> Beijing Automobile Works (69%) 	<ul style="list-style-type: none"> Shanghai Automotive Industrial Corp. (25%) Bank of China (15%) China National Automobile Industrial (10%) 	<ul style="list-style-type: none"> Guangzhou Automotive Manufacturing (42%) China International Trust & Investment Corp. (20%) Industrial & Commercial Bank of China (4%)
Contract length	20 years	25 years	25 years
Products	Jeep Cherokee four-wheel drive vehicle	Santana four-door sedan	504 light truck 505 station wagon
Production began	1985	1985	1986

Source: Peng (2000: 149).

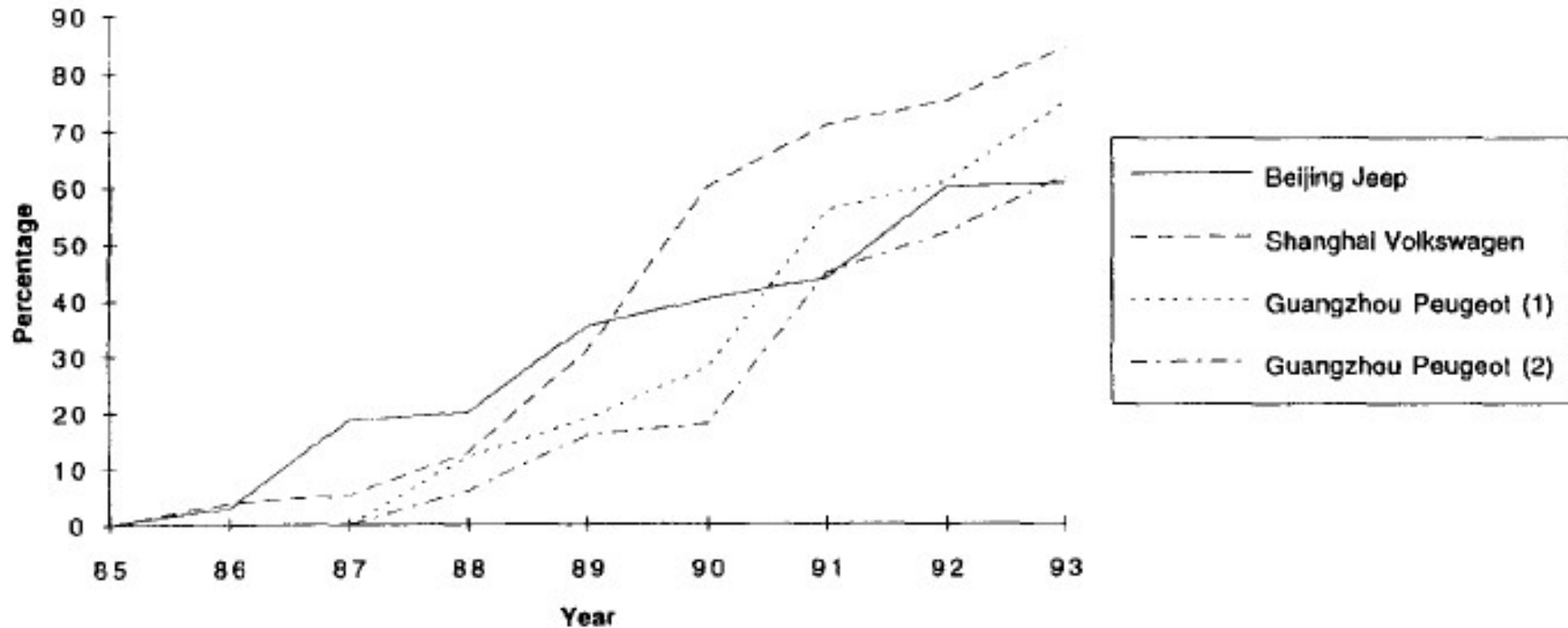


■ Dynamic Interactions between the Principal & Agents

Joint Venture Cases	Beijing Jeep Corporation, Ltd.	Shanghai Volkswagen Automobile Company	Guangzhou Peugeot Automobile Corporation
Interaction with the central government			
Role of the provincial government			
Aim of the Chinese side			
Aim of the MNE side			
Type of contract			
Dialogues among actors			
Localization			



■ Progress in Localization



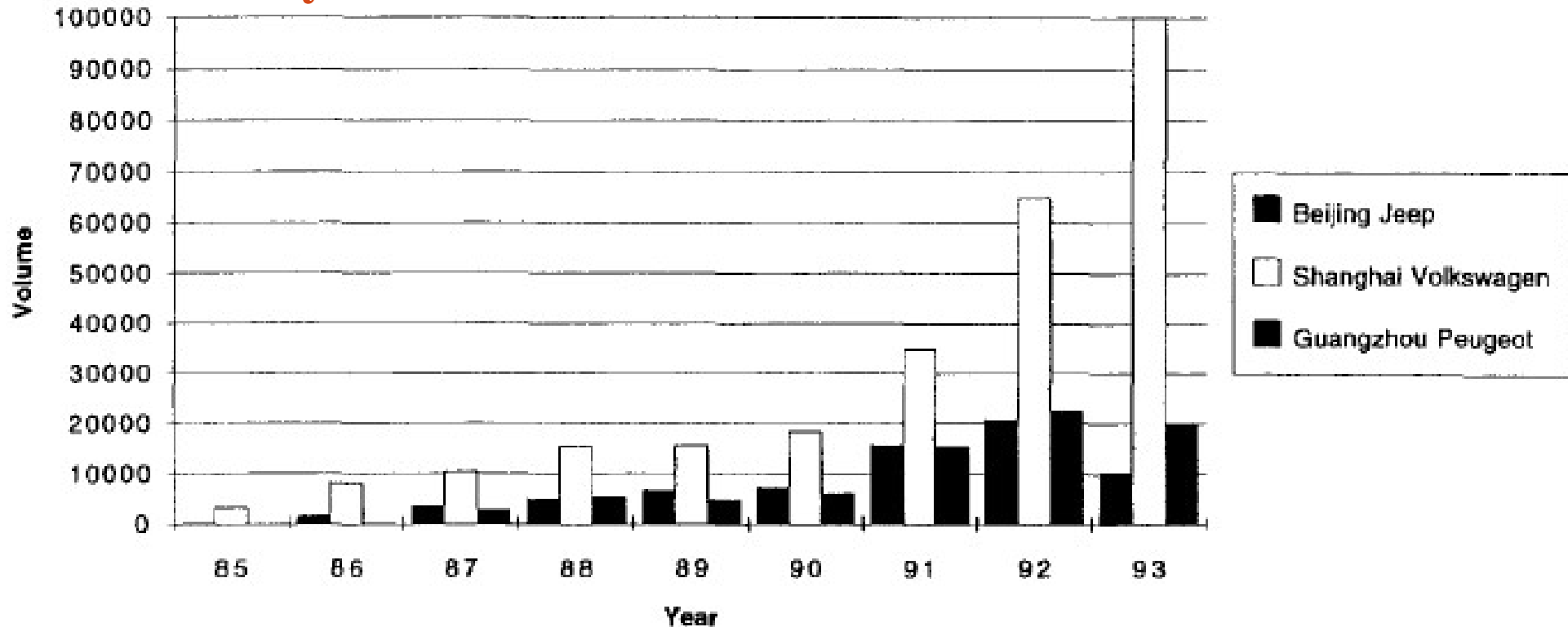
KEY POINTS

- > The earlier Chinese policy of demanding a new car model & a substantial number of exports appears to be unrealistic. *However*, the level of local content significantly increased.

Source: Peng (2000: 151).



■ Summary of '3' Joint Venture Cases (Source: Peng, 2000: 155)



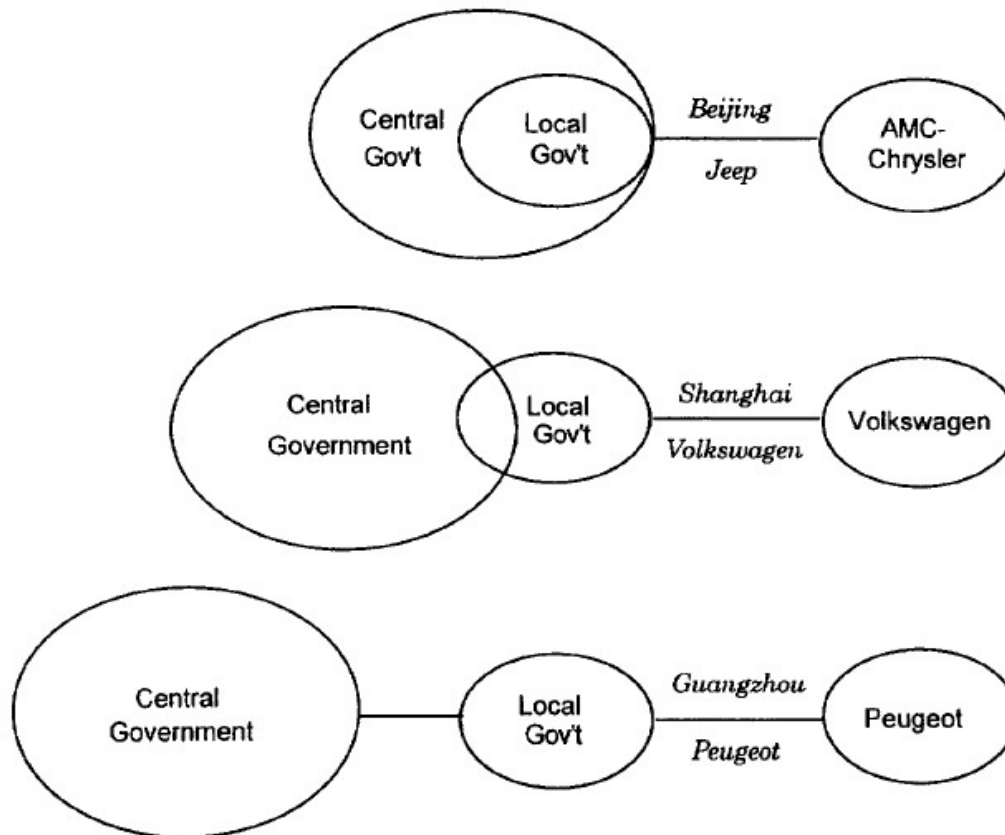
KEY POINTS

- > The production growth of Beijing Jeep & Guangzhou Peugeot was **NOT** that impressive.
- > Shanghai Volkswagen performed extremely well.

Source: Peng (2000: 155).



■ Different Government-MNE Relationships



Source: Peng (2000: 160).

KEY POINTS

- > AMC's **“BAIT & SWITCH”** strategy *versus* VW & Peugeot's more **FRANK** approach.
- > In the case of VW & Peugeot, local governments became more **SYMPATHETIC** toward the JVs.
- > During later stages of the JV development, local governments, except in Beijing, tended to actively **LOBBY** for the JVs.
- > Local governments **BARGAINED HARD** with the central government.
- > **DIALOGUE**-based solutions of the conflicts between principals & agents.



■ Trust & Patience as Key Sources for Corporate Success

- WHAT IS TRUST?**
- > **Confidence** that a partner will **not exploit** the **vulnerabilities** of the other.
 - > **Relationship**-oriented (Asia) > **task**-oriented (Anglo-Saxon)
 - > Importance of ensuring **acceptance** in a new environment.



- WHAT IS PATIENCE?**
- > Building the **right relationships** takes time.
 - > Activities that take 3 months in the developed world take **3-4 times as long as** in China.

Source: Hubbard (2013). Conquering Global Markets: Secrets from the World's Most Successful Multinationals, US: Palgrave Macmillan.



■ Managerial Relevance

❖ For MNE managers

- Building **coalitions with local government** agencies seems to be a good strategy that may pay off in the long run.
- **Publicizing the problem** to the media & threatening the government to solve problems are highly **unconventional & risky** tactics.

❖ For Policy makers

- When dealing with MNEs which have strong bargaining power, **a set of consistent & realistic policies** is necessary.
- In the long run, only through **consistent policy implementation** by professional bureaucrats, the state can build up its capabilities in dealing with the MNEs as foreign agents.



■ Discussions

❖ Find out one failed international joint venture & identify several key factors for its failure in greater depth.

Schwens et al. (2011). “The Moderating Impact of Informal Institutional Distance & Formal Institutional Risk on SME Entry Mode Choice”, *Journal of Management Studies*, 48(2), 330-351.

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■ Questions

- What are the **major contributions** of this study in theoretical, methodological & empirical terms?
- Evaluate the **major difference** between this scholarly investigation and Meyer et al. (2009).
- Discuss **whether, how and when** entry mode choice is significantly influenced by (1) **prior international experience**, (2) **proprietary know-how**, and (3) **strategic importance**.
- What is **common method variance (CMV)**? How did the authors overcome this critical issue?
- What is the **valuable message** of this particular study?



■ Research Questions

- ❖ The authors try to investigate the **moderating effect of informal institutional distance & formal institutional risk** on the relationships between **basic decision-making criteria & equity-based market entry modes**.
- ❖ Decision-making criteria: (1) **international experience**, (2) **proprietary know-how**, & (3) **strategic importance**.

■ Theory

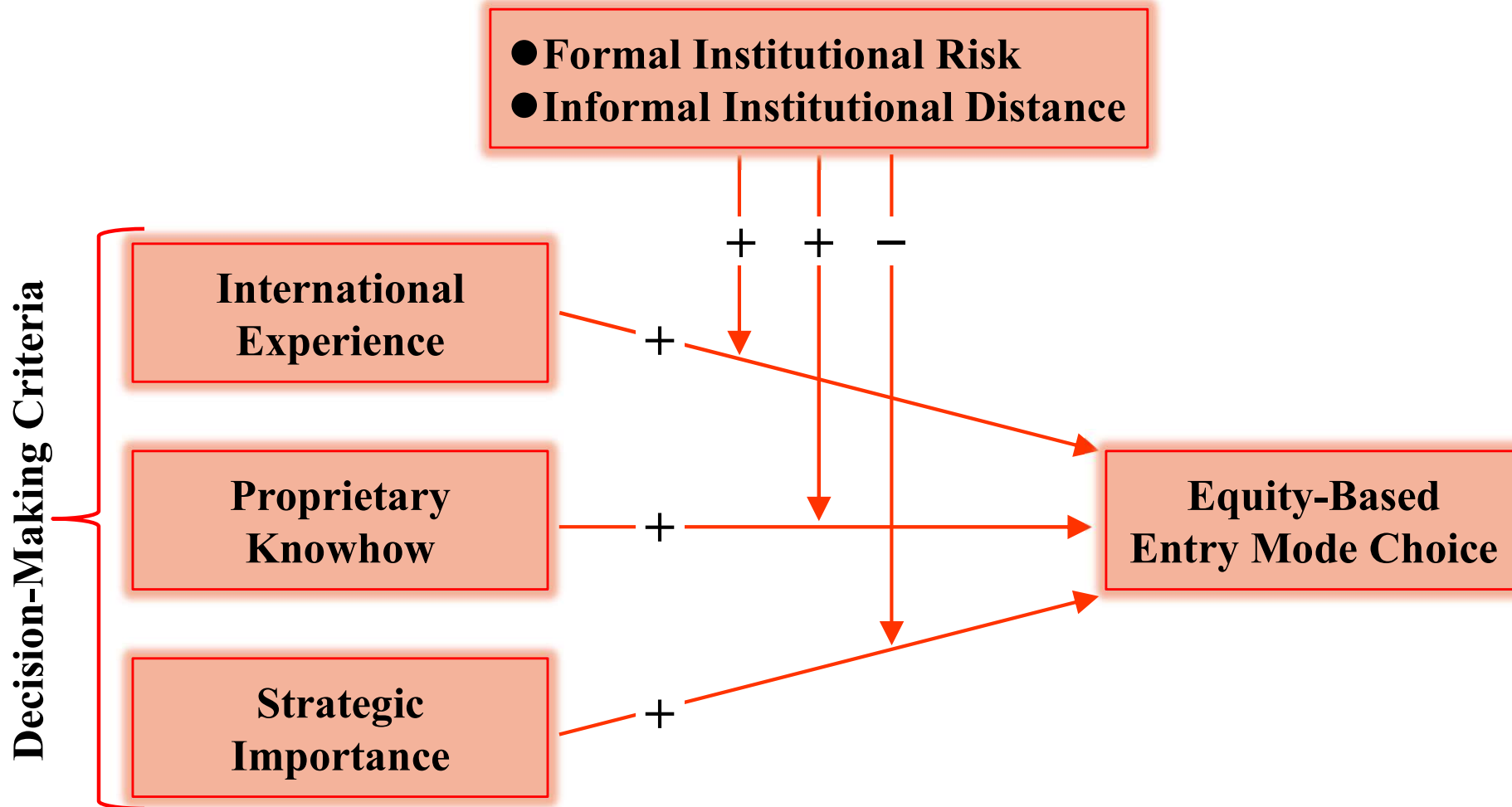
- ❖ **Institutional considerations.**

■ Analytical Strategy

- ❖ A **quantitative** approach (*i.e.*, questionnaire & archival data).
- ❖ **227 German SMEs.**
- ❖ Binary **logistic** regression analysis.



■ Proposed Conceptual Framework





■ Question

❖ What is common method variance (CMV)?



CMV occurs when the estimated relationship between the **dependent & independent variables** might be **inflated**, implying that CMV causes a **systematic covariation above the true relationship**.



■ What Causes the Critical Issue of CMV?

Journal of Applied Psychology
2003, Vol. 88, No. 5, 879–903

Copyright 2003 by the American Psychological Association, Inc.
0021-9010/03/\$12.00 DOI: 10.1037/0021-9010.88.5.879

Common Method Biases in Behavioral Research: A Critical Review of the Literature and Recommended Remedies

Philip M. Podsakoff, Scott B. MacKenzie, and
Jeong-Yeon Lee
Indiana University

Nathan P. Podsakoff
University of Florida

Interest in the problem of method biases has a long history in the behavioral sciences. Despite this, a comprehensive summary of the potential sources of method biases and how to control for them does not exist. Therefore, the purpose of this article is to examine the extent to which method biases influence behavioral research results, identify potential sources of method biases, discuss the cognitive processes through which method biases influence responses to measures, evaluate the many different procedural and statistical techniques that can be used to control method biases, and provide recommendations for how to select appropriate procedural and statistical remedies for different types of research settings.

Source: Podsakoff, MacKenzie & Podsakoff (2003).



■ What Triggers the Critical Issue of CMV?

1. Implicit Theories & Illusory Correlations

- Respondents' beliefs about the association among particular traits, behaviors, & outcomes.

2. Social Desirability

- The tendency of some people to respond to items more as a result of their social acceptability (> their true feelings).

3. Single Rater Effect

- The predictor & criterion variables are obtained from the same source or rater.

4. Mood State

- The propensity of respondents to view themselves positively or negatively.

Source: Podsakoff, MacKenzie & Podsakoff (2003: 882).



■ How Did the Authors Alleviate the Issue of CMV?

1. The **dependent variable** (entry mode choice) is an **objective measure** rather than a perceptual evaluation.
2. The **moderator variables** (informal institutional distance & formal institutional risk) are based on **secondary sources**.
3. The **interaction terms** were integrated into the research framework → The respondents are **not able to comprehend the logic of a complex relationship** in the model.
4. A ‘**one factor**’ test was conducted to control for CMV.

■ Any Other Remedies?

1. All questionnaire items were presented in a **random order**.
2. The protection of **anonymity & confidentiality**.
3. The **clarity of wordings** of all questionnaire items.



Empirical Results

Binary logistic regression analysis (dependent variable: entry mode choice)	Model 1 control variables	Model 2 + direct variables + moderator variables	Model 3 + informal interaction variables	Model 4 + formal interaction variables	Model 5 + formal and informal interaction variables
Direct variables					
International experience		0.661***	0.709***	0.699***	0.803***
Proprietary know-how		0.214	0.232	0.323†	0.443*
Strategic importance		0.785***	0.751***	0.711**	0.594*
Moderator variables					
Informal institutional distance		-0.319	-0.434	-0.391	-0.578
Formal institutional risk		-0.115	-0.122	-0.037	0.032
Interaction variables					
International experience × informal institutional distance			-0.159		0.074
Proprietary know-how × informal institutional distance			0.400†		0.635*
Strategic importance × informal institutional distance			-0.627		-1.125*
International experience × formal institutional risk				0.211†	0.363†
Proprietary know-how × formal institutional risk				0.409*	0.614*
Strategic importance × formal institutional risk				-0.318†	-0.600*
Control variables					
Firm size	0.001	0.002	0.001	0.002	0.002
Family business	-0.360	-0.454	-0.430	-0.433	-0.443
Resource endowment	-0.123	0.045	0.019	0.059	0.023
Motive learning in the foreign market	0.564**	0.328*	0.361*	0.392*	0.484**
Motive access to market	-0.143	-0.298	-0.267	-0.360	-0.304
Industry dummy	0.267	0.059	0.058	0.137	0.160
Constant	-1.398	-0.008	-0.144	-0.016	-0.295
R ² (Nagelkerke)	0.104	0.281	0.295	0.310	0.344
R ² (Cox & Snell)	0.078	0.210	0.221	0.232	0.257
Chi-square	18.41	53.50	56.55	59.84	67.30
Correct classifications	63.9	70.5	70.9	71.2	71.4
Significance	0.005	0.000	0.000	0.000	0.000
N	227	227	227	227	227

Notes: N = sample size; R² = variance.

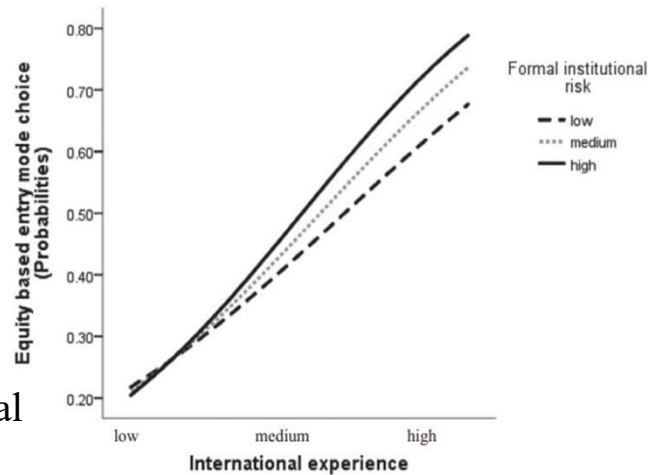
Significance levels: *** p ≤ 0.001; ** p ≤ 0.01; * p ≤ 0.05; † p ≤ 0.1.



The Plots for the Probabilities of Entry Mode Choice

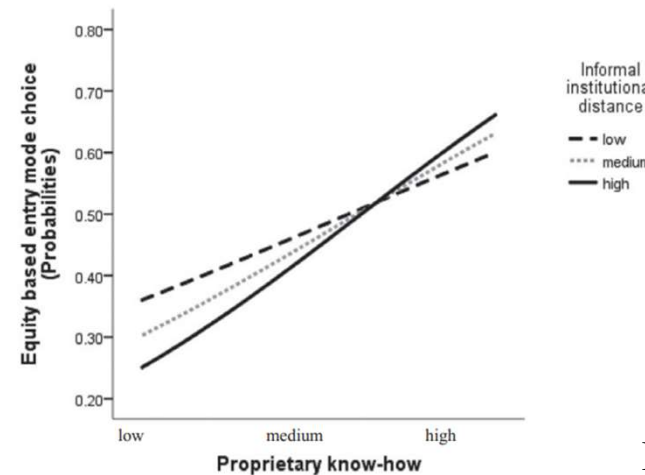
1

International Experience × Formal Institutional Risk

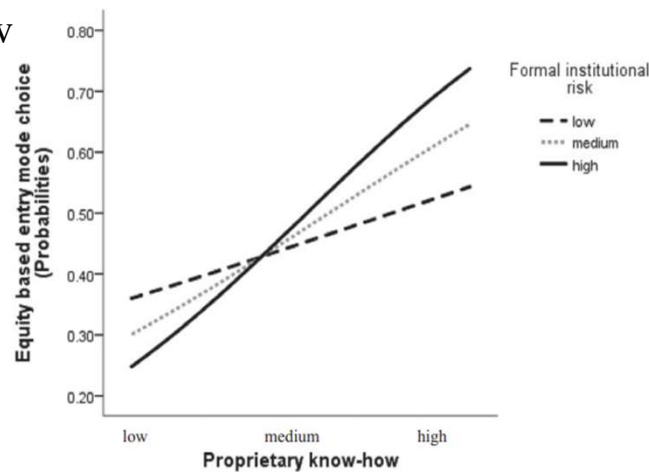


2

Propriety Knowhow × Informal Institutional Distance

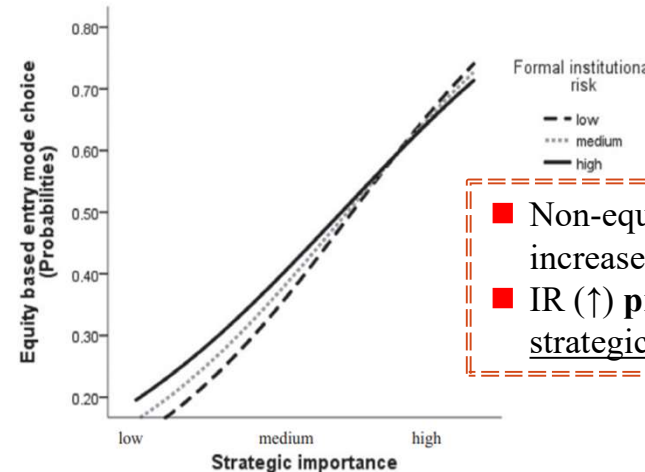


Propriety Knowhow × Formal Institutional Risk



3

Strategic Importance × Formal Institutional Risk



4

- Non-equity-based entries help increase **flexibility** for SMEs.
- IR (↑) prevents long-term strategic planning.



Internalizing Specific Transactions

ASSET SPECIFICITY

- > **FDI** *versus* exports.
- > **FDI** *versus* outsourcing.

DISSEMINATION RISK

- > **FDI** *versus* licensing of technology (*e.g.*, automotive companies).

STRATEGIC CONTROL

- > **FDI** *versus* licensing as market entry strategy
 - Starbucks in South Korea: Licencing to ESCO => **FDI** to promote the aggressive growth of the chain.

INFORMATION ASYMMETRY

- > **FDI** *versus* exports where assessing the quality of the good is difficult.
- > **FDI** *versus* outsourcing where monitoring of the actual process is crucial.

TACIT KNOWLEDGE TRANSFERS

- > **FDI** *versus* licensing/franchising of complex knowledge (*e.g.*, OEM companies).

Internalization advantages



■ Limitations?

1. **Countries may vary internally** to a large extent, which potentially limits the application of GLOBE indices.
2. **Cross-sectional research** → A longitudinal design is required to examine the evolution of foreign entry modes = **Causality** (↑)

■ Managerial Relevance?

1. By considering the **differences between the firm's home & host country** carefully, managers need to decide whether to choose an equity based or non-equity-based entry mode.
2. **Prior international experience** leads SMEs to **minimize institutional pressures** in the host country **more effectively**.
3. **An equity-based entry mode** helps SMEs **protect their specific knowhow** in the host country's **risky institutional context**.



■ Reading Assignments for 10.03.2025 (Monday)

❖ FDI Strategies - Entry Mode Selection.

- **Meyer et al.** (2009). “Institutions, Resources, & Entry Strategies in Emerging Economies”, *Strategic Management Journal*, 30(1), 61-80.
- **Puck et al.** (2009). “Beyond Entry Mode Choice: Explaining the Conversion of Joint Ventures into Wholly Owned Subsidiaries in the People’s Republic of China”, *Journal of International Business Studies*, 40, 388-404.

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 !

【Contact Address】

ADDRESS: 208 in Via dei Caniana 2, 24127 Bergamo, ITALY

E-mail: norifumi.kawai@unibg.it