

Thams & Dau (2023). “Do Liberal & Conservative-Leaning CEOs Approach De-Internationalization Differently? Zooming in on the Onset of the 2022 Russia/Ukraine Crisis”, *Journal o World Business*.

PROF. DR. NORIFUMI KAWAI, MPIA (Pittsburgh)

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



■ Questions

- ❖ What is the main **CONTENT** of this article? What **CONTRIBUTIONS** does this piece of work make to the existing literature on de-internationalization?
- ❖ Investigate **HOW** the Russia-Ukraine War **IMPACTED** MNCs (Italian & other European MNCs) operating in Russia & neighboring countries & discuss **HOW** they **RESPONDED/HAVE BEEN RESPONDING** to this crisis from a strategic point of view in detail.
- ❖ Summarize the **LOGIC** of Figure 1 with your own words.
- ❖ What **MANAGERIAL IMPLICATIONS** can be drawn from the empirical findings of this article?
- ❖ What is the **TAKE-HOME MESSAGE** of this article?



■ The Central Logic of This Article

- I. “People, not firms, are the ones that make decisions” in organizations (Arikan & Shenkar, 2022).
- II. Corporate-level decisions are often made in the board room under conditions of (1) bounded rationality, (2) means-ends ambiguity & (3) uncertainty. → Decision makers’ interpretation & judgement (Arte & Larimo, 2019).
- III. Foreign divestment decisions are not always economically rational since right after an exogenous shock in a foreign country, decision makers often possess limited information on (1) the persistence of the conflict & (2) the nature of the changes that may occur in firms’ external environment (*e.g.*, Berry, 2013; Liu et al., 2022).



■ WHY the Role of CEOs so Important? (Upper Echelons Theory)

❖ Hambrick & Mason (1984)

- CEOs play a vital role in setting **the direction of the firm** & thus CEO characteristics (*e.g.*, age, tenure, functional expertise, education etc.) affect **strategic choices & business success**.
- A firm's **strategic change** is a reflection of the **CEO's visions, values, & cognitive maps**.

❖ Jensen & Murphy (1990)

- Regardless of firm size, **CEOs** serve as the **core decision makers** in the process of **investment in new projects**.

❖ Keil et al. (2017)

- **CEOs** exert significant **influence over the actions of others** by **signaling what actions & behaviors** are desirable, proper, or appropriate throughout the organization.



■ CEO Psychological Traits & Strategic Behaviours

- ❖ **CEO Narcissism** (Agnihotri & Bhattacharya, 2019): Internationalization (+)
- ❖ **CEO Greed** (Haynes et al., 2017): Shareholder wealth (-)
- ❖ **CEO Risk Taking** (Kraiczy et al., 2015): Firm innovativeness (+)
- ❖ **CEO Status Quo** (Chiu et al., 2022): Corporate divestitures (-)
- ❖ **CEO Hubris** (Gupta et al., 2017): Environmental innovation (+)
- ❖ **CEO Promotion Focus** (Gamache et al., 2015): Acquisitions (+)
- ❖ **CEO Political Liberalism** (Kashmiri & Mahajan, 2017): New product introductions (+)



■ What Previous Scholarly Arguments Tell Us?

❖ Exogenous Factors?

- Declining market growth;
- Political & economic risks;
- Institutional unpredictability;
- Natural disasters;

HOWEVER, are decisions always based on rational factors?

❖ Internal Factors?

- Performance shortfall;
- Limited access to local resources in the host country;
- Limited host country experience;
- Limited intangible assets within the organization (measured by R&D intensity / advertising intensity); &
- Smaller subsidiary size.



■ No Common World Views Shared among All CEOs?!

- ❖ **BP's divestment:** Sold almost 20% of its stake in the Russian state-owned oil company Rosneft, a move representing US\$25 billion in losses (Reuters, 2022a).
- ❖ **Jeffrey Allen Miller's (CEO of Halliburton) refusal to bow to pressures to exit the market:** *"Always unfortunate in so many ways for so many people. But from a business perspective, we've managed these sorts of things up & down for, I hate to say, nearly 100 years. So, these are the kinds of things that we would manage through"* (Los Angeles Times, 2022).
- ❖ **A top executive (Koch Industries) for no exit:** The company will not *"hand over"* its *"facilities to the Russian government so it can operate & benefit from them"* (Los Angeles Times, 2022).

CEO Ideology & De-Internationalization



■ Definition of '2' Types of CEOs

Liberal CEOs

- ... prefer change & destroy the status quo.
- ... are more likely to push for firms to be socially engaged.
- ... pay attention to the demands of multiple stakeholders.
- ... embrace moral preference for social justice, which cultivate their responsiveness & openness to stakeholders' pressures.
- ... emphasize the ethical aspect of firms' responses to a conflict.

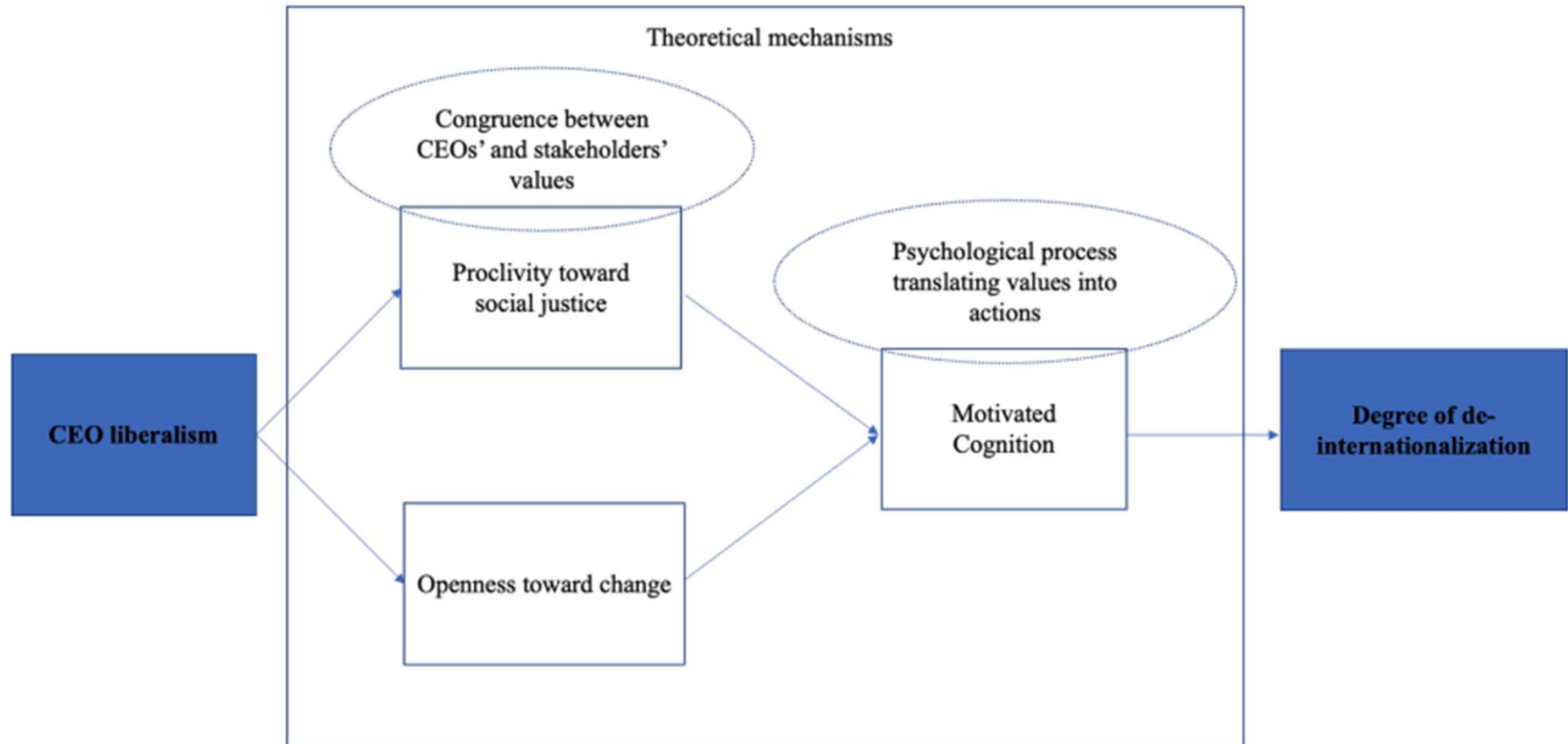
Conservative CEOs

- ... preserve traditional values & resist change.
- ... believe that property rights are more important.
- ... emphasize the importance of preserving shareholder wealth.
- ... value efficient ways to allocate resources.
- *“For conservatives, the historical survival of a practice creates a prima facie case that it has served some need.”*

CEO Ideology & De-Internationalization



■ Conceptual Model



Source: Thams & Dau (2023: 5).



■ Theoretical Contributions

- ❖ CEO ideology as a ‘neglected’ aspect that adds significant value to the IB literature.
- ❖ Firms divest not only for economic reasons but also due to the congruence of values between CEOs & external stakeholders.
- ❖ De-internationalization (*i.e.*, different de-internationalization options > exit vs non-exit dichotomous decisions) is closely linked to CEOs’ values & beliefs.

■ Practical Suggestions

- ❖ Executive values lead to sub-optimal decisions, which may be highly crucial & entail great sacrifice for firms.
- ❖ “*Strategy is human construction*” (Andrews, 1971: 107).



■ Acquisition Success & Failure (19.03.2025 / Wednesday)

Cadbury Schweppes & Adams

Lonrho & Rollex

Lafarge in India

Nomura

Your Career

PROF. DR. NORIFUMI KAWAI, MPIA (Pittsburgh)

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

What is Your Survival Plan?



■ What Skills will be in Demand? (1/2)

❖ US Certified Public Accountant (USCPA)

- Financial accounting & reporting (FAR) | Regulation (REG) | Business environment & concepts (BEC) | Auditing & attestation (A&A).

❖ Certified International Trade Logistics Specialist (CITLS)

- Air freight as a mode of shipment | Ocean freight practices | Intermodal transportation for international freight | Logistics documentation | Regulations | Insurance issues | Analysis of product import/export potential.

❖ MBA (Master of Business Administrator)

- Top Business Schools in the US, Europe & Asia.

❖ IT Certifications

- Certified in Risk and Information Systems Control (CRISC) | Certified Information Security Manager (CISM) | Certified Information Systems Auditor (CISA) | Cisco Certified Entry Networking Technician (CCENT).

What is Your Survival Plan?



■ What Skills will be in Demand? (2/2)

❖ Languages

- **Official languages of the United Nations:** English | French | Chinese | Arabic | Spanish | Russian.
- **Common European Framework of Reference for Languages (CEFR):** C1 (Effective operational proficiency or advanced) or C2 (Mastery or proficiency) level is required.
 - ✓ **English:** IELTS 8.0-9.0 / TOEIC (L) 470~/495 & (R) 470~/495.
 - ✓ **French:** TCF C1 / DALF C1 / TCF C2 / DALF C2.
 - ✓ **German:** Zentrale Oberstufenprüfung (ZOP).
 - ✓ **Spanish:** DELE C1 / DELE C2.

❖ Experiences

- Multiple (paid) **internship/traineeship/apprenticeship** experiences in **different countries**.

Mock Exam Questions

PROF. DR. NORIFUMI KAWAI, MPIA (Pittsburgh)

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

Mock Exam Questions



■ Examples

- ❖ Discuss the determinants of “entry mode choice” in resource-based & institutional contexts following **Schwens et al. (2011)**.
- ❖ According to **Peng (2000)**, local governments are acting as “*agents of the state*”. What does it mean? Elaborate on the 3 joint venture cases using “a principal-agent framework”.
- ❖ What is the difference between “collaborative strategic alliances” & “contractual strategic alliances”?
- ❖ What is the “logic” of forming “a joint venture in China”?
- ❖ How should MNCs adapt “entry strategies” under “different institutional environments” following **Meyer et al. (2009)**?

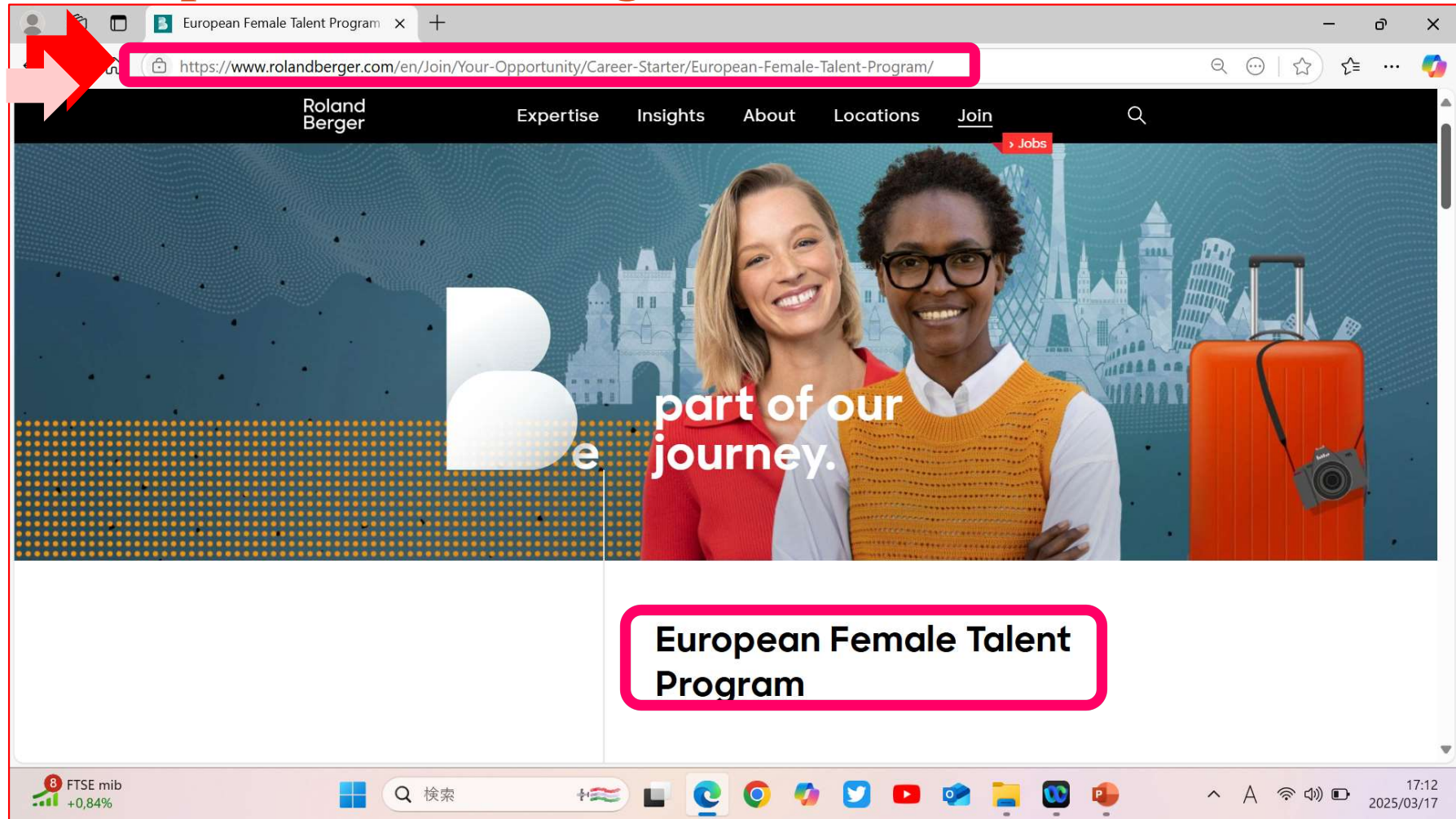
Your Career

PROF. DR. NORIFUMI KAWAI, MPIA (Pittsburgh)

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



■ Example 1: Roland Berger





■ Roland Berger – European Female Talent Program 2025

❖ Qualifications

- **Master's degree** from a university or a doctorate, **with excellent academic performance**;
- **International experience** from an internship or semester abroad.
- Both **qualitative & quantitative analysis methods**;
- At least **2 years experience** in a **strategic or conceptual field**;
- **Familiarity with financial statements & with the consulting environment**; &
- **Italian mother tongue & fluent in English** are a prerequisite. The knowledge of **another European language** can be a plus.



■ Example 2: Careers at UN Women

The screenshot shows the UN Women website. The browser address bar is highlighted with a red box and a red arrow pointing to it. The address bar contains the URL: <https://www.unwomen.org/en/about-us/employment>. The website header includes the UN Women logo and the text 'FOR ALL WOMEN AND GIRLS'. Below the header is a navigation menu with links: ABOUT, WHAT WE DO, WHERE WE ARE, HOW WE WORK, PARTNERSHIPS, NEWS AND EVENTS, and DIGITAL LIBRARY. The main content area features a section titled 'Careers at UN Women' which is highlighted with a red box. Below this title, it says 'Join UN Women and make an impact on gender equality.' and 'Why work for UN Women?'. A list of bullet points follows, including 'A leading global gender equality entity – Innovative programmes and in-depth expertise'. On the right side, there is a sidebar with the heading 'In this section' and links for 'Career opportunities' and 'Application and recruitment process'. At the bottom of the page, there is a 'Closing soon' banner and a footer with the text 'UN Women: International'. The browser's taskbar at the bottom shows various icons and the system clock indicating 17:29 on 2025/03/17.

https://estm.fa.em2.oraclecloud.com/hcmUI/CandidateExperience/en/sites/CX_1001/jobs/preview/25026/?lastSelectedFacet=POSTING_DATES&selectedPostingDatesFacet=30

Exercise

PROF. DR. NORIFUMI KAWAI, MPIA (Pittsburgh)

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

Exercise



■ **Let's Recall What We have Learnt for the Last 4 Weeks !**

Please answer each quiz within 10 minutes.

Reviewing the Lecture Materials (From WEEKS 1-4)

PROF. DR. NORIFUMI KAWAI, MPIA (Pittsburgh)

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



■ What are '3' Drivers of Globalization?

❖ Political Forces

- **The fall of the former Soviet bloc:** The privatization of former Russian state-owned enterprises (*e.g.*, Rosneft, Lukoil, Gazprom etc.).
- **Russian firms** compete in the natural resource & infrastructure industries.
- **The relaxation of trade relations** with many previously closed markets.
- **China's entry** in the **World Trade Organization** in **2001**.
- The formation of the **European Union** & the **Euro Zone**.

❖ Technological Forces

- **The IT revolution:** (1) Transportation costs (↓) & (2) Product life cycles (↑)

❖ Economic Forces

- **Rising wage costs** of developing nations.
- The rapid growth & globalization of **conglomerates** from developing & emerging countries (*e.g.*, Korea, India, Brazil etc.).



■ ‘4’ Types of State-Owned Enterprises (SOEs)?

- ❖ **Domestic SOEs:** There are at least 150,000 businesses in China where the largest shareholder is either the Chinese government or a local municipality (UNCTAD, 2011).
- ❖ **Emergency SOEs:** GM (US) & Royal Bank of Scotland (UK) who ran into financial problems & were bailed out by the government that injects capital in the form of shareholding.
- ❖ **Privatized SOEs:** Those organizations that were once nationally held, & when privatized the government retained a stake ranging from a minority shareholding (e.g., Volkswagen & Renault).
- ❖ **Expansion Vehicle SOEs:** Those organizations created by the government with the special objective of pursuing the country's prerogatives abroad (e.g., The Chinese campaign “Go Global”).



■ Accelerating Resource Acquisition (“Born Globals”)?

1 Building Entrepreneurial Teams

- > **Personal experience** worked in an international role for a major company.
- > **Studying abroad** provides experience, tacit knowledge & networks.



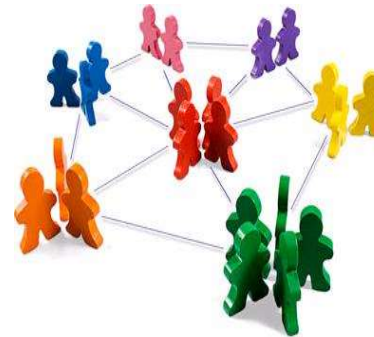
- > Late entrants can learn by **learning from earlier entrants** successes & failures.
- > **Mimetic behavior** as a means to reduce uncertainty.



3 Observing & Imitating Others

Working with Foreign Investors 2

- > Most foreign investors are looking for local suppliers & distributors.
- > **Subway:** One Northern Irish bakery for chilled part-bake bread



- > International growth by **taking over local firms** to access to the knowledge embedded in teams & organizational structures & to enhance **legitimacy & networks**.



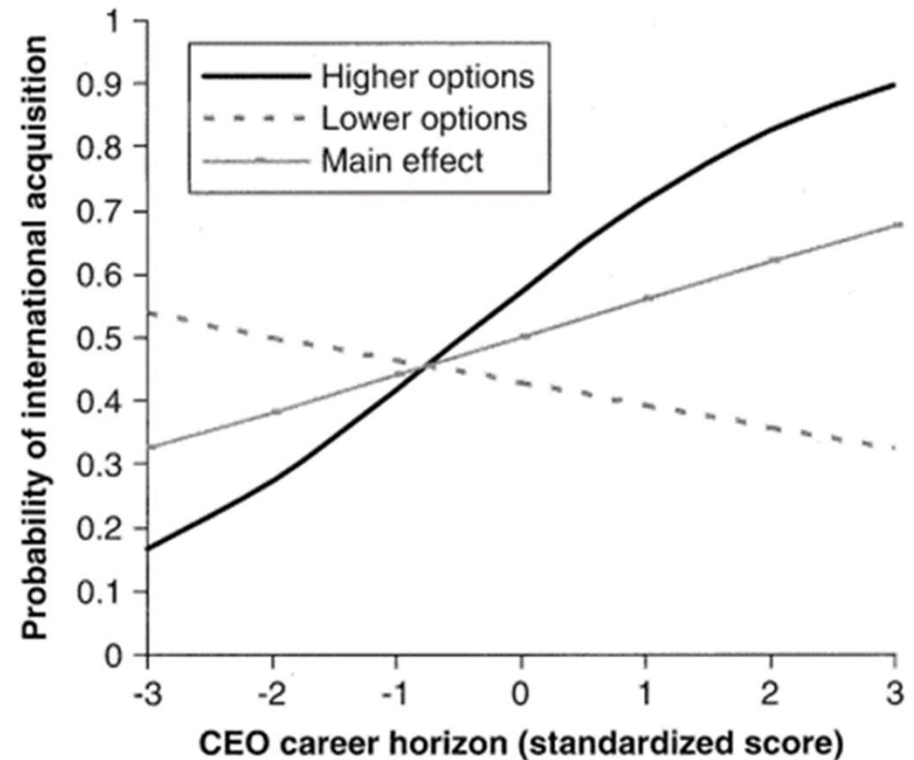
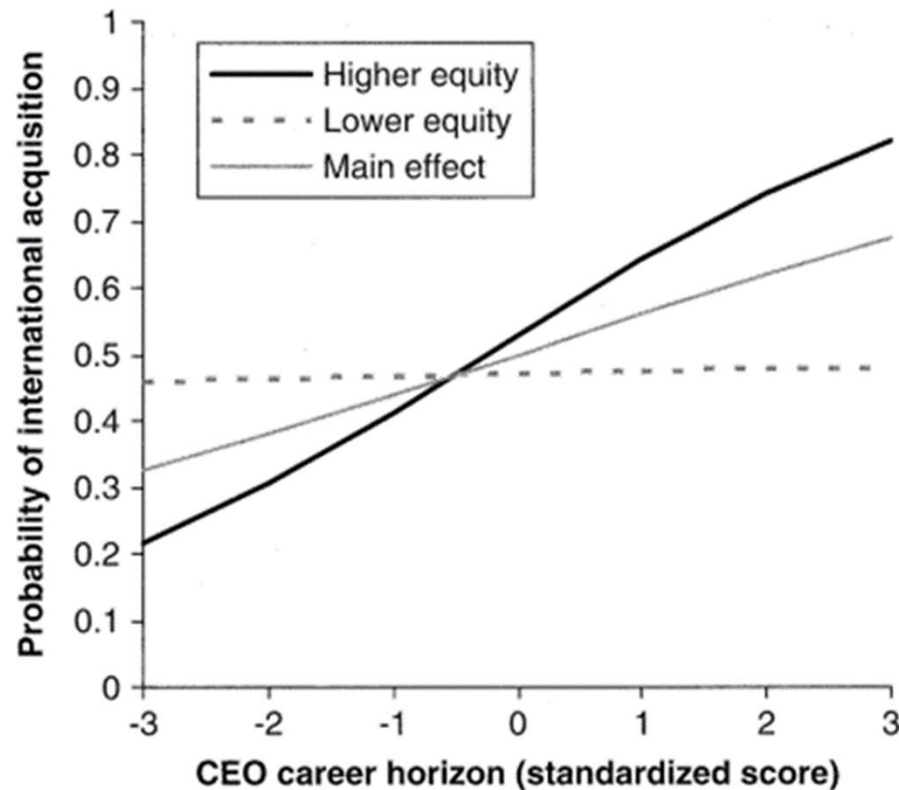
Acquiring Resources Abroad 4

Antecedents & Outcomes of Firm Diversification



■ Matta & Beamish (2008).

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



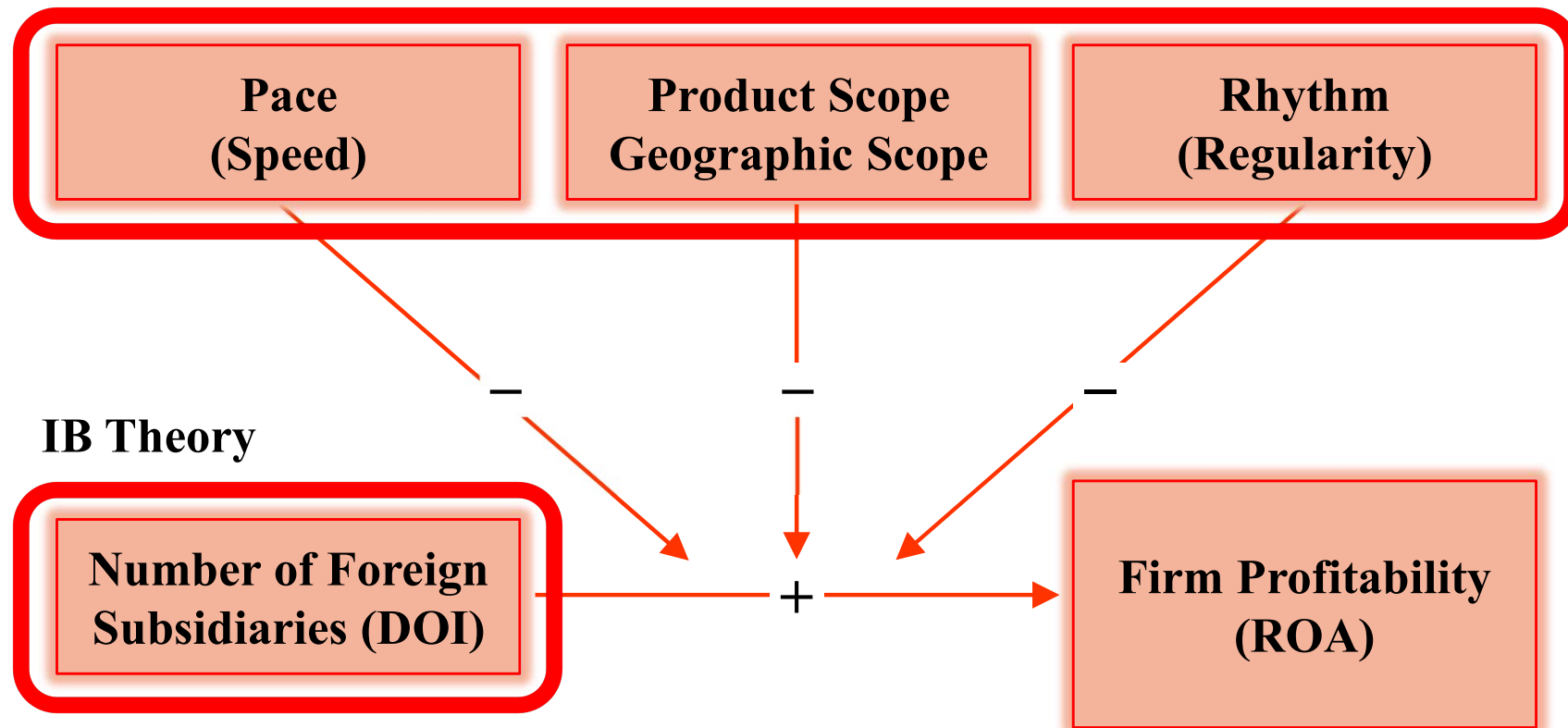
Source: Matta & Beamish (2008: 694).

Antecedents & Outcomes of Firm Diversification



■ Vermeulen & Barkema (2002).

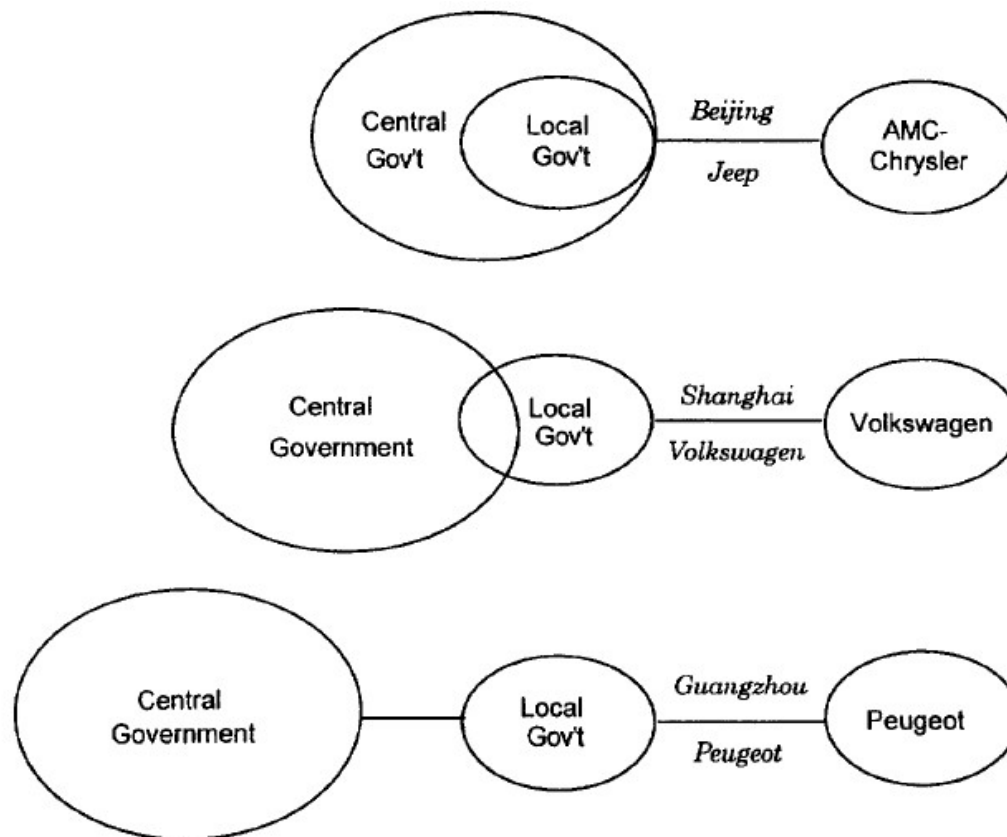
Diseconomies of Time Compression



International Joint Ventures in China



■ Peng (2000): Different Government-MNE Relationships



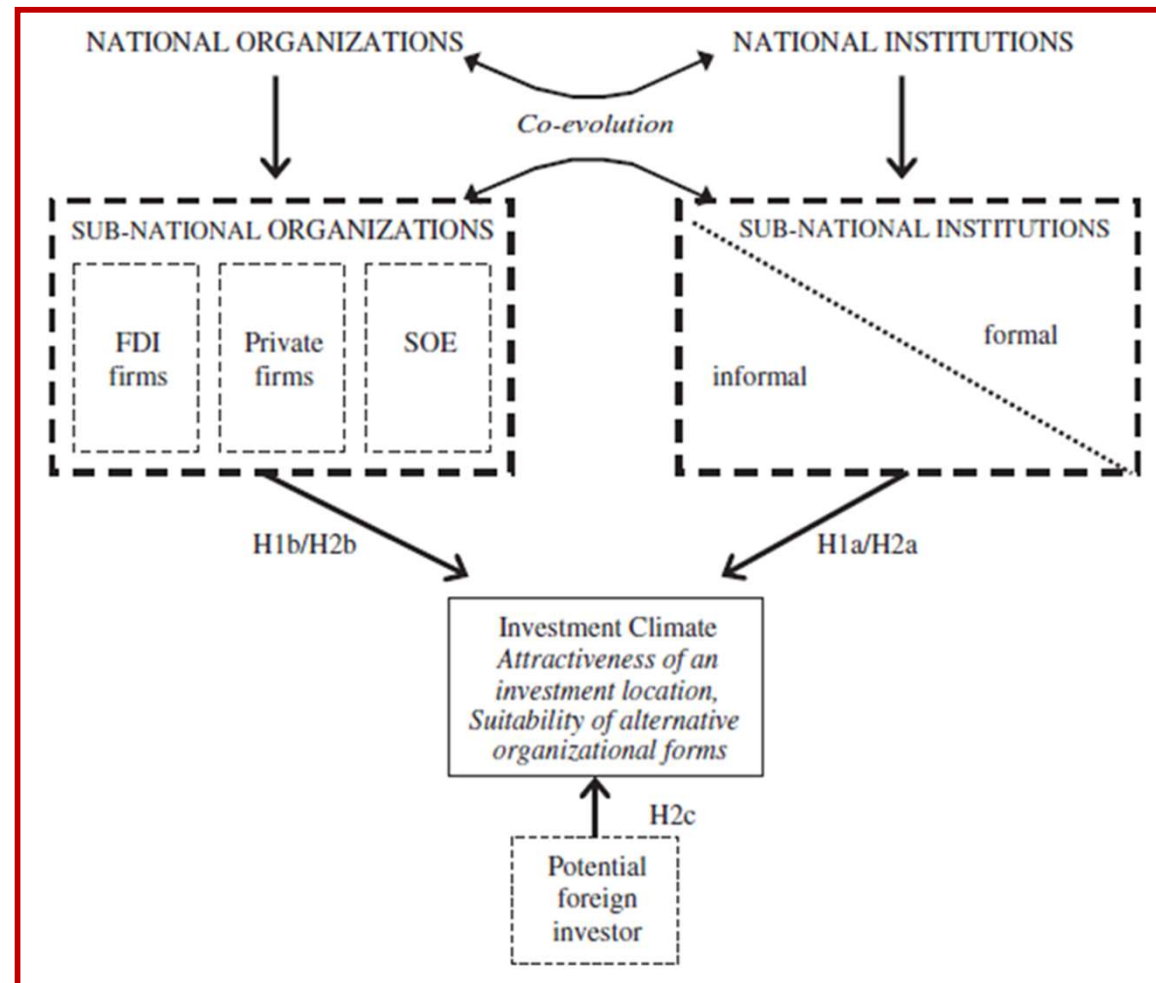
Source: Peng (2000: 160)

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.



■ Sub-National Institutions in Emerging Economies





■ How Institutions Shape MNCs Strategic Decisions?

❖ Location Strategies (Access to Local Resources)

- > Under the **decentralized administration** in Vietnam, provincial institutions vary by the level of **access to local resources**.
- > The establishment of **industrial zones**: Offer **lower profit tax**, especially **if at least 80% of output is exported**.
- > **Provincial authorities** can **signal their commitment** to create an investor-friendly business climate by providing **real estate for industrial zones**.

❖ Location Strategies (Incumbents = SOEs)

- > Incumbents affect informal rules to **protect their market share**.
- > In transition economies, **lobbies** are related to **SOEs** that can draw upon **long-standing personal networks with authorities**.
- > The **SOEs** control **local resources**, including **business networks, distribution channels & labor markets**.



■ How Institutions Shape MNCs Strategic Decisions?

❖ Entry Mode Choice (Access to Local Resources)

- > **Institutional barriers** inhibit access to local resources, but foreign investors can **overcome** them through a **JV with a local partner**.
- > **Scarce local resources** often relate to **intangibles** (*e.g.*, marketing & technology-related assets, or to business networks)
- > In Vietnam, **access to real estate is a key constraint**.

❖ Entry Model Choice (Incumbents = SOEs)

- > Incumbent firms are a **powerful lobby** influencing the local institutional framework.
- > **SOEs** are still **important players** & newcomers may find a partnership an important means to **attain legitimacy**.
- > Where **SOEs are strong**, foreign investors may find it **more difficult to prosper alone**.

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