# Assignments for 28.05.2025 (Wednesday)



- Rickley, M., & Karim, S. (2011). "Managing Institutional Distance: Examining How Firm-Specific Advantages Impact Foreign Subsidiary CEO Staffing", *Journal of World Business*, 53(5): 740-751.
  - **❖** JACOPO BELOTTI + ??? (Q1, Q2 & Q3)
  - **❖** ANIKA TREMMEL + ??? (Q4, Q5 & Q6)
  - **❖**BEATRICE CAPITANIO + ??? (Q7 & Q8)
- "The LG-Nortel Joint Venture".
  - **❖**CARLA GRIEBL+ ??? (Q1)
  - ❖GREGORIO MORELLI + ??? (Q2 & Q3)
  - **❖** JULIA ANDRASZAK + ??? (<u>Q4 & Q5</u>)



#### PROF. DR. NORIFUMI KAWAI, MPIA (Pittsburgh)

Special Topics in International Business Università degli Studi di Bergamo Dipartimento di Scienze Aziendali Bergamo, ITALY





### **■** Overview of the Korean Economy

# Map of Korea Mongolia East Sea (Sea of Korea Japan) SOUTH China East China **Faiwan**

#### Basic Data (2023)

**Area size:** 100,363 km<sup>2</sup>.

**Population:** 51.7 million.

**GDP:** US\$1.76 trillion.

GDP per capita: US\$34,121.

**GDP growth:** 1.4%.

Life expectancy: 83 years.

**Unemployment rate:** 2.7%.

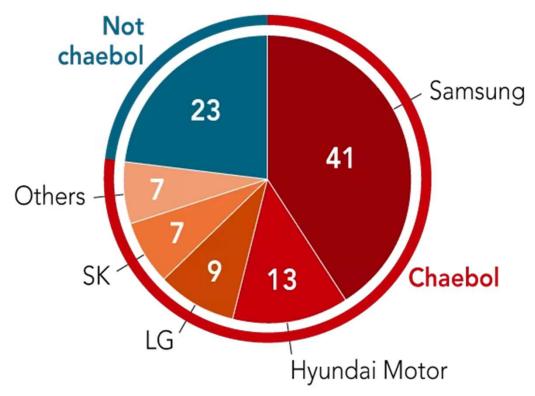
**Inflation rate:** 2.3%.

Source: World Bank.





Chaebol Breakdown of market capitalization of Asia300 companies in South Korea (in percent)



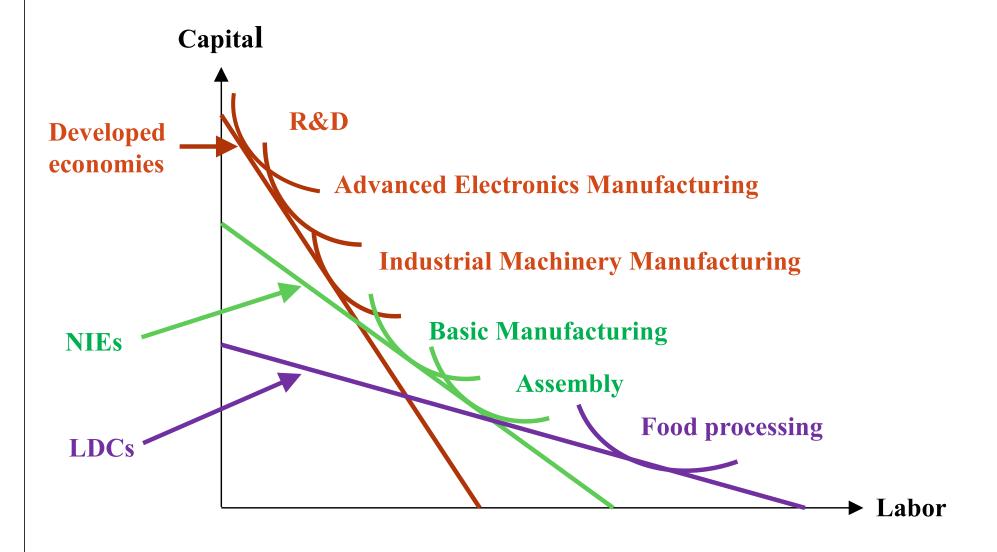
As of end of October

Source: https://asia.nikkei.com/



# **Economic Development**









### Questions

- 1. Did Nortel make the **right decision** by entering South Korea through a JV? What other market entry alternatives did Nortel have? (**Carla**)
- 2. What are the advantages & disadvantages of having a strategic alliance such as the LG-Nortel JV? (Gregorio)
- 3. What are the skills & attributes that successfully JV managers would ideally possess? What about MacKinnon? (Gregorio)
- 4. What can MacKinnon do to reduce cross-cultural conflicts within the JV? (Julia)
- 5. What can Nortel & LG do to improve the probabilities of the success of this JV? (Julia)



**Rickley & Karim** (2011). "Examining How Firm-Specific Advantages Impact Foreign Subsidiary CEO Staffing", *Journal of World Business*, 53(5), 740-751.

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### Questions

- 1. What is the **core argument** of this article? (<u>Jacopo</u>)
- 2. Why is this article so important in **theoretical & managerial terms**? (namely, what is the **major contribution** of this article to the literature?) (**Jacopo**)
- 3. What does it mean by **institutional distance**? What about **liabilities of foreignness**? (**Jacopo**)
- 4. 'Which industry' do the authors focus on? Why? (Anika)
- 5. According to the **institutional considerations**, why should MNC subsidiaries **appoint local CEOs** rather than expatriate CEOs? (Anika)





### Questions

- 6. Discuss the underlying rationale why the positive relationship between the appointment of local CEOs & institutional distance changes under following conditions (Anika):
  - (1) MNC multinationality
  - (2) regional agglomeration
  - (3) **host country experience** increase.
- 7. What **practical insights** can you draw from the study's empirical results? (**Beatrice**)
- 8. Discuss the **drawbacks** inherent in this research. (**Beatrice**)





### **■** Research Questions

- **❖Whether** are **CEO** staffing strategies influenced by institutional distance?
- ❖ How do firm-specific advantages moderate the relationship between institutional distance & CEO staffing strategies? → Whether does (in more institutionally distant host countries) possession of firmspecific advantages shift subsidiary CEO staffing strategies?

### **■** Theory

- **A** mix of institutional theory & the resource-based considerations.
- Analytical Strategy
  - ❖ A quantitative approach.
  - **❖**75 subsidiaries of 33 U.S. & European MNC banks in 12 CEE host countries (between 2005–2010).
  - Multi-level regressions.





### **■** Liabilities of Foreignness

**Distant Origins** 

❖ (1) A lack of familiarity &/or legitimacy in the host environment, (2) lack of relational embeddedness in host-country knowledge networks & structures, costs of coordinating across spatial distances (Eden & Miller, 2001; Zaheer, 1995).

Lack of Local Experience

Lack of networks & legitimacy in the local context

Liability of Outsidership

Lack of Nearby Experience

- ❖ Liabilities of foreignness are measured by differences in country-specific attributes along (in)formal institutional dimensions (North, 1991).
- \* Cross-national differences in regulations & norms represent salient attributes, & together, these are referred to as 'institutional distance' (North, 1991).

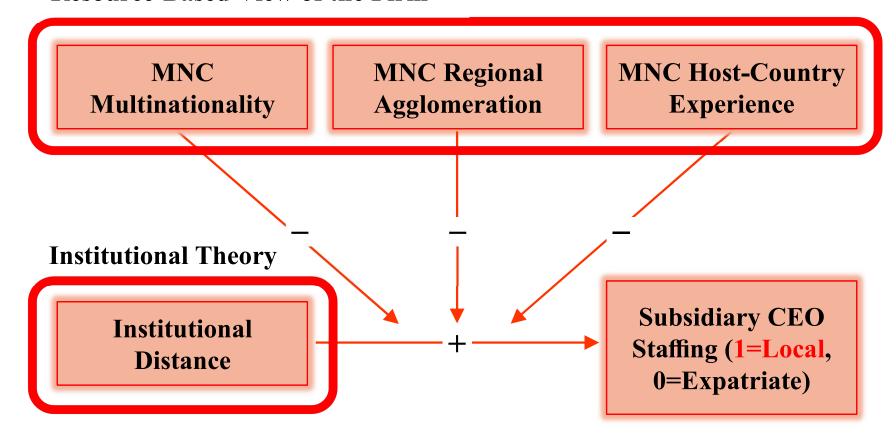
**Source:** Peng & Meyer (2011: 14).





### **■** Conceptual Framework

**Resource-Based View of the Firm** 



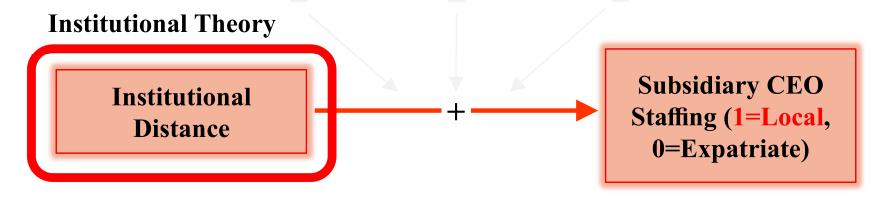




### **■** Hypotheses

#### **KEY POINTS**

- An institutional theory-based solution for alleviating liabilities of foreignness is the adoption of local isomorphism strategies (Rosenzweig & Singh, 1991; Zaheer, 1995).
- ❖ Using domestic firms' strategic behavior as a template, foreign subsidiaries (1) reduce risk of losses due to misalignment between internal strategic choices & external market conditions & (2) enhances their legitimacy in the host-country market.
- \* MNC subsidiaries are likely to *utilize the local knowledge & network embeddedness* of local CEOs to a greater extent in more institutionally distant environments.

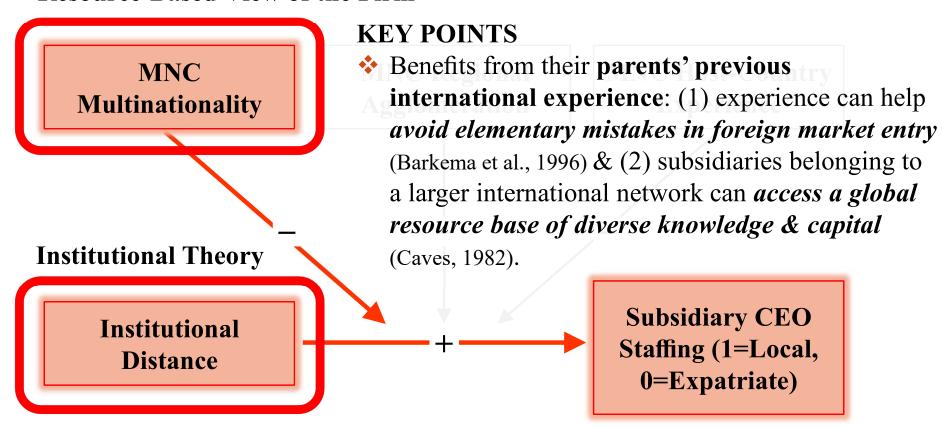






### **■** Hypotheses

#### **Resource-Based View of the Firm**







### **■** Hypotheses

#### **Resource-Based View of the Firm**

#### **KEY POINTS Expatriates** as agents of **MNC Regional** informal coordination \* Facilitates *intra-firm* **Agglomeration** within the subsidiary communication & network (Edstrom & knowledge transfer Galbraith, 1977; Harzing, 2002). (Buckley & Ghauri, 2004). **Institutional Theory Subsidiary CEO** Institutional Staffing (1=Local, Distance 0=Expatriate)

Subsidiaries leverage related experiences the MNC has earned in proximate locations.





### **■** Hypotheses

#### **KEY POINTS**

\* The longer a firm operates in a foreign country, the more opportunity it has to learn about its environment (Barkema et al., 1996), accurately evaluate consumers', competitors', & regulators' actions, & develop relational ties with local actors (Johnson, Lenartowicz, & Apud, 2006).

**Resource-Based View of the Firm** 

MNC Host-Country Experience

**Institutional Theory** 

Institutional Distance

Subsidiary CEO
Staffing (1=Local,
0=Expatriate)

As MNCs accumulate experience in a host-country environment, the need to rely on the local knowledge of local executives wanes (Bartlett & Ghoshal, 1988).





### **■** Managerial Relevance

- As MNCs seek to configure their subsidiary TMTs to fit the demands of multiple host-country environments, they are constrained by the availability of qualified talent (Tung, 2016) in high-growth emerging markets, such as Brazil, China, India, & CEE (Collings et al., 2007).
- ❖ How to allocate a limited recruitment pool across different institutional contexts? → Allocation patterns of expatriate versus local CEOs across subsidiaries are 'not one-size-fits-all'.
- ❖ Instead, they depend *on interaction between (i) institutional distance & (ii) organizational characteristics of the MNC*. While higher levels of institutional distance **alone** do **not** indicate a greater use of expatriates, expatriates are used more often by MNCs with firm-specific advantages in more institutionally distant environments.





### ■ Limitations & Suggestions for Future Research

- Focusing on a single region & industry limits the generalizability of our findings. Since this study was performed in the transitioning CEE host markets, it would be particularly valuable to have comparison with Asian communist/transitioning economies.
- The study covered the period between 2005 & 2010, which is approximately 15 years following the fall of Communism in CEE.
- The sample consisted of MNCs from more developed countries operating in comparatively less developed countries. => How about emerging-market MNCs operating in developed markets?
- Future research can extend our understanding of subsidiary staffing by also examining the interaction between institutions & culture.



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**■ Course Assessments** 

### Final Exam (50%)

Proactive & Regular Participation in Class Discussions (25%)

Individual Presentation (25%)



### The Final Exam



### **■** Important Exam Instruction

- ❖ You MUST come to the official exam venue punctually at least 15 minutes before the start of the exam.
- ❖In other words, I will **NOT** permit you to take the exam if you come late for whatever reason you may have.
- ❖ You MUST place your bags in the corner of the room (NOT on the chair);
- \*Your mobile phone (or any other communication devices)
  MUST be switched off & put inside your bag;
- ❖ You MUST return to me all the documents including (1) an exam question sheet, (2) answer sheet(s), & (3) a document for taking notes at the end of the exam session;



#### The Final Exam



### **■** Important Exam Instruction

- **❖ONLY pens** (if necessary, highlighter, whiteout, ruler etc.) & your official ID are placed on the table;
- **❖NO** Apple watch (<u>The clock will be projected on the screen</u>);
- ❖ You **MUST** take **ONLY** an assigned seat for you;
- \*You **MUST** write as <u>legibly</u>, <u>completely</u>, & <u>clearly</u> as possible;
- \*Any unethical & improper behaviors (i.e., frauds, cheating & any other malpractices etc.) will result in severe penalties;
- The quality of your exam scripts will be evaluated based on the top 10% students as an official benchmark in a fair manner; &
- Should you decide NOT to show up in my exam even if you officially signed up, please do let me know as a courtesy.





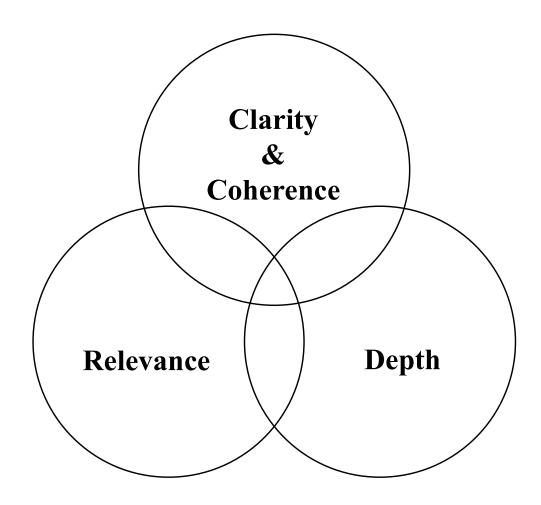
### **■ Key Points**

- 1. Demonstrate in-depth **KNOWLEDGE**!
- 2. Constructive & logical **DISCUSSIONS**!
- 3. 'NO' speculation/guess in the preparation process!
- 4. Understand the **RATIONALE** behind the context of international business!
- 5. Not "what" questions but "HOW" & "WHY" questions!
- 6. "CLEAR" writing with "NO" mistakes in spelling, grammar & vocabulary!





**■** Golden Rules







### **■** Learning Objectives of this Course

- On completion of this module, students should be able to:
  - Understand economic, social, cultural, & political factors influencing the internationalization strategy of the MNC.
  - Discuss the mechanism to organize value-creating activities within a group of subsidiaries, including how to achieve efficient knowledge flows across borders.
  - Evaluate different types of corporate & business
     strategy that help enhance the firm's competitive superiority.
  - Critically evaluate the diversity of **formal** & **informal institutions** in the international business domain & the effect of this diversity on the nature & form of international business arrangements.



# The End of Today's Lecture



ご清聴有難う御座いました。

Grazie mille!

Thank you so much!

Merci beaucoup!

Vielen Dank für Ihre Aufmerksamkeit!

### **Contact Address**

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

E-mail: norifumi.kawai@unibg.it

