

About Your Career

PROF. DR. NORIFUMI KAWAI, MPIA (Pittsburgh)

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



■ An Email from My Former Student on 25.03.2024 (Mon)

As you might recall, during our previous conversation, I mentioned a forthcoming interview with KPMG, that, unfortunately, did not work. On the other hand, this led me to a significant realization: consultancy is not the path I wish to pursue.

During the job search I faced multiple challenges and it took me many months to find the right opportunity, but i kept trying because I believe hard work always pays off in the end.

I am delighted to inform you that I have been hired for an International Talent Program by [REDACTED], a global leader in the manufacture of optical lens and sunglass cutting machines.

This is a two-year program, where I'll have the opportunity to engage in three job-rotations across Sales & Marketing, Customer Service, and Operations. Moreover, I'll have the opportunity to travel across the company's subsidiaries in China, Japan, India, USA, and Brazil.

The culmination of this program promises a permanent role tailored to my interests and the organization's requirements, potentially involving relocation abroad.

This new chapter fills me with immense enthusiasm, as it promises not only professional growth but also an invaluable exploration of diverse cultures.

I must extend my profound gratitude to you, Professor. The wisdom and insights you taught us last year have been instrumental in distinguishing me among over 130 candidates. Your dedication and passion have left an indelible mark on my educational and professional path, which I am very grateful for.

Warm regards,

Review & Quiz

PROF. DR. NORIFUMI KAWAI, MPIA (Pittsburgh)

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

Review (WEEK 2)



■ Key Points

Management contract

Management attributes

Why joint ventures?

Minority-equity stakes

Agency theory & prospect theory

Due diligence

Collaborative strategic alliances

Offshoring vs outsourcing

Different FDI theories

JV selection criteria?

Regionalization

CEO time horizon

Cross shareholding



■ 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. **JVs** 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”. ✗

Antecedents of Firm Diversification

PROF. DR. NORIFUMI KAWAI, MPIA (Pittsburgh)

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

Antecedents of Firm Diversification



■ Boustanifar, Zajac & Zilja (2021).

❖ Questions

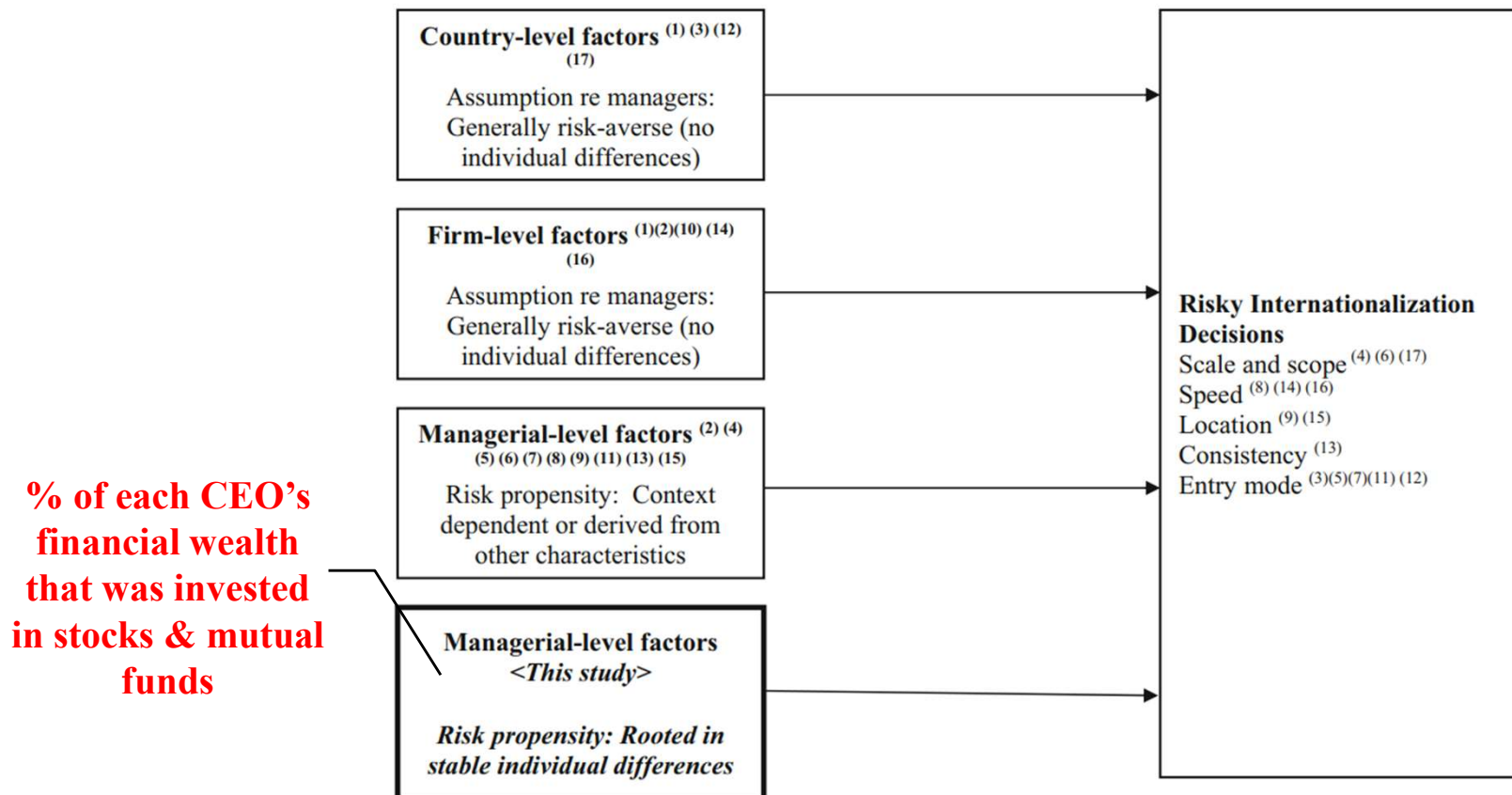
1. Why do these authors focus on **CEOs & their risk propensity**?
2. What is the **main contribution** of this article? What is the **uniqueness** of this article?
3. Explain the **underlying logic** behind the association between **CEO risk propensity & firm internationalization**.
4. Discuss **why** 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).

Antecedents of Firm Diversification



■ 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.**

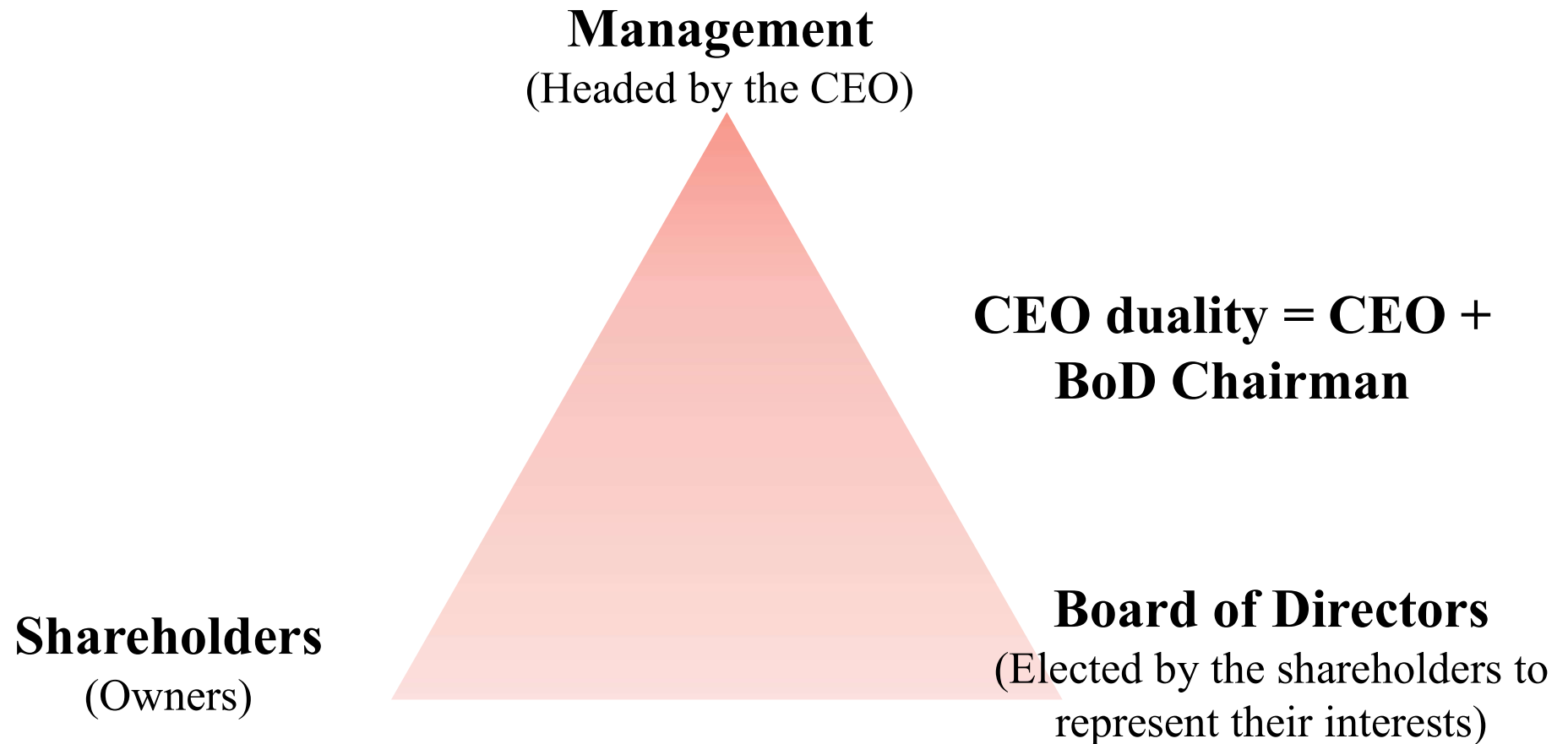
❖ Personal Bases of Power

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

Antecedents of Firm Diversification



■ What is CEO Duality?





■ 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.**

Consequences of Firm Diversification

PROF. DR. NORIFUMI KAWAI, MPIA (Pittsburgh)

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

Consequences of Firm Diversification



■ Opening Questions

Does Internationalization Enhance/Harm Firm Performance?

Any Specific Examples/Stories in Reality?

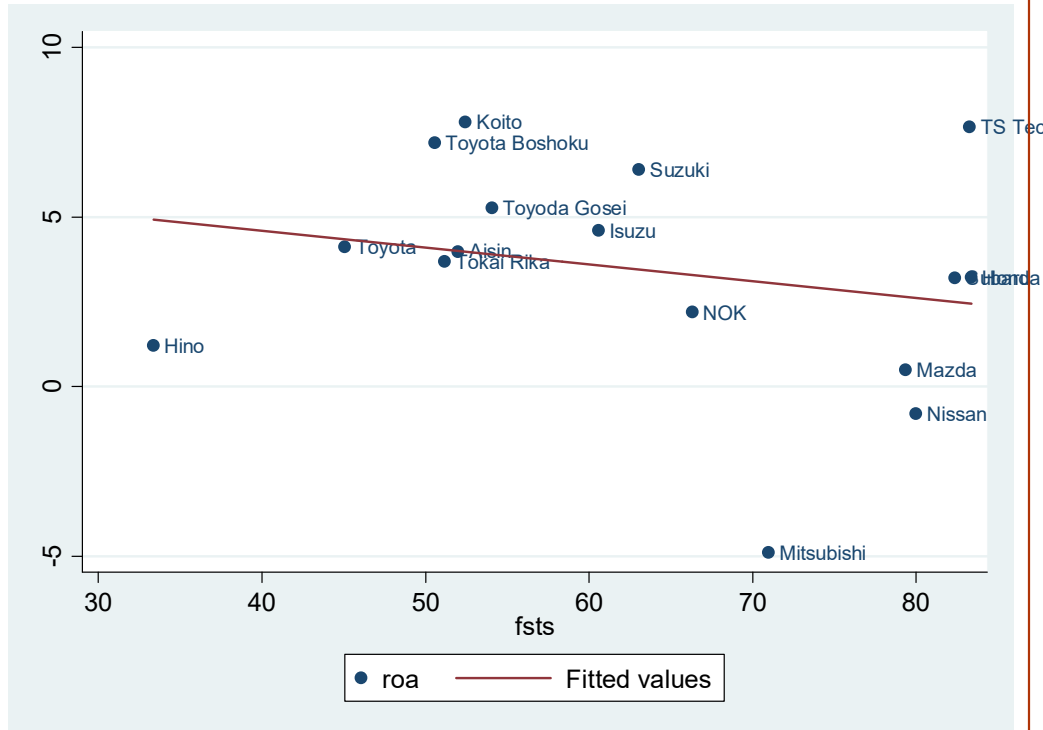
Why? How?

Consequences of Firm Diversification

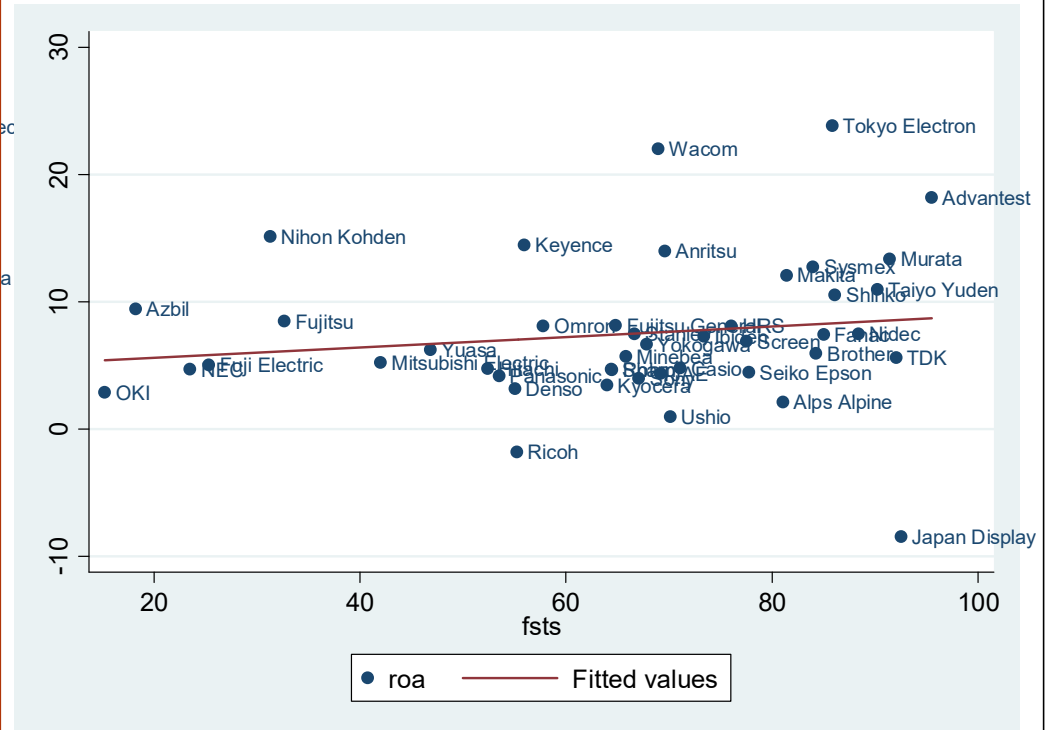


Opening Questions

Automobile Industry (2021)



Electronics Industry (2021)



Not Statistically Significant !

Source: Own illustration.

Not Statistically Significant !

Consequences of Firm Diversification



■ Hsu, Chen & Cheng (2013).

❖ Questions

1. Discuss the **core argument** of this scholarly investigation & clarify what **research gap** the authors try to fill.
2. What is the relationship between the **upper echelon perspective** & the **information processing theory**?
3. Explain why a **CEO** who is (1) **younger**, (2) **more highly educated**, & (3) **more internationally experienced** is important in **enhancing the positive impact of international dispersion** on firm performance (*i.e.*, **return on asset**).
4. Elaborate on the mechanism that the **interaction of internationalization with CEO duality** is significantly **negative**.
5. Discuss the **managerial relevance** of this paper.

Consequences of Firm Diversification

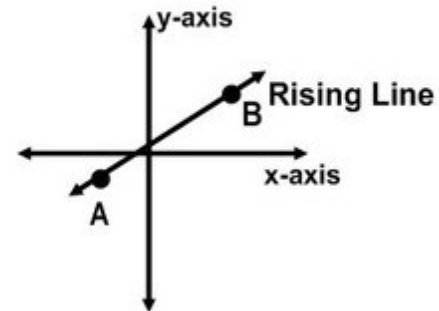


■ Hsu, Chen & Cheng (2013).

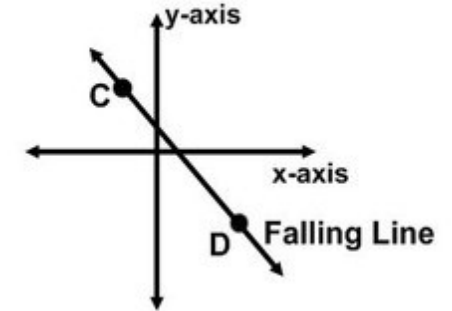
❖ Positive?

1. Learning effects;
2. Market power;
3. Scale & scope economies;
4. Opportunities for growth & value creation; &
5. Increased access to resources (*e.g.*, new knowledge).

POSITIVE SLOPE



NEGATIVE SLOPE



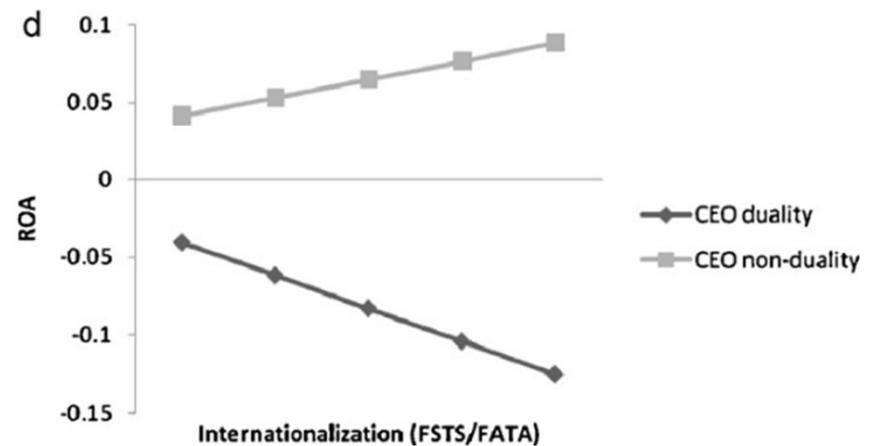
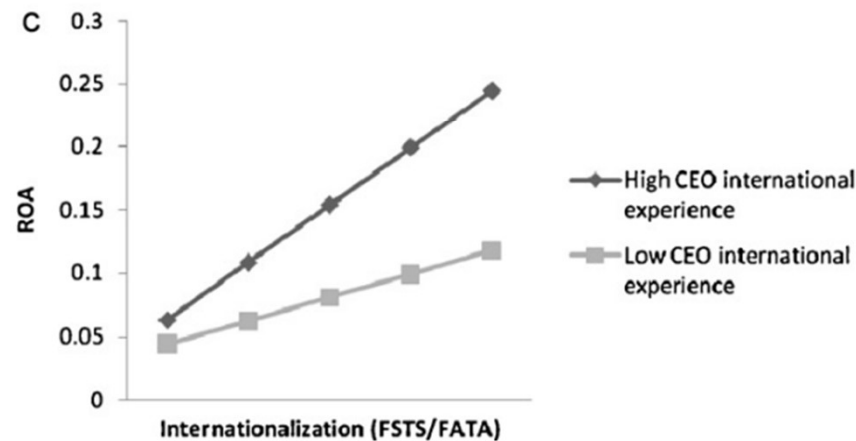
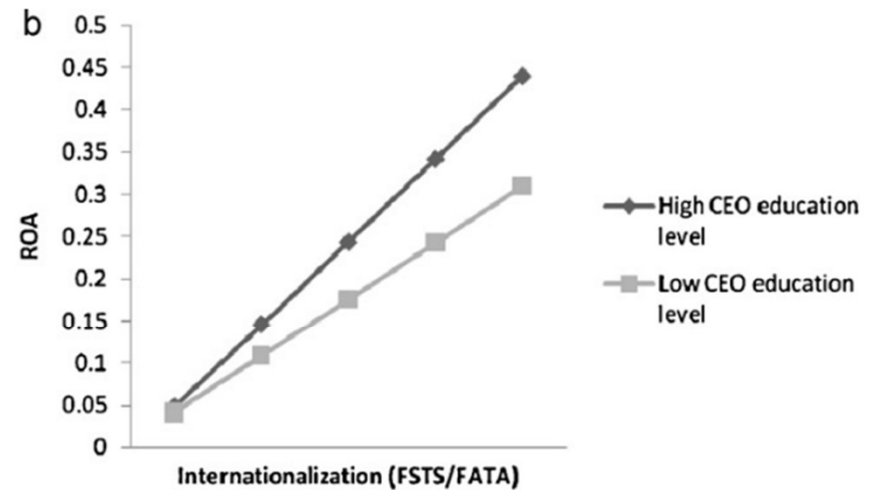
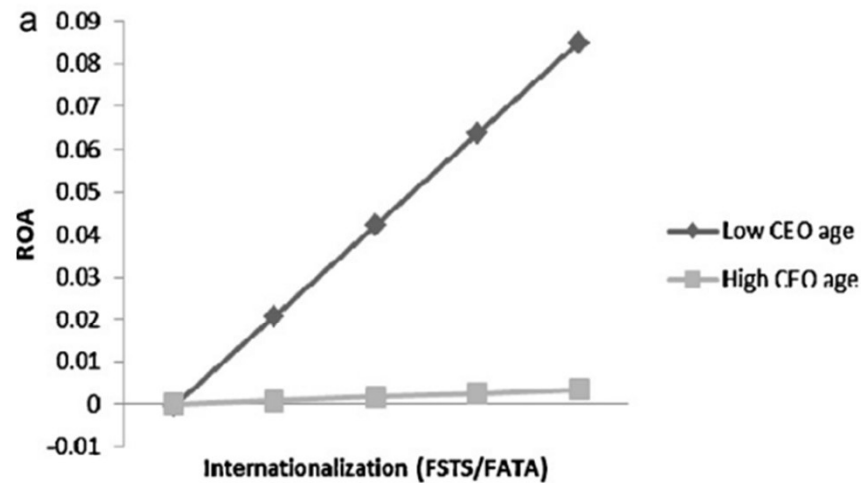
❖ Negative, Inverse U-Shaped, or S-Shaped?

1. Increased costs of coordination/governance among diverse operating units;
2. High information processing demands;
3. Communication problems derived from cultural diversity;
4. Managerial overcapacity; &
5. High levels of complexity of an unrelated strategy.

Consequences of Firm Diversification



■ Hsu, Chen & Cheng (2013).



Source: Hsu et al. (2013: 9).

Consequences of Firm Diversification



■ Vermeulen & Barkema (2002).

❖ Questions

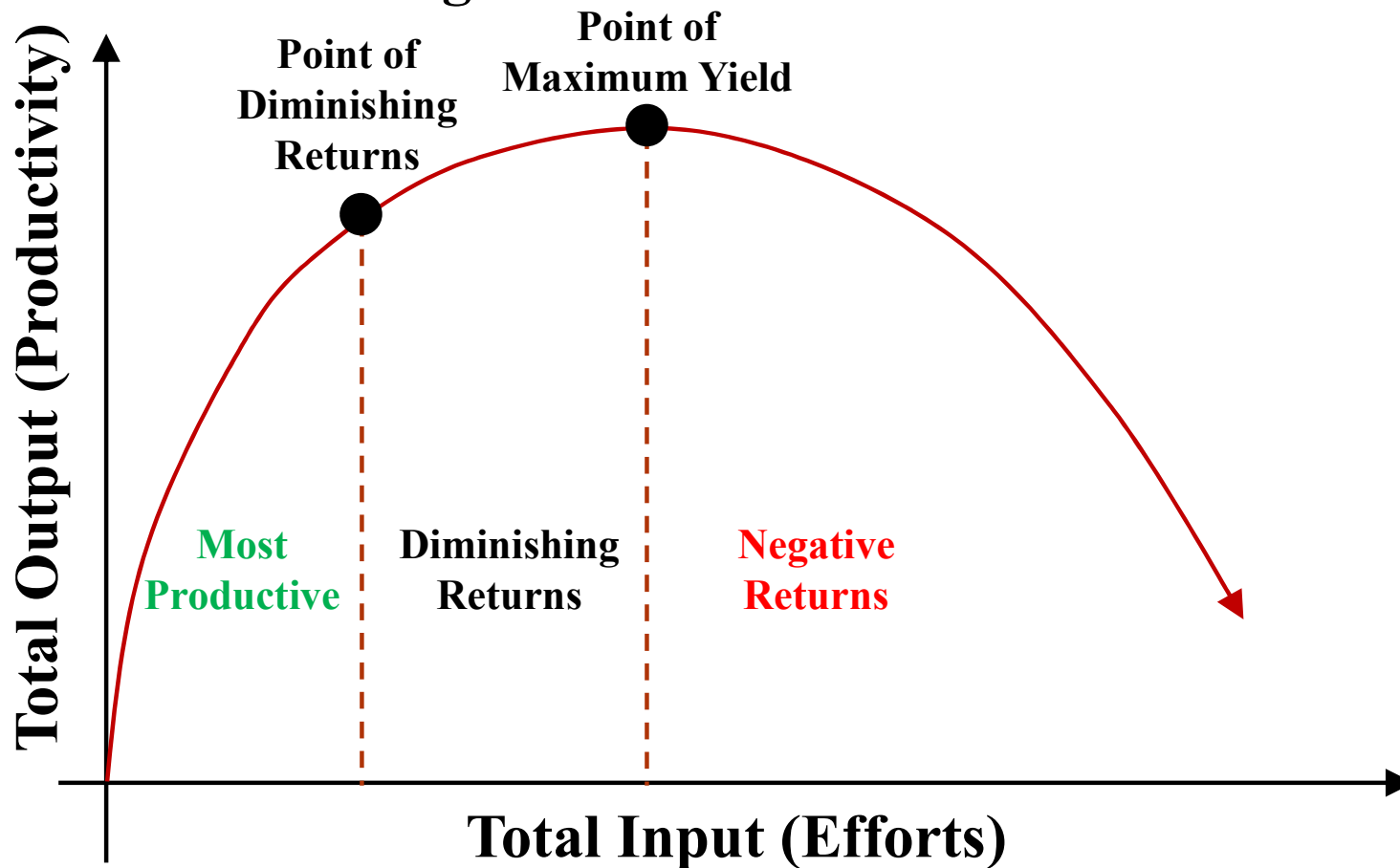
1. What is the **uniqueness/originality/novelty** of this study?
2. What **benefits** can be reaped through **diversifying into a variety of counties**?
3. Clarify the rationale why the **pace, scope, & rhythm** of the internationalization process **negatively** influence the profitability of a MNC's international expansion in an extension of the notion of **time compression economies**.
4. Provide the **core take-home message** that can be drawn from the empirical evidence of this study in practical terms.
5. Do you **feel convinced of their research**? If yes, why? If not, why not?

Consequences of Firm Diversification



■ Vermeulen & Barkema (2002).

❖ Law of Diminishing Returns

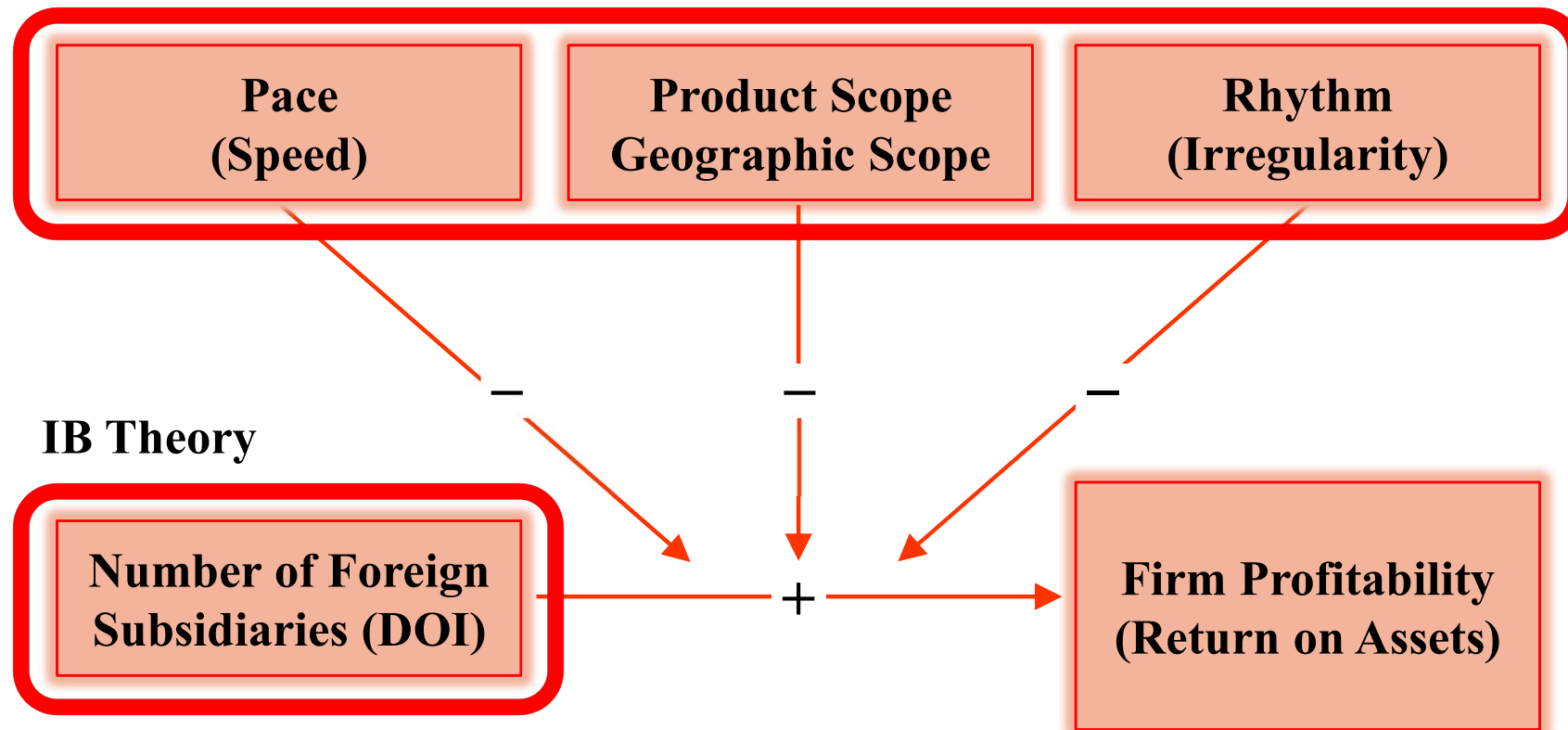


Consequences of Firm Diversification



■ Vermeulen & Barkema (2002).

Diseconomies of Time Compression



Consequences of Firm Diversification

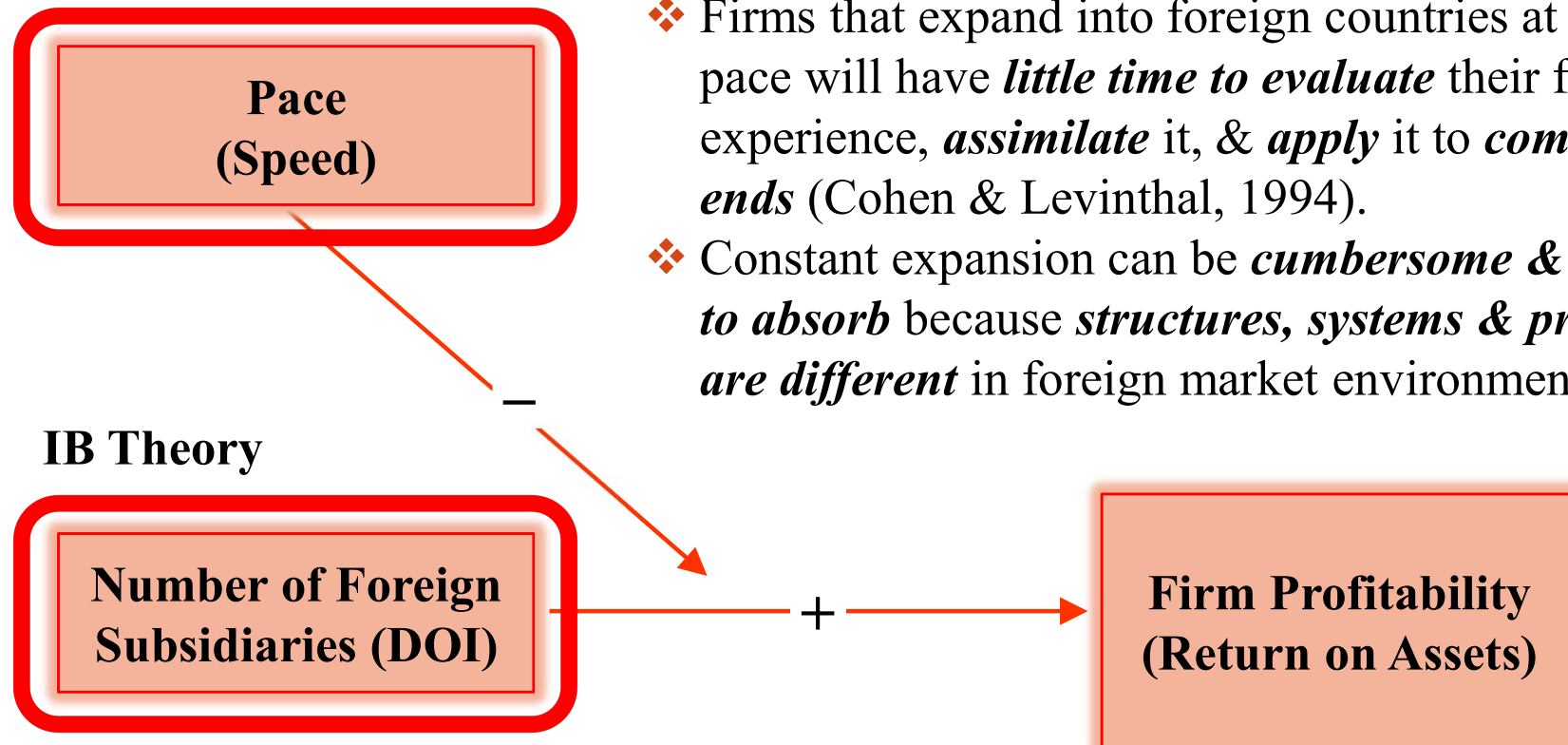


■ Vermeulen & Barkema (2002).

Diseconomies of Time Compression

KEY POINTS

- ❖ Firms that expand into foreign countries at a high pace will have *little time to evaluate* their foreign experience, *assimilate* it, & *apply* it to *commercial ends* (Cohen & Levinthal, 1994).
- ❖ Constant expansion can be *cumbersome & difficult to absorb* because *structures, systems & processes are different* in foreign market environments.



IB Theory

Consequences of Firm Diversification

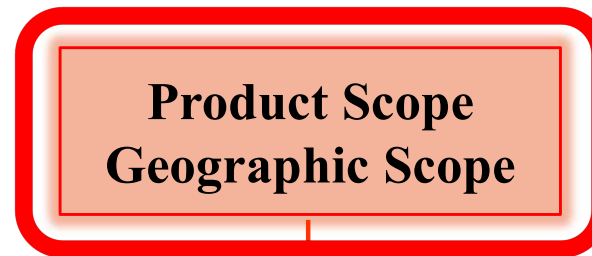


■ Vermeulen & Barkema (2002).

KEY POINTS

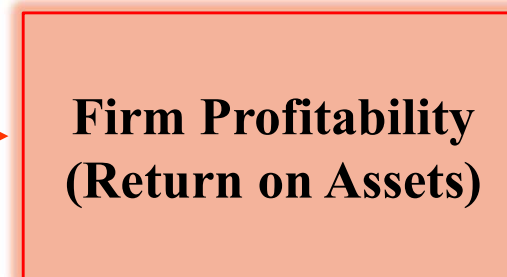
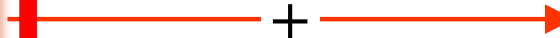
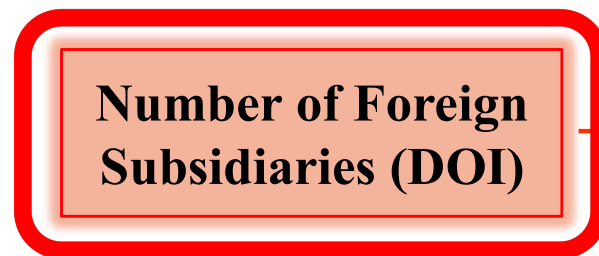
Diseconomies of Time Compression

❖ The simultaneous jump into new businesses makes it more likely that the firm is *unable to fully absorb* the excess of new signals & experiences.



❖ It takes *considerable time & attention* to (1) adapt to new customers, (2) cultivate ties with new suppliers, (3) recognize competitors' behaviors, & (4) build new systems & structures.

IB Theory



❖ *Causal ambiguity & information overload* make a firm *difficult to digest*.

Consequences of Firm Diversification

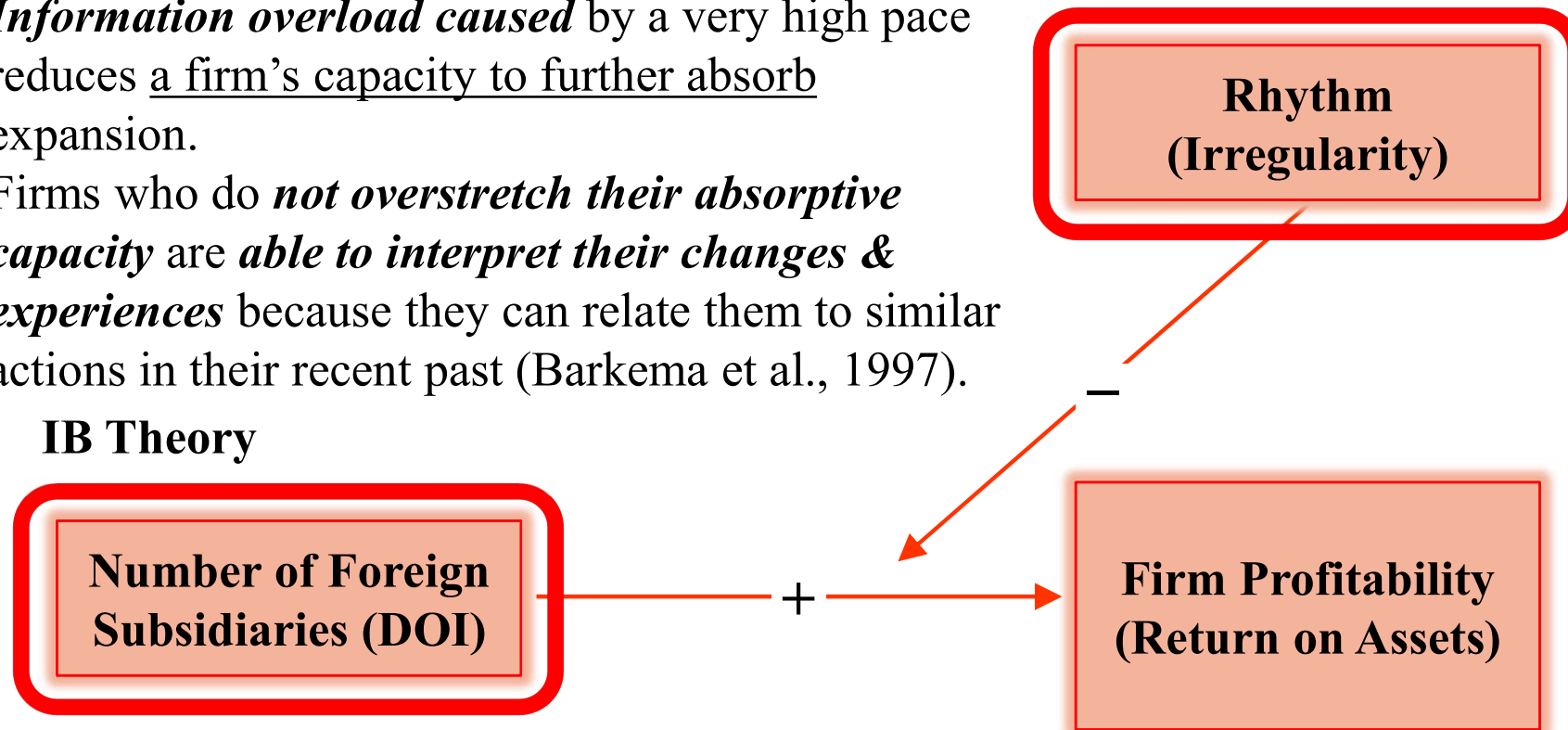


■ Vermeulen & Barkema (2002).

KEY POINTS

- ❖ *Information overload caused* by a very high pace reduces a firm's capacity to further absorb expansion.
- ❖ Firms who do *not overstretch their absorptive capacity* are *able to interpret their changes & experiences* because they can relate them to similar actions in their recent past (Barkema et al., 1997).

Diseconomies of Time Compression



IB Theory

- ❖ *Periods of inactivity* → a firm's *absorptive capacity* (↓) (Cohen & Levinthal, 1990).

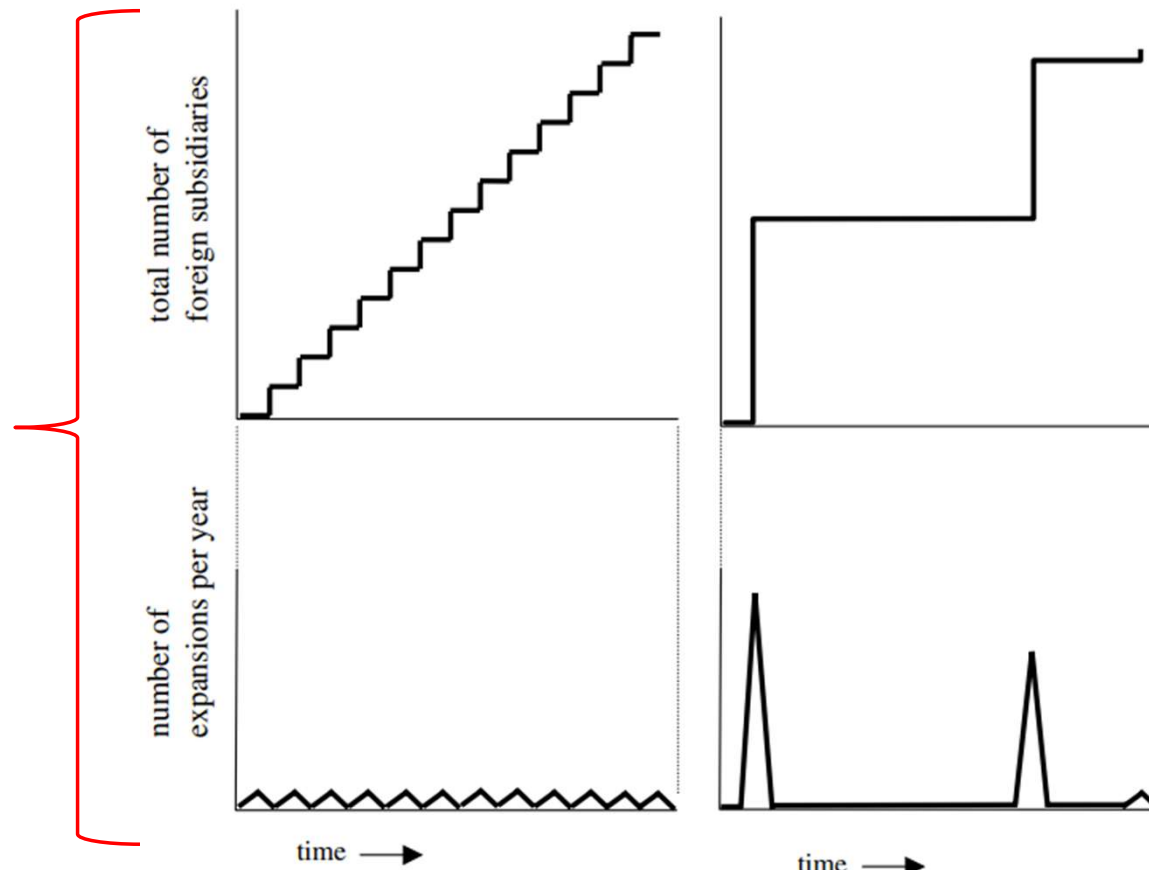
Consequences of Firm Diversification



■ Vermeulen & Barkema (2002).

❖ Rhythmic & Irregular Expansion Patterns

Firm A



Firm B

Source: Vermeulen & Barkema (2002: 642).

Consequences of Firm Diversification



■ Vermeulen & Barkema (2002).

❖ Crucial Implications

- ‘*Diseconomies of time compression*’ exist because the capacity of a firm to absorb expansion is constrained, owing to *bounded rationality, cognitive limitations, & structural inertia*.
- *Adding complexity in one dimension* by increasing the pace of the internationalization process implies that a firm *needs to restrict complexity in other dimensions* by limiting the number of novel countries or businesses entered during the expansion.
- Firms wishing to be global have to achieve *a path of balanced growth*.
- There are *constraints* on *how much expansion* a firm can *digest* = *A regular expansion pattern* helps to build *a profitable MNC* while avoiding any uncontrolled herd behavior.



■ Reading Assignments for 04.03.2025 (Tuesday)

❖ Determinants of Superior Foreign Subsidiary Performance

- **Delios, A., & Beamish, P. W.** (2001). “Survival & Profitability: The Roles of Experience and Intangible Assets in Foreign Subsidiary Performance.”, *Academy of Management Journal*, 44(5), 1028-1038.
- **Isobe, T., Makino, S., & Montgomery, D. B.** (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.

▶ Discover one MNC subsidiary & detect why it succeeded or failed.

▶ You wish to pitch your chosen case using a one-page PPT (< 2 min)?

About Your Career

PROF. DR. NORIFUMI KAWAI, MPIA (Pittsburgh)

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

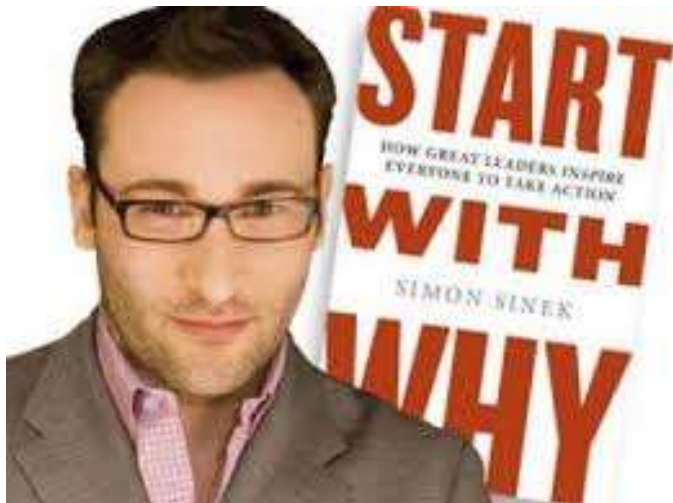
About Your Career



■ Start with “Why” !

WHO

Simon O. Sinek (born October 9, 1973) is an author best known for popularizing the concept of "the golden circle" & to “Start With Why”.



EARLY LIFE

Sinek was born in Wimbledon, England; at a young age he moved to Johannesburg, South Africa, then to London, then to Hong Kong, before settling in New Jersey. He earned a BA degree in cultural anthropology from **Brandeis University**; he attended **City University in London**.

About Your Career



■ Start with “Why” !

https://www.youtube.com/watch?v=u4ZoJKF_VuA

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