



The **5<sup>th</sup> edition of the Medici Summer School in Management Studies for doctoral students and young researchers** was held in **Florence, June 9-14, 2013**. The school is organized and sponsored by Alma GS (University of Bologna), HEC Paris (Society and Organizations Research Center and the HEC Foundation), and Stern School of Business (New York University).

[Internationalization-Strategies-Old-Questions-New-Contexts](#)

## **Internationalization Strategies: Old Questions, New Contexts**

The Medici Summer School is designed to promote doctoral education and research in management studies and contribute to the development of enlightened practice in the management of business organizations. The Medici Summer School advocates a special focus on cross-fertilizing research across US and Europe traditions.



The focus of the 2013 edition of the Medici Summer School, that took place in Florence between June 9th and June 14th, was on Internationalization Strategies. The school welcomed 25 doctoral students from European, North American and Middle Eastern universities (e.g. HEC, Bologna, CBS, Aalto, Manchester, ESADE, Wharton, Illinois, Ivey, Hebrew, etc).

The program included discussions on the current state of research on internationalization and the advantages it may accrue to firms. It also covered the directions for future research related not only to new phenomena, but also new settings and theoretical frameworks useful to understand internationalization.

Keeping on with the School's tradition of analyzing managerial phenomena from different levels of analysis, internationalization was looked upon first from the firm perspective, then from the organizational network perspective, and finally with a discussion on the increasingly prominent role context, comprising civil society and governments, plays in shaping firms' decisions.

The sessions were held by five prominent scholars in Strategy and International Management: Stephen Tallman, Torben Pedersen, Xavier Martin, Tatiana Kostova and Sinziana Dorobantu.

In each session, the time was allocated between presentations by one of the professors, dealing with a specific aspect of internationalization research, group discussions and activities, and presentations of the research undertaken by some of the students.

Common issues raised all through the week were related to the need for stronger theoretical development in research on internationalization, including the use of the most updated developments in theories borrowed from other fields, such as economics, sociology and political science.

## **Day 1- Stephen Tallman – *Old questions, new contexts: Drivers and consequences of internationalization***

### **E. Claiborne Robins Distinguished Professor in Business, University of Richmond**

Professor Tallman's presentation was divided in three parts. The first one focused on describing traditional theories on firms' internationalization, with a special focus on those rooted in economics. The first models were strongly influenced by Industrial Organization Economics, deriving hypotheses on the process and motivations of firms' international expansion from a preliminary understanding of the conditions of the industry. **International expansion would therefore be motivated by the intention to guarantee continuous growth and to prevent competitors from gaining new markets.**

A second prominent theory, the Internalization Theory, was introduced in the field by a group of trade economists, such as Jean-François Hennart, Peter Buckley and Alan Rugman. First proposed by Buckley and Casson, in their 1976 book, this theory analyzes firms' internationalization at the transaction level, through the decisions between internalization and market transactions. Internalization would be chosen in cases of inefficient international markets. An important hypothesis of this theory, which has received support from tens of empirical studies, is that internalization is often more efficient for firms that possess specific, particularly intangible, assets that can be used abroad.

**The Internalization theory is one of the main theoretical contributions among the economic perspectives on internationalization.** Its arguments are highly similar to those of transaction cost economics, although the two theories have developed independently from each other. Internalization is also related to the prominent OLI (Ownership, Location, Internalization) model, or Eclectic Paradigm, introduced by John Dunning. This latter model, however, does not assume the existence of advantages of ownership of specific assets and location.

Finally, professor Tallman discussed the idea that Ownership advantages could be understood from a Resource-Based point of view, providing an interesting link between strategy and international management literatures. With this understanding, one could say that **a great proportion of the studies in internationalization, when it comes to those with an economic nature, have used either transaction costs economics or resource based view (or both) as their main theoretical underpinnings.**

This understanding provided the link to the second part of the presentation, which focused on the relationship between the level of multinationality of a firm and its performance, the MP Theory. According to Professor Tallman's presentation and to the readings assigned, this literature, despite the many years in which it has been part of the main interest of scholars in international business, has **not yet achieved a consensus on whether the relationship between M and P is positive, negative, linear, curvilinear or even inexistent.** The debate is not only theoretical, with claims being raised on both advantages and disadvantages of multinationality, as well as for the lack of economic reasons for a relationship between M and P to exist at all, but also related to empirics. Many studies have theorized on this relationship but then tested hypotheses by using measures that capture the theoretical constructs of multinationality and performance in a very limited way, or only for specific types of firms.

In the third part of the session, in the afternoon, the students were invited to develop, in groups, their own theoretical "platforms" to explain why firms become multinationalized and how it should influence performance. Many interesting ideas were advanced and presented.

Finally, at the end of the day Ohad Ref, from the Hebrew University in Jerusalem, made a presentation about his research on the MP curve. He argues that this curve is likely to exist in more than one shape. The determination of the correct shape will depend, according to his arguments, on the level of distance of home and potential host countries.

## Day 2- Torben Pedersen - Organizing International firms: Going inside the MNC

**Professor of Business Administration, Department of Strategic Management & Globalization, Copenhagen Business School**

On the second day of the seminar, Professor Pedersen provided the students with an overview of the extant research on multinational companies (MNCs) and on the future opportunities for young scholars willing to understand these complex “animals”. He started by discussing the reasons why there is no unified theory of the MNCs’ behavior. According to Professor Pedersen, this may be related to the fact that **MNCs are multifaceted and have been studied by scholars from different fields and with different aims**. Depending on whether the analyst focuses on the dominant MNC, the coordinating MNC, the networking MNC, the politicizing MNE, etc, different theories will be used and different concerns will be addressed.

Following this assessment on the state of the literature, professor Pedersen walked the students through the many typologies of MNCs that have been introduced during the last decades since these organization started to call the attention of management scholars. A breakthrough in the theories can be identified **in the 1980s, when Doz, Bartlett and Prahalad first introduced the idea of Global Integration and Local Responsiveness to the studies of MNCs**.

Recent developments in the area of MNCs, as identified by Professor Pedersen, deal with topics such as: subsidiary roles and strategies; institutions and power issues; the processes of changing the organization; and firms as not only “victims” of their environments, but also able to obtain competitive advantage through their organization to benefit from the environment (offshoring and outsourcing, for example).

This presentation was followed by a group activity in which the students were asked to analyze what was the role of the subsidiary in each of the articles assigned for the session. Additionally, the theoretical underpinnings for that role should be identified. After the discussions, Professor Pedersen presented an **interesting case of the changes undertaken over time by Lego, a prominent Danish MNC in the toy industry**.

The second part of the day was dedicated to a presentation about “Publishing in top-journals” by Professors Tallman and Pedersen. They focused on the idea that **publishing is about entering a conversation, so that the writer should make sure to be aware of what is going on in that conversation and make a contribution**. This contribution can originate from a theoretical or empirical puzzle, but should be in any case insightful and relevant. Another important point is to know what the specific journal is about. JIBS, for instance, desk-rejects 70% of the submitted papers, many because they simply do not correspond to the journal’s purpose of publishing studies on international aspects of business. Many other issues were discussed in a very warm conversation with the students.

The day ended with a presentation by Nick Fairclough, from the University of Alberta, on his doctoral research. Nick is interested in understanding how scarcity and temporality of potential partners in a network influence alliance and merger activity in the accounting industry. He uses qualitative methods, based on an historical analysis of the largest firms in the field, to address his research question.

## Day 3 – Xavier Martin - Interfirm relations and international expansion: Managing partner relations

Professor of Strategy, International Business and Innovation, Tilburg University

During the third day, Professor Martin focused on discussing strategies that young scholars could use to raise the International Business stature in the context of management research in general.

To do so, Professor Martin started by emphasizing that his presentation would deal with foreign direct investments (FDI) and not necessarily with MNCs. He claimed that this is an important clarification and could be useful to **solve two important scientific considerations in the research on MNCs: endogeneity and process mechanisms.**

Professor Martin first presented two important classical theories on FDI and inspired by their insights, he guided the students in developing a research agenda. The first one is Caves' analysis on the economic foundations of MNEs. This author, after a thorough review of the empirical literature, concludes that **FDI is used by firms as a means to capture value from their intangible assets (proprietary assets).** He identifies three kinds of MNEs: horizontal, vertical and diversified. This typology is simpler than those presented by Professor Pedersen in his presentation, because they are mainly based on economic logics of the multinationalization.

The second classical perspective analyzed in the session is Aharoni's. This author, a classmate of Caves, has introduced in his 1966 book, the idea of internationalization as the result of a series of managerial decisions, starting from the decision to "look abroad". Based on his field research, he concludes that the decision to invest abroad is a result of a "chain of events" triggered by a combination of motivating and auxiliary forces. Differently from Caves, **the motivations of FDI would be strongly influenced by psychological commitment (path dependence) and behavioral decision under uncertainty (problematic search).**

After discussing these two classical works, the students were asked to compare them, focusing on identifying potential research agendas. The conclusion was that Caves' ideas have been studied by a rich literature, whereas Aharoni's have not. Part of the reason might be related to broad nature of Aharoni's ideas.

Professor Martin made the point that a possible way, particularly for Ph.D. students, to address this lack of empirical support for Aharoni's propositions would be to focus on just a few of them at a time. An example would be Professor Martin's own work on how current and potential buyers, rival and non-competing suppliers influence a firm's international expansion decisions.

Other research projects published and under elaboration by Professor Martin were also presented. These projects provided the students good inspiration to aim at finding innovative research ideas.

In the afternoon, the **students were required to gather in groups and identify non-obvious theoretical and methodological approaches to address their own research ideas.** Many theories were argued to be useful to understand internationalization, such as institutional theory, social movements' theory, regulatory capture theory, attention-based view, among others.

Finally, the day was ended with two students' presentations. The first one, by Yingdan Cai, from the University of Gronigen, was concerned with M&A activities by emerging country firms, particularly

Brazilian firms, and how they are influenced by cultural distance. The second presentation, by Kinde Wubneh, from Wharton School of the University of Pennsylvania, analyzed the effects of market concentration and political power on teledensity at the country level. Kinde argued and showed empirically the existence of super-additive effect of these two factors.

#### **Day 4 – Tatiana Kostova – Contextual embeddedness of MNCs: Dealing with cultural and institutional differences**

Buck Mickel Chair and Professor of International Business, Moore School of Business, University of South Carolina

In the fourth day of the Summer School, the students started to be exposed to research in internationalization for which the context is crucial, that expands the analysis by going outside of the firm. Professor Kostova started her presentation talking about contextual embeddedness, a concept with many different meanings, but which could be understood as the characterization of economic activities as embedded in wider social structures.

Professor Kostova argued that **in international management, contextual embeddedness is not only an additional variable, but a crucial variable, that changes everything else.** She presented numerous sources of embeddedness, from national institutional environments to corporation level structures, such as family and state-owned firms. She also digressed on the mechanisms through which embeddedness may influence firms' behavior, which may include cognitive, structural, cultural and political factors.

Following this discussion on context, Professor Kostova started to lecture on the research about distance in the IB literature. Her exposition started by a discussion on why distance is such a popular issue in that literature. This would be so because **the very identity of the field of IB, the core of the MNC, is about the challenges and opportunities of doing business in dissimilar contexts.** In addition, the variable distance has a relevant explanatory power, capturing empirically firms' contextual embeddedness.

After this presentation, the students discussed in groups and based on the assigned readings, the evolution of the concept of distance. They concluded that over the last decades, this concept evolved, now encompassing several dimensions, modes of measurement and even levels of analysis. However, many theoretical and empirical issues remain to be addressed or further explored by future research.

Professor Kostova argued that the way to move forward with this research would require better use of theory. **Researchers should carefully choose and justify theoretically the choice of the type of distance used in their research. They should focus on the mechanisms that explain the link between distance and other constructs.** Professor Kostova also provided some guidelines on how context should be used in management research. She mentioned the study of phenomena that are highlighted by certain contexts, the validation of existing theory by exploring contextual heterogeneity and even developing new theoretical ideas specific to certain contexts.

In the afternoon, the students developed some research ideas in which context, and distance particularly, would be relevant. The ideas dealt with diverse contexts and theoretical perspectives, including the internationalization of Middle-Eastern firms, the impact of institutional distance on the

adoption of sales practices across subsidiaries of an MNC, and the conceptualization of multinationality and local legitimacy as substitutes to each other.

Finally, by the end of the day, three presentations of students' research were given. The first one, by Anne Jacqueminet, from HEC Paris, was concerned with how CSR practices are implemented within an MNC, by looking at the interplay between competition and receptivity to institutional demands. The second one, by Daniela Bolzani, from the University of Bologna, was about the role of personal values on the motivation of entrepreneurs to internationalize. Finally, the third one, by Aytug Sozuer, from Yalova University, was about the antecedents of relationship quality in international buyer-supplier exchanges.

## **Day 5 – Sinziana Dorobantu – Unpacking the context: The interplay between MNCs and societal stakeholders**

Assistant Professor of Management and Organizations, Stern School of Business, New York University

The fifth day of the Summer School was dedicated to understanding how MNCs (or even local firms) interact with external stakeholders. Professor Dorobantu started by introducing a **Three Sector Model, comprising Business (MNC), in one side, and Government and Society on the other side**. Although relationships may exist between the three actors, the presentation was only concerned with those that included business, either as the origin or the target of the influence.

The first set of studies is concerned with how governments influence business, and is mostly studied by Political Economy. Concerning MNCs, these studies were hugely influenced by **Vernon's analysis of why MNCs are met with resentment in host countries and the Obsolescing Bargaining Model**. This area of research is also concerned with how Political Risk influences international investment decisions and performance.

The second set of studies presented by Professor Dorobantu, deals with **how business influences governments, the so-called Political Strategies**. She mentioned literatures in both economics, i.e. non-market strategies, as well as in management, i.e. corporate political activities. A big issue in this research is the fact that scholars in the most varied fields do not talk to each other, which might be preventing the area from developing and reaching a homogeneous identity.

The third set of studies is about how society influences business, that is, Social Pressures. Professor Dorobantu illustrated this research through the analysis of King and Soule's paper on social movements. This research is mainly concerned with **how social pressures influence firms' strategy and performance** and is full of unaddressed research questions.

Finally, the fourth set of studies is related to business influences on society, what is called **Stakeholder Engagement. This research tries to understand how firms engage stakeholders of many types in their businesses and whether or not this engagement impacts performance**. This is a very recent area of research and is also a rich source of research questions for future scholars.

This categorization does not imply that there are no studies dealing with more than one relationship at a time, but simply is a way to organize this literature.

Professor Dorobantu ended her session by presenting a working paper of which she is a co-author. The paper is about the financial returns of stakeholders' engagement in the gold mining industry. In addition to the theoretical value of looking at an understudied topic of research, this paper is also rich in its empirical part, using a dataset that required intense work and dedication to build. The authors conclude that **stakeholder cooperation creates market value**.

Finally, this session ended with a wrap-up of the whole school. Some students shared their learning and networking gains of the week and congratulated the organization of the Summer School for such an amazing program. Professor Tallman emphasized that one point to keep in mind is that what distinguishes international management from simple management is the context, highlighting the importance of the last two days of the school. Professor Martin also in this line expressed his thrill to realize that the new generation of scholars will be probably much more involved in understanding the impact of institutions and stakeholders on business.

