



## EDITORIAL

# Letter from the Editor-in-Chief

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Volume 39, issue 5 consists of eight regular and one Perspectives article; all the manuscripts were accepted for publication by former *JIBS* Editor-in-Chief Arie Lewin. The first four articles are cross-country comparisons of human resource (HR) practices; three of four focus on gender issues, a much understudied area by international business scholars. The next article explores cross-country differences in the impacts of television viewing and comparative advertising on consumers. Articles on competitive interactions among automotive MNEs, the roles of trust and commitment in export performance, and innovation in MNE subsidiaries follow. The issue concludes with a Perspectives piece arguing for an institutional approach to emerging markets.

Opponents of MNEs and globalization often cite the “pollution haven” argument whereby MNEs migrate to countries with lower regulatory standards. However, “Overt Employment Discrimination in MNC Affiliates: Home-Country Cultural and Institutional Effects,” by Wu, Lawler and Yi, shows that the reverse is actually the case, at least for anti-discriminatory HR practices. The authors explore the effects of home-country cultures and institutions on employment gender and age discriminatory criteria in host countries that do not have anti-discrimination legislation. Using job announcements posted by MNE subsidiaries in Taiwan and Thailand between 1993 and 1999, the authors show that both home-country culture and institutional characteristics have strong impacts on discriminatory criteria used by MNEs in host countries that lack such legal protection. MNEs from countries with existing and effective age and gender discrimination laws, and with more individualist and less masculine cultures, are less likely to engage in overt gender-based and age-based discrimination in host countries. Thus, MNEs carry their home-based anti-discriminatory practices with them into less regulated countries, raising – not lowering – these standards in host countries, and thus contributing to higher – not lower – standards worldwide.

“Managers’ Gender Role Attitudes: A Country Institutional Profile Approach,” by Parboteeah, Hoegl and Cullen, uses the country institutional profile approach (Kostova, 1999) to investigate how cognitive, normative and regulatory institutions affect traditional gender attitudes of managers. The authors explore the three pillars and develop hypotheses for their likely impacts on managers’ gender attitudes. A detailed, useful discussion of the two-level HLM analysis used to link individual-level data from the 1995–1997 World Values Survey with country-level institutional data follows. The authors find that managers’ traditional gender attitudes are positively related to uncertainty avoidance and power

distance, and negatively related to normative institutions that are gender neutral, degree of regulation and educational development. No relationship was found with religiosity, assertiveness or masculinity. The authors conclude that MNE managers should use country institutional profiles to help understand and cope with traditional gender roles in host countries.

Little research has been done on the impact of globalization on local employee career perceptions. "Perceived Career Opportunities from Globalization: Globalization Capabilities and Attitudes Towards Women in Iran and the US," by Newbury, Belkin and Ansari, uses an employee–organization theoretical lens to explore how (1) firms' globalization capabilities and (2) firms' attitudes towards women employees affect employee assessments as to whether globalization benefits or harms their careers. The authors argue that individual perceptions of globalization-related career opportunities should represent a fit between employee and firm values and capabilities. Two samples of 96 Iranian and 210 US employees are used to test the authors' hypotheses. The authors find that individual and firm capabilities are distinct in the two samples, with individual capabilities being more important than firm capabilities in influencing employee fit in terms of individual career growth perceptions. Attitudes towards women at work do differ, however, being negative in Iran and gender neutral in the United States. The authors recommend that companies develop policies to encourage more global mindsets on cultural differences and gender issues.

In their article "Top Executive Pay and Firm Performance in China," Buck, Liu and Skovoroda explore the sensitivity of executive pay to share price performance in China, with international comparisons. The authors argue that Western pay/performance studies have concentrated on shareholders' efforts to reduce agency problems by better aligning the rewards of executives with their own. In the Anglo-American governance tradition, *reward* means pay is based on performance and *motivation* implies pay leads future performance. However, once one moves outside that model to countries with different cultures and institutions, these relationships may not hold. Motivational effects and possible by-directional pay/performance causation must be considered as the institutional environment changes. Executive pay and board composition data for 601 publicly listed Chinese firms, together with four financial

performance measures, were used to test whether Chinese pay/performance elasticities differed from those elsewhere. The authors find that the reward pay/performance elasticity is almost identical to findings for US and UK firms. However, the motivational pay/performance elasticity is significantly below Western levels, suggesting that cash executive pay may not be the most effective method for improving firm performance in transition economies.

Nye, Roth and Shimp, in their article "Comparative Advertising in Markets Where Brands and Comparative Advertising Are Novel," examine cross-country differences in comparative advertising; that is, the advertisement of products where firms directly or indirectly incorporate comparisons to competitor firms and products. The authors expect consumers to be skeptical of novel information so that lack of experience with comparative advertising should negatively affect consumers when they first view comparative advertisements. The content and format of the message, together with the novelty of the brand itself, should also affect consumer attitudes. Looking at consumer attitudes towards yogurt in France, the Netherlands and the United States, the authors find that when comparative advertising is new, positive brand attitudes are highest with factual message contents delivered through direct comparisons. The authors conclude that differences in advertising practices across countries still exist, creating difficulties for firms with globally standardized advertising programs.

In their article "Competitive Interactions: The International Investment Patterns of Japanese Automobile Manufacturers," Rose and Ito analyze the timing of entry, foreign location patterns and competitive interactions of the five largest Japanese automotive manufacturers (Toyota, Nissan, Honda, Mitsubishi and Mazda) between 1957 and 1993. The authors are particularly interested in bandwagon effects. Their results show that Japanese auto MNEs selectively bandwagon, preferring to avoid markets where Japanese incumbents are already located. The authors conclude that "oligopolists do not chase each other blindly into international markets" but rather choose to "avoid or delay investing in overcrowded foreign markets."

"A Relational Model of Export Performance," by Styles, Patterson and Ahmed, examines export performance through the lens of relational exchange theory. Using data on 125 Australia–Thailand exporter–importer relationships, the authors examine both sides of the trading relationship, incorpor-

ating reciprocal perceptions of past transactions and future exchanges. Trust and commitment are key concepts in a “virtuous circle” model, leading to positive reinforcements that deepen commitment and improve export performance. Managing the other party’s perceptions of one’s own commitment is critical to generating actual commitment. Trust and commitment are related to interpersonal factors (effective communication, cultural sensitivity and likeability of partner) and firm-level factors (reputation and competencies of partner). The authors conclude that “trust and commitment are not just relational matters; they are significant drivers of business performance.”

The role played by MNE subsidiaries in the globalization of innovation has historically been seen as an important one. MNE parents transfer knowledge flows to their subsidiaries; the flows then diffuse through intended and unintended channels to the host country. More recently, international business scholars have begun studying reverse knowledge flows from foreign subsidiaries to their parents and innovation within MNE networks. In their article “Innovation in Multinational Subsidiaries: The Role of Knowledge Assimilation and Subsidiary Capabilities,” Phene and Almeida argue that two sets of factors can influence the scale and quality of subsidiary innovation: (1) the range of available external and internal knowledge sources available to the subsidiary (*sourcing*), and

(2) the subsidiary’s capabilities associated with knowledge absorption and utilization (*recombining*). Examining 240 US-patented innovations between 1971 and 1998 received by six US semiconductor MNEs, the authors find that knowledge absorbed from the host country is useful to subsidiary innovation. Interestingly, knowledge assimilation from MNE headquarters or sister affiliates did not lead to increased subsidiary innovation. Both sourcing and combinative capability appear to significantly affect the scale and quality of subsidiary innovation, even though – at the end of the day – foreign subsidiaries appear to play a limited role as innovators within US semiconductor MNE networks.

The issue concludes with a Perspectives article, “An Institution-based View of International Business Strategy: A Focus on Emerging Economies,” by Peng, Wang and Jiang. The authors argue that institutions are a third “leg that helps sustain the strategy tripod,” in addition to industry- and resource-based “legs.” The authors review four institution-based areas of research on emerging economies: (1) antidumping as entry barriers, (2) competing in and out of India, (3) growing the firm in China and (4) governing the corporation in emerging economies. They conclude that an institutional perspective on strategy helps explain what drives firm strategy and performance in international business.

## REFERENCE

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