



EDITORIAL

Letter from the Editor-in-Chief

Lorraine Eden

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The last issue of volume 39 consists of seven articles and one Perspective article, all accepted for publication by former JIBS Editor-in-Chief Arie Y Lewin. Most papers cluster around two topics: entry and exit, and human resource management (HRM). The first three articles deal with entry and exit (how labor migration affects cross-border knowledge spillovers, offshoring as a survival or exit strategy, and entry and exit decisions made by flexible teams). The next four articles examine HRM issues (expatriate deployment, mentoring of expatriates, cross-country variations in management development, and cross-country variations in management practices). The issue concludes with a Perspective on climate change and its implications for multinational enterprise (MNE) firm-specific advantages and performance.

“How does cross-border labor mobility affect cross-border knowledge flows?” is the research question addressed in Oettl and Agrawal’s article, “International labor mobility and knowledge flow externalities.” The authors focus specifically on the unintended knowledge flows (externalities) created by labor migration between countries. Labor migration is expected to cause positive knowledge externalities in the receiving country (which the authors call *national learning by immigration*) and in both the sending country and sending firm (this “reverse brain drain” effect is called *firm learning from the diaspora*). In addition, labor movement within the MNE, rather than between unrelated firms, is also expected to increase firm learning from the diaspora. Using US Patent Office data to identify inventors who moved between countries and patent citations to proxy for knowledge flows, the authors examine 2143 country–firm dyads over 1980–2000 and find that cross-border labor mobility of inventors does create positive externalities for both receiving and sending countries. The positive, firm-level diaspora effect is twice as strong when the inventor moves within the MNE group than to an unrelated firm. Given these positive two-way externalities, the authors conclude that both business and government policy makers should encourage migration flows across countries. In addition, MNEs should create networks to strengthen ties between current and former employees, and between home and overseas employees, to encourage diaspora knowledge externalities.

The public press sees offshoring as synonymous with exit from the home country and consequent job losses. However, in “Offshoring as a survival strategy: Evidence from manufacturing firms in Belgium” Coucke and Sleuwaegen argue that offshoring can be a survival strategy – a strategic response by manufacturing firms to rising import penetration from lower cost locations. When foreign imports swamp an industry, inefficient domestic firms can

exit, improve their productivity or switch to exports. Coucke and Sleuwaegen argue that a fourth strategy – international outsourcing – lowers the probability of exit. Their arguments find support from a sample of Belgian manufacturing firms in 1999–2001. Both domestic firms and Belgian subsidiaries of foreign MNEs that offshored domestic activity to non-EU countries had higher survival rates than firms that did not use offshoring as a competitive response to import penetration.

“Entry and exit decisions in flexible teams” by Christensen and Knudsen models the entry and exit decisions of firms evaluating opportunities in turbulent markets. A key innovation in the paper is the assumption of joint decision-making by teams (rather than by a single individual) where the teams are flexible (i.e., they have a choice of centralized or decentralized modes of decision-making). Drawing on insights from the literature on new organizational forms, hypercompetition and market turbulence, the authors propose three decision makers (optimizer, local searcher and fallible evaluator). Using dynamic programming to model each type’s behavior, the authors investigate whether they perform better in hierarchical or flat/polyarchical teams when making entry and exit decisions in a turbulent market. The authors find that hierarchical teams tend to reinforce the *status quo* whereas flat teams are more optimistic and pro-change. Small teams tend to make better entry and exit decisions than either single decision makers or large teams. The authors conclude that flexible decision-making teams can improve performance in turbulent markets such as emerging and transition economies.

Assume one country is high on the power distance scale and another country is low. Does it make a difference which country is home and which is host? The cultural distance will be the same between the two countries regardless of the country, but the levels will differ. This question, first raised and analyzed in Hennart and Larimo’s (1998) well-known study comparing Japanese and Finnish entries into the United States, receives a deeper examination in “National culture and expatriate deployment” by Brock, Shenkar, Shoham and Siscovick. Using insights from transaction cost and agency theories, the authors argue that the levels of home country, relative to host country, cultural characteristics – which they call *cultural distance asymmetry* – do affect expatriate deployment in subsidiaries. Their paper treats cultural characteristic levels (power distance, uncertainty

avoidance, individualism and assertiveness) as independent variables explaining expatriate deployment in an analysis where cultural distance measures are treated as control variables. Survey data from 236 MNE subsidiaries from 22 home and nine host countries in 1998–1999 are used to test the arguments. The authors find that home countries that rank high, relative to host countries, on power distance and assertiveness are more likely to institute controls on subsidiary behavior and to use expatriates as a control method. Relative levels of uncertainty avoidance and individualism, however, are not important predictors of expatriate deployment. The authors conclude that more cross-country comparative research should be done on cultural distance asymmetry.

More generally, Brock et al.’s conclusions can be broadened to argue that more IB research assessing the effects of *institutional distance asymmetry* (regulatory, normative, cognitive) on MNE strategies, structures and performance is needed. Should the asymmetry in institutional levels matter for firms if the between-country distance is the same? For example, most people find it harder to walk up than down several flights of stairs. Is it harder for firms to “walk up” from low to high levels of institutions (e.g., emerging market firms entering OECD markets) or to “walk down” from high to low levels of institutions (OECD firms entering emerging economies), holding institutional distance the same? Does the “stairs” metaphor hold here? Or would a better metaphor be the comparison between thick vs thin institutions, or transparent vs opaque, or complex vs codifiable? These are only a few of the questions that arise from the early work by Hennart and Larimo (1998) and from Brock et al.’s article in this issue.

In a second piece on expatriates, Carraher, Sullivan and Crocitto, in “Mentoring across global boundaries: An empirical examination of home- and host-country mentors on expatriate career outcomes,” survey 299 (163 men and 136 women) expatriates in 10 countries about the impacts of home- and host-country mentors on expatriate effectiveness. The authors find that both home- and host-country mentors positively affect most aspects of expatriate effectiveness; however, neither type affects the mentee’s job tension, and having a home country mentor negatively affects the mentee’s organizational identification and job satisfaction.

“Management development and firm performance in Germany, Norway, Spain and the UK” by Mabey reports on 482 paired cases of telephone



interviews of human resource development managers and line managers concerning management development in four European countries. Management development is defined in the study as “all on-the-job and off-the-job activities, structured or unstructured, formal and informal, that are undertaken to develop your manager expertise” and measured by four constructs: ethos, systems, importance and amount. Mabey finds significant differences across the four countries in the ways that different firms train and develop their managers. High performing firms appear to take a strategic approach to management development, focusing on long-run training, harnessing potential, cultivating and promoting from within, and a transparent well-understood company policy for management development.

In “Cross-cultural variations in climate for autonomy, stress, and organizational productivity relationships: A comparison of Chinese and UK manufacturing organizations,” Hirst, Budhwar, Cooper, West, Long, Chongyuan and Shipton apply employee involvement theory to explore cross-national differences in management practices between the United Kingdom and China. Surveys

of 51 UK and 104 Chinese manufacturing firms are used to compare the climates for autonomy and work demands, employee stress and organizational productivity. The authors find that autonomous climates were negatively related to employee stress in the UK firms, but positively related in the Chinese firms.

Lastly, in “A perspective on multinational enterprises and climate change: Learning from ‘An Inconvenient Truth’?” Kolk and Pinkse explore the ways that climate change affects the development and reconfiguration of MNE firm-specific advantages, and thus MNE profitability, survival and growth. The authors base their analysis on two frameworks for the nature and geography of FSA development. The first is a 2×3 matrix linking FSA value chain orientation (upstream, downstream) to FSA reconfiguration mechanisms (evolution, transformation, substitution). The second is a 2×3 matrix linking transferability of FSAs (location bound, non-location bound) to the origin of FSA development (corporate headquarters, regional centers, national subsidiaries). The authors use these frameworks to explore how climate change can affect MNE FSAs and performance.

REFERENCE

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affect ownership decisions? *Journal of International Business Studies*, 29(3): 515–538.