

**University of Pennsylvania
The Wharton School
MGMT959:
Seminar in Multinational Management**

**Spring, 2010
Quarter 4, Mondays, 3-6**

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Course Description:

This course is intended for doctoral students who have a research interest in the field of international management. I am assuming that you have had the prerequisite for this course: MGMT955. In MGMT959, we will focus on several issues that are well studied in the international management field (like entry modes, performance effects from multinationality, and the impact of culture in international expansion). We will also cover topics that have received much less attention in the international management literature, but that are ripe for additional consideration (like the impact of several dimensions of cross-national distance and the exit and contraction decisions of multinational corporations).

Throughout the course, we will talk about different databases and empirical approaches that are used in the international management literature. We will continually reflect on how databases and empirical approaches that we have covered could be used throughout each of the sessions in this course. I will put a copy of a database on Webcafe that contains information on the operations of US multinational corporations (including parent and subsidiary information). This database comes from public sources (including Compustat and the Directory of Corporate Affiliates). This is a random sample of US firms across manufacturing industries. We will talk about this database throughout the course and I will hand out a variable list in the first class.

Course Requirements

The course grade will be based on class participation and written analysis of either one or two readings or one or two questions for each class.

Participation

Regular attendance and participation are critical to your successful completion of

this course. You should complete the assigned readings and written assignments prior to each class. You are encouraged to prepare for class with your colleagues; however, each member of the class should be fully conversant in the material—expect to participate in every class.

Written summaries and analysis

Each week, you will be assigned to write either a summary and critical analysis of one or two of the assigned readings for that class, or respond to a question that relates to the readings for the week. You will also be responsible for presenting and leading the discussion of your assigned paper/topic. These assignments will be made at least one week prior to the relevant class session.

For any papers assigned to you, your written analysis should outline the following: (a) the dominant research question; (b) the logical and empirical support presented; (c) the contribution of the research to our understanding of relevant phenomena in international business; (d) limitations of the research and; and *most importantly* (e) feasible refinements or extensions to the empirical study and related research questions that are prompted by your reading of the paper.

As noted above, we will discuss different databases and empirical approaches throughout the course. In each write-up that you do, I would like for you to think about how different databases we have discussed might provide additional insight into the topic. We will discuss these written assignments in more detail on the first day of class.

Policy on Auditors

Advanced students who do not wish to enrol as full participants are welcome to audit the course, under the following conditions: (1) you commit to attend at least 75% of the class sessions, and inform me in advance which sessions you will attend; (2) you participate fully in the sessions that you attend, including doing a “fair share” of summary writing and leading class discussion. Auditing students are excused from assignments related to the term paper.

READING MATERIALS:

There is no bulkpack for this class. Instead, PDF versions of the readings will be put on webcafe.

It is assumed that you already own the following book:

Caves, Richard, 1996. Multinational Enterprise and Economic Analysis, Second Edition (New York: Cambridge University Press). ISBN 0-521-47858-8.

A copy will also be placed on reserve in the Lippincott library.

MGMT 955B**TOPIC OUTLINE**

Class One: 3/15/10

Introduction, Overview of Topics and Student Responsibilities

Class Two: 3/22/10

Entry Modes

Class Three: 3/29/10

Exit from Foreign Markets

Class Four: 4/5/10

Geography and Knowledge Transfer

Class Five: 4/12/10

Performance Effects from Multinationality

Class Six: 4/19/10

Cross-National Distance

Class Seven 4/26/10

Emerging Market Firms and Wrap-Up

OUTLINE WITH READING LIST:

Below is a list of related readings for each topic. There are far more readings than will be assigned during any one session. The purpose of the list below is to give you additional resources that may be useful as you pursue your own research in this field.

Class Two:

TOPIC: Entry Modes

Readings:

- Agarwal, R. and Ramaswami, 1992 Choice of Foreign Market Entry Mode: Impact of Ownership, Location and Internalization Factors, *Journal of International Business Studies*.
- Anand, J., and A. Delios, 2002. Absolute and Relative Resources as Determinants of International Acquisitions. *Strategic Management Journal*, 23: 119-134.
- Auster, E.R. 1992. The Relationship of Industry Evolution to Patterns of Technological Linkages, Joint Ventures and Direct Investment between U.S. and Japan. *Management Science*, 38: 778-792.
- Barkema, H., O. Shenkar, F. Vermeulen and J.H. Bell. 1997. Working Abroad, Working with Others: How Firms Learn to Operate International Joint Ventures. *Academy of Management Journal*, 40(2): 426-442.
- Barkema, H., J. Bell and J. Pennings, 1996. Foreign Entry, Cultural Barriers and Learning. *Strategic Management Journal*, 17: 151-76
- Blodgett, L.L. 1991. Partner Contributions as Predictors of Equity Shares in International Joint Ventures. *Journal of International Business Studies*, 22(1): 63-78
- Chang, S.J., and Rosenzweig, 2001. The Choice of Entry Mode in Sequential Foreign Direct Investment, *Strategic Management Journal*, 22: 747-76.
- Contractor, F, 1981. The Role of Licensing in International Strategy, *Columbia Journal of World Business*.
- Gomes-Casseres, B., 1990, Foreign Ownership Preferences and Host Government Restrictions: An Integrated Approach, *Journal of International Business Studies*, pp. 1-22.
- Gomes-Casseres, B., 1989. Ownership Structures of Foreign Subsidiaries: Theory and Evidence, *Journal of Economic Behavior and Organization*: 1-25.

- Guillen, M., 2003. Experience, Imitation and the Sequence of Foreign Entry: Wholly-Owned and Joint-Venture Manufacturing by South Korean Firms and Business Groups in China, 1987-1995. *Journal of International Business Studies* 34: 185-198.
- Hamel, G., 1991. Competition for Competence and Inter-Partner Learning within International Strategic Alliances, *Strategic Management Journal*: 83-103.
- Healy, PJ and Palepu, KG, 1993, "International Corporate Equity Acquisitions: Who, Where and Why? In Froot (ed) Foreign Direct Investment, Chicago (University of Chicago Press).
- Hennart, J.F. 1991. The Transaction Costs Theory of Joint Ventures: An Empirical Study of Japanese Subsidiaries in the United States. *Management Science* 37(4):483-497.
- Hennart, J-F, and Park, 1993. Greenfield vs. Acquisition: The Strategy of Japanese Investors in the US, *Management Science*: 1054-1068.
- Hill, Hwang, and Kim, 1990. An Eclectic Theory of the Choice of International Entry Mode, *Strategic Management Journal*: 17-28.
- Inkpen, A. and Beamish, P.W. 1997. Knowledge, Bargaining Power and the Instability of International Joint Ventures. *Academy of Management Review*, Vol. 22: 177-202.
- Kogut, B. 1988. Joint Ventures: Theoretical and Empirical Perspectives. *Strategic Management Journal*, Vol. 9: 375-385.
- Kogut, B. and Singh, H. 1988. The Effect of National Culture on the Choice of Entry Mode. *Journal of International Business Studies*, 19 (4): 411-32.
- Lafontaine, F. and J.E. Oxley. 2004. International Franchising Practices in Mexico: Do Franchisors Customize Their Contracts? *Journal of Economics and Management Strategy*, 13(1): 95-123.
- Noria and Garcia-Pont, 1991. Global Strategic Linkages and Industry Structure, *Strategic Management Journal*.
- Ohmae, K, 1989. The Global Logic of Strategic Alliances," *Harvard Business Review*, March-April: 143-154.
- Shaver, J.M. 1998. Accounting for Endogeneity When Assessing Strategy Performance: Does Entry Mode Choice Affect FDI Survival? *Management Science*, 44 (4): 571-585.

Yoshino and Rangan, 1995. Strategic Alliances, Harvard Business School Press, Boston, MA.

Class Three:

TOPIC: Exit from Foreign Markets

Belderbos, R., and J Zou, 2009. Real Options and Foreign Affiliate Divestments: A Portfolio Perspective, *Journal of International Business Studies*, 40:600-620.

Benito, G., 1997. Divestment of Foreign Production Operations, *Applied Economics*, 29(10): 1365-1377.

Berry, H., Why do Firms Divest? *Organization Science*, forthcoming.

Berry, H., When Do Firms Divest Poorly Performing Operations? Working paper.

Blonigen, Bruce A., 2001. In Search of Substitution Between Foreign Production and Exports, *Journal of International Economics*, 53(1) pp. 81-104.

Boddewyn, J., 1979. Foreign Divestment: Magnitude and Factors, *Journal of International Business Studies*, 10(1): 21-27.

Head, K., and J. Reis, 2001. Overseas Investment and Firm Exports, *Review of International Economics* 9(1): 108-122.

Mata, J and Portugal, P., 2000. Closure and Divestiture by Foreign Entrants: The Impact of Entry and Post-Entry Strategies, *Strategic Management Journal*, 21(5): 549-562.

Mata, J., and P. Portugal., 2002. The Survival of New Domestic and Foreign Owned Firms, *Strategic Management Journal*, 23(4): 323-343.

Shaver, J.M., Mitchell, W., and B. Yeung, 1997. The Effect of Own firms and Other Firm Experience on Foreign Direct Investment Survival in the United States, 1987-1992, *Strategic Management Journal*, 18(10): 811-824.

Zaheer, S., and E. Mosakowski, 1997. The Dynamics of the Liability of Foreignness: A Global Study of survival in financial services, *Strategic Management Journal*, 18(6): 439-464.

Class Four:

TOPIC: Geography, Knowledge Transfer and Spillovers

Readings:

Alcacer, J., H. Berry and W. Chung. 2005. Firm Experience, Capabilities and Localization Strategy. Working paper.

- Almeida, P., 1996. Knowledge Sourcing by Foreign Multinationals: Patent Citations Analysis in the US Semiconductor Industry, *Strategic Management Journal*, Winter Special Issue: 155-165.
- Audretsch and Feldman, 1996. R&D Spillovers and the Geography of Innovation and Production, *American Economic Review*: 630-640.
- Berry, H., 2006. Leaders, Laggards and the Pursuit of Foreign Knowledge, *Strategic Management Journal*, 27: 151-168.
- Caves, 1996. Multinational Enterprise and Economic Analysis, Chapter 7.
- Coughlin, C., Terza, J. and Arromdee, V. 1991. State Characteristics and Location of Foreign Direct Investment in the US. *Review of Economics and Statistics*, 74: 675-683.
- Chung W. and J. Alcacer, 2002. Knowledge Seeking and Location Choice of Foreign Direct Investment in the United States, *Management Science*, 48(12): 1534-54.
- Feinberg, S. and Gupta, A., 2004. Knowledge Spillovers and the Assignment of R&D Responsibilities to Foreign Subsidiaries. *Strategic Management Journal*, 25: 823-45
- Frost T., 2001. The Geographic Sources of Foreign Subsidiaries' Innovations. *Strategic Management Journal* Vol. 22: 101-123.
- Irwin, and Klenow, 1996. High Tech R&D Subsidiaries: Estimating the Effects of Sematech," *Journal of International Economics*, Vol. 40: 323-344.
- Jaffe, Trajtenberg and Henderson, 1993. Geographic Location of Knowledge Spillovers as Evidenced by Patent Citations, *Quarterly Journal of Economics*: 577-598.
- Kogut, B and Chang S. J. 1991. Technological Capabilities and Japanese Foreign Direct Investment in U.S. Manufacturing. *Review of Economics and Statistics*, Vol. 74: 401-413.
- Kuemmerle, W., 1999. The determinants of foreign direct investment into research and development: an empirical investigation. *Journal of International Business Studies* 30: 1-24.
- Le Bas, C, and Sierra, C., 2002. Location versus country advantages in R&D activities: some further results on multinationals' location strategies. *Research Policy* 31, 589-609.
- Mansfield et al, 1979. Foreign Trade and US R&D, *Review of Economics and Statistics*.

- Mansfield and Romeo, 1980. Technology Transfer to Overseas Subsidiaries by US Based Firms, *Quarterly Journal of Economics*: 737-750.
- Penner-Hahn, J. and J.M. Shaver. 2005. Does International Research and Development Increase Patent Output? An Analysis of Japanese Pharmaceutical Firms. *Strategic Management Journal*.
- Shaver, J.M. 1998. Do Foreign-Owned and U.S.-Owned Establishments Exhibit the Same Location Pattern in U.S. Manufacturing Industries? *Journal of International Business Studies*, 29 (3): 469-493.
- Shaver, J.M. and Frederick F. 2000. Agglomeration Economies, Firm Heterogeneity, and Foreign Direct Investment in the United States. *Strategic Management Journal*. 21(12): 1175-1193.
- Wesson T., 1993. An alternative motive for foreign direct investment. Ph.D. Dissertation. Boston: Harvard University Press

Class Five

TOPIC: Performance Effects from Multinationality

Readings:

- Barkema, H., Bell, J.H.J. & Pennings, J.M. 1996. Foreign Entry, Cultural Barriers and Learning. *Strategic Management Journal*, Vol. 17: 151-166.
- Berry, H., and M. Sakakibara, Resource Accumulation and Overseas Expansion by Japanese Multinationals, *Journal of Economic Behavior and Organization*, forthcoming.
- Berry, H., 2006. Shareholder Valuation of Foreign Investment and Expansion, *Strategic Management Journal* 27: 1123-1140.
- Christophe, S., 1997. Hysteresis and the Value of the US Multinational Corporation, *Journal of Business*, 70(3): 435-362.
- Delios, A. and P.W. Beamish. 2001. Survival and Profitability: The Roles of Experience and Intangible Assets in Foreign Subsidiary Performance. *Academy of Management Journal*.
- Doukas, J, Travlos, N. 1988. The Effect of Corporate Multinationalism on Shareholders' Wealth: Evidence from International Acquisitions, *Journal of Finance* 18: 1161–1174.
- Doukas, J. and Lang, 2003. Foreign Direct Investment, Diversification and Firm Performance, *Journal of International Business Studies*, 34:153-172.

- Dess, G. G., A. Gupta, J. F. Hennart and C. W. L. Hill. 1995. Conducting and Integrating Strategy Research at the International, Corporate, and Business Levels: Issues and Directions. *Journal of Management*, 21: 357-393.
- Kim, C, 1989. Developing a Global Diversification Measure,” *Management Science*, 35:3, pp. 376-83.
- Kim, Hwang and Burgers, 1989. Global Diversification Strategy and Corporate Profit Performance, *Strategic Management Journal*, pp. 45-57.
- Li, J. and S. Tallman. 1996. Effects of International Diversity and Product Diversity on the Performance of Multinational Firms. *Academy of Management Journal*, 39: 179-196.
- Mitchell, W. Shaver, J. M. & Yeung, B. 1997. The effect of own-firm and other-firm experience on foreign direct investment survival in the United States, 1987-92. *Strategic Management Journal*, 18: 811-824.
- Mitchell, W., Shaver, M., Yeung, B., 1992. Getting there in a global industry: impacts on performance of changing international presence. *Strategic Management Journal* 13, 419-432.
- Morck, R. & Yeung, B. 1992. Internalization: An Event Study Test. *Journal of International Economics*, 33: 41-56.
- Morck, R, and Yeung, B. 1991. Why Investors Value Multinationality, *Journal of Business*, pp. 165-187.
- Pantzalis, C., 2001, Does Location Matter? An Empirical Analysis of Geographic Scope and MNC Market Valuation, *Journal of International Business Studies*, 32(1): 133-55.
- Reuer, J. 2000. Parent Firm Performance Across International Joint Venture Life-Cycle Stages. *Journal of International Business Studies*, 31 (1): 1-20.

Class Six:

TOPIC: Cross- National Distance

Readings:

Berry, H., M. Guillen and N. Zhao, A New Approach to Cross-National Distance. Working Paper.

Boyacigiller, N., Kleinberg, J., Sackmann, S., and M. Phillips, 1996. Conceptualizing Culture. In B.J. Punnett and O. Shenkar (Ed) *Handbook for International Management Research*: 157-204. New York: Blackwell.

- Brett, J., and T. Okumura, 1998. Inter- and Intracultural Negotiation: US and Japanese Negotiators. *Academy of Management Journal* 41: 495-510.
- Earley, P. C., and Singh, H., 1995. International and Intercultural Management Research: What's Next? *Academy of Management Journal*, 38: 327-340.
- Ghemawat, P., 2001. Distance still matters. The hard reality of global expansion. *Harvard Business Review*, 79(8): 137-147.
- Hofstede, G., 1980. *Culture's Consequences: International Differences in Work-Related Values*. Newbury Park, CA: Sage.
- Kedia, B.L., and R.S. Bhagat, 1988. Cultural Constraints on Transfer of Technology Across Nations: Implications for Research in International and Comparative Management. *Academy of Management Review*, 19: 559-571.
- Kogut, B., & Singh, H. 1988. The effect of national culture on the choice of entry mode. *Journal of International Business Studies*, **19**: 411-432.
- Johnason, Jan, and Jan-Erik Vahlne. 1977. "The Internationalization Process of the Firm: A Model of Knowledge Development and Increasing Foreign Market Commitments." *Journal of International Business Studies* 8(1):23-32.
- Ronen, S., and O. Shenkar, 1985. Clustering Countries on Attitudinal Dimensions: A Review and Synthesis. *Academy of Management Review* 10: 435-454.
- Schneider, S., 1988. National vs. Corporate Culture: Implications for Human Resource Management. *Human Resource Management* 29(2): 231-46.
- Schwartz, S.H. 1994. Beyond individualism/collectivism: new cultural dimensions of values. In U. Kim, H. C. Triandis, C. Kagitcibasi, & G. Yoon (Ed.), *Individualism and Collectivism: Theory, Method, and Applications*: 85-119. Thousand Oaks, CA: Sage.
- Shenkar, O. 2001. Cultural distance revisited: towards a more rigorous conceptualization and measurement of cultural differences. *Journal of International Business Studies*, **32(3)**: 519-535.

Class Seven

TOPIC: **Emerging Market Firms**

Readings:

Bartlett and Ghoshal, *Going Global: Lessons from Late Movers*, HBR R00201

Dawar, N and T. Frost, 1999. Competing with Giants: Survival Strategies for Local Companies in Emerging Markets. *Harvard Business Review*

Khanna, T., and J. Rivkin, 2001. Estimating the Performance Effects of Business Groups in Emerging Markets, *Strategic Management Journal*, 22: 45-74.

Guillen, M., 2000. Business Groups in Emerging Economies: A Resource Based View, *Academy of Management Journal* 43(3): 362-380.

Furman, J., M. Porter and S. Stern, 2002. The Determinants of National Innovative Capacity. *Research Policy* (31)6: 899-

Porter, M., 1990. The Competitive Advantage of Nations, *Harvard Business Review* 68(2): 73-94