

Growth Frontiers in International Business



Edited by Kevin Ibeh, Paz Estrella Tolentino,
Odile E.M. Janne, Xiaming Liu



The Academy of International Business

The Academy of International Business (UKI) Series is published in association with the UK and Ireland Chapter of the Academy of International Business. This series covers the state of the art in international business research. Published annually, these books are essential reading for anyone wishing to be kept up-to-date with developments in the field. To order a complete set of all titles in the series please order using the following ISBN: 0-333-96080-7

More information about this series at
<http://www.springer.com/series/14246>

Kevin Ibeh • Paz Estrella Tolentino • Odile E. M. Janne •
Xiaming Liu
Editors

Growth Frontiers in International Business

palgrave
macmillan

Editors

Kevin Ibeh
Department of Management
Birkbeck, University of London
London, United Kingdom

Odile E. M. Janne
Department of Management
Birkbeck, University of London
London, United Kingdom

Paz Estrella Tolentino
Department of Management
Birkbeck, University of London
London, United Kingdom

Xiaming Liu
Department of Management
Birkbeck, University of London
London, United Kingdom

The Academy of International Business

ISBN 978-3-319-48850-9

ISBN 978-3-319-48851-6 (eBook)

DOI 10.1007/978-3-319-48851-6

Library of Congress Control Number: 2017931595

© The Editor(s) (if applicable) and the Author(s) 2017

This work is subject to copyright. All rights are solely and exclusively licensed by the Publisher, whether the whole or part of the material is concerned, specifically the rights of translation, reprinting, reuse of illustrations, recitation, broadcasting, reproduction on microfilms or in any other physical way, and transmission or information storage and retrieval, electronic adaptation, computer software, or by similar or dissimilar methodology now known or hereafter developed.

The use of general descriptive names, registered names, trademarks, service marks, etc. in this publication does not imply, even in the absence of a specific statement, that such names are exempt from the relevant protective laws and regulations and therefore free for general use.

The publisher, the authors and the editors are safe to assume that the advice and information in this book are believed to be true and accurate at the date of publication. Neither the publisher nor the authors or the editors give a warranty, express or implied, with respect to the material contained herein or for any errors or omissions that may have been made. The publisher remains neutral with regard to jurisdictional claims in published maps and institutional affiliations.

Printed on acid-free paper

This Palgrave Macmillan imprint is published by Springer Nature

The registered company is Springer International Publishing AG

The registered company address is: Gewerbestrasse 11, 6330 Cham, Switzerland

In Memory of Fred Burton

This book is dedicated to the memory of Fred Burton, who sadly passed away during the first quarter of 2016. Fred was a previous Chair and staunch supporter of the Academy of International Business UK Chapter, and his generous service and contributions to the field of international business will ensure that he continues to be treasured in our collective memories.

Foreword

The 43rd Academy of International Business UK and Ireland Chapter (AIB-UKI) Conference was hosted by the Department of Management, Birkbeck, University of London, on 7–9 April 2016, and this volume of the Palgrave AIB Book Series contains a selection of some of the best sessions and papers presented at the Conference.

The theme of the 2016 Conference was “International Business in a multi-speed global economy”, and the Conference programme stimulated discussion and furthered debate about the role of international businesses and policies in revitalising the faltering post-crisis multi-speed global economy. Professor Pankaj Ghemawat of New York University and IESE and Robert Whyte of the World Bank Group headlined the Conference’s Opening Plenary, while Professor Julian Birkinshaw of the London Business School delivered a keynote at the inaugural Founders’ Plenary, a new initiative introduced to honour the Founding/Early Members & Past Chairs of AIB-UKI. The Special Panels also featured acclaimed professors and policy and industry speakers, notably from the European Commission, Commonwealth Commission, House of Lords and Banco Santander.

Closely related to the theme of the Conference, this volume is entitled “Growth Frontiers in International Business”. Its 13 chapters are grouped into four parts, specifically Policy Frontiers, Emerging Market Frontiers, Innovative Pathways and Ethical Growth Avenues, each of which showcases important growth domains in contemporary international business.

I hope you find this book to be interesting and useful. I also hope it encourages you to get involved in the work of the Academy of International Business

United Kingdom & Ireland Chapter. The AIB UK & Ireland website (<http://www.aib-uki.org/>) provides a wide range of information about the Chapter and matters of interest to international business scholars.

Heinz Tüselmann
Chair, Academy of International Business, UK & Ireland Chapter

Acknowledgement

The Organising Team for the 43rd AIB UK & Ireland Conference would like to acknowledge the unstinting support of colleagues from the Department of Management at Birkbeck, University of London, particularly Rachel Dowle, Dominic Funston, Teresa Howes and the PhD Help Team of Wenhui Huang, Guilherme Macedo, Lida Metallinou, Yuanyuan Liu, Xiaojing Lu and Na Yang.

Contents

1	Introduction: Towards Advancing the Growth of International Businesses and the Global Economy	1
	<i>Kevin Ibeh, Paz Estrella Tolentino, Odile E.M. Janne, and Xiaming Liu</i>	
Part I	Policy Frontiers	11
2	Instigating Start-Up Industries as a Foundation for International High-Growth Venturing	13
	<i>Tuija Mainela, Vesa Puhakka, and Sakari Sipola</i>	
3	SME Internationalization, Public Policy and the Growth Agenda	33
	<i>Igor Kalinic and Jeremy Clegg</i>	
4	‘After-Care’ Service Provision and Repeat Investment	47
	<i>Paul Kalfadellis and Susan Freeman</i>	

Part II Emerging Market Frontiers	69
5 The Growth of Chinese Multinationals: A Micro–Macro, FSA–CSA Framework	71
<i>Yuxuan Tang and Robert Pearce</i>	
6 Business Groups from Emerging Markets: New Actors in International Business	103
<i>Ayşe Coban</i>	
7 The Internationalization of New Russian Ventures: The Institutional Frontier	121
<i>Igor Laine and Olli Kuivalainen</i>	
Part III Innovation Pathways: Sectors, Knowledge Flows and Entry Modes	143
8 The International Expansion of an Art Museum: Guggenheim’s Global–Local Contexts	145
<i>Tiina Ritvala, Rebecca Piekkari, Henrika Franck, and Nina Granqvist</i>	
9 The Internationalization of Socially Oriented Organizations	167
<i>Jie Chen, Sami Saarenketo, and Kaisu Puumalainen</i>	
10 International Knowledge Flows, Productivity and Growth: Evidence from MNEs in the UK	195
<i>Gary Cook, Eugenia Shevtsova, Hans Lööf, and Pardis Nabavi Larijani</i>	
11 Noticing and Capturing Growth Opportunities in International Markets: A Real Options Perspective	217
<i>Ali Ahi and Olli Kuivalainen</i>	

	Contents	xiii
Part IV Ethical Growth Avenues		235
12 Civil and Political Liberties and FDI: An Evaluation of Emerging and Developing Economies		237
<i>Fragkiskos Filippaios, Fatima Annan-Diab, and Amir Hermidas</i>		
13 Pay Dispersion, Culture and Bank Performance		257
<i>Ellen Pei-yi Yu and Bac Van Luu</i>		
Index		287

Notes on Contributors

Ali Ahi, B.Sc. Industrial Engineering and **MSc.** Industrial Management, is currently a doctoral candidate in International Business and Marketing at the School of Business and Management at Lappeenranta University of Technology, Finland. His research concerns foreign market entry mode and post-entry behaviour of the firm in both advanced and emerging economies. Specifically, he aims to understand the decision-making process behind entry mode change, particularly in uncertain foreign markets. Ali has been working to develop a holistic model of foreign market entry which includes both the initial and post-entry phases, and he has focused on the real options theory as the main theoretical lens for his research.

Fatima Annan-Diab, PhD is an Associate Professor and Associate Head of the Department of Strategy, Marketing and Innovation, in the Faculty of Business and Law, Kingston University London, UK. She has worked as Deputy Head for the School of Strategy and Operation, and Course Director for the BA (Hons) in Business Administration and BA (Hons) in Entrepreneurship and Management degrees. She was a Network Liaison Director for the Business School. Fatima's research interests include the general area of strategy and international business. Her current focus is on resource-based and internationalization theory for studying the influence of industrial policy on location decision of firms in emerging economies.

Jie Chen is a doctoral student in International Marketing at the School of Business and Management at Lappeenranta University of Technology, Finland. His primary research interests are international business and entrepreneurship, with a special focus on internationalization of socially oriented entrepreneurial ventures. Jie Chen can be contacted at: jie.chen@lut.fi.

Jeremy Clegg is Jean Monnet Professor of European Integration and International Business Management and served as chair of the UK chapter of the Academy of International Business (AIB) from 2001 to 2007, through the chapter's transition to

become the AIB UK & Ireland Chapter. He was the Vice-President for Administration of the AIB, on the Academy's Executive Board, from 2013 to 2016. His PhD in Economics, awarded by the University of Reading, UK, jointly won the 1985 AIB International Competition for Best PhD Thesis in International Business (now the Peter J. Buckley and Mark Casson AIB Dissertation Award). In 2007, he received the AIB President's Award (now the John H. Dunning President's Award) for his work with the UK & Ireland Chapter. Since 1997, he has been a Jean Monnet Chair holder (awarded by the European Commission). His research interests have branched out from the determinants of foreign direct investment (FDI), through FDI and regional integration, the impact of foreign-owned firms on productivity and performance in emerging economies, particularly China, to the interface between international business and policy issues. In 2008/2009, he was a visiting fellow at UNCTAD in Geneva. His research, which employs both quantitative and qualitative methods, has been published in all of the major journals in international business.

Ayse Coban is a PhD candidate in Galatasaray University and Research Assistant in Management at the Department of Political Sciences, Istanbul Medeniyet University, Turkey. Her research interests are internationalization, emerging markets, foreign direct investment and business groups. Before commencing her PhD studies, Ayse worked in TUBITAK (The Scientific and Technological Research Council of Turkey) as an Assistant Expert.

Gary Cook is a Professor of Economics and Head of Department (Economics, Finance and Accounting) at the University of Liverpool Management School, UK. He researches principally in the area of industrial clusters, innovation and internationalization strategy.

Fragkiskos Filippaios, PhD is a Reader in International Business at the Kent Business School, University of Kent, UK. Previously, he was the Director for Graduate Studies and Accreditations at Kent Business School, University of Kent. Fragkiskos was awarded his PhD in 2004 by the Department of International and European Economic Studies, Athens University of Economics and Business, Greece. His research interests include the location strategies of multinationals' subsidiaries and the role of technology in the multinational group. He also researches in the areas of education management and development, with specific focus on the use of online social networks.

Henrika Franck is a Postdoctoral Researcher in Management and Organization at the Department of Management Studies, Aalto University School of Business, Finland. Henrika's research focuses on ethical issues and the action of employees in the context of strategic/organisational change. Employing mainly field methodologies and qualitative data, she examines individuals as agentic moral actors inside organisations, particularly in teams. Her work has been published in *Strategic Management Journal*, *Scandinavian Journal of Management* and in books and book chapters.

Susan Freeman holds a PhD (Monash University) in international marketing/international business. Her research focus is international business strategy, including subsidiary and MNE headquarter assumed and assigned authority; early accelerated internationalizing smaller firms; international entrepreneurship; services internationalization; and emerging markets, with a particular interest in the Asian region, and qualitative research. Susan is a Professor of International Business and former Dean, Postgraduate and Professional Programs, at the University of South Australia Business School. She is an Associate Director of the Australian Centre for Asian Business; the Discipline Leader for the International Business Discipline, UniSA Business School; and the Vice-President of the Australia New Zealand International Business Association. Telephone: (618) 8302 7754; Email: susan.freeman@unisa.edu.au.

Nina Granqvist is an Assistant Professor of Management at the Aalto University School of Business, Finland. Nina Granqvist focuses on exploring the emergence of novelty in fields and market categories. Her studies draw on multiple theoretical frameworks, including institutional work, temporality, market categorisation, practices, language and affect. Empirically, she conducts qualitative grounded analyzes of extensive datasets on emerging technologies, food trends and creative industries, to name a few. Her research has been published in the leading journals, including *Academy of Management Journal*, *Organization Science*, *Journal of Management Studies* and *Organization Studies*.

Amir Hermidas, PhD is a Vice-President in Citi Financial Services responsible for the economic and financial analysis of markets in which Citi has a presence. He is also responsible for the econometric modelling of Citi's secured and unsecured portfolios and the economic and econometric analysis of portfolios across various countries and provision of suitable stress factors. He obtained his PhD from Kingston University London and has substantial consultancy experience.

Kevin Ibeh, PhD, F.C.I.M., F.R.S.A., is a Professor of Marketing and International Business and Assistant Dean/Head of Department of Management at Birkbeck, University of London. His recent research, mainly on firm internationalization and international entrepreneurship, has appeared in the *Journal of World Business*, *International Business Review*, *Journal of Business Research*, *British Journal of Management*, *Management International Review*, *Industrial Marketing Management*, *International Small Business Journal*, among others. Considered a leading authority on African Multinationals, Kevin is Lead Series Editor of Palgrave Series on Entrepreneurship in Africa. He has had recent consulting roles with the World Bank Group, the OECD, among others, and has authored over a hundred scholarly papers and edited three books, with another expected in 2017.

Odile E.M. Janne is a Lecturer at Birkbeck, University of London. She graduated from the Université Libre de Bruxelles (ULB), Belgium, and holds MA and PhD degrees from the University of Reading, UK. She has been a Research Fellow of the

Japan Society for the Promotion of Science (JSPS) at Shizuoka University, Japan, in 2005. Her research interests are in the fields of international business, geography and innovation, including the strategies and innovation of multinational corporations, the geography of innovation, subsidiaries' strategies and the role and use of patents. She has published in the *Journal of International Management*, *Research Policy*, *Technology Analysis and Strategic Management*, among others.

Paul Kalfadellis, PhD is a Senior Lecturer with the Department of Management at Monash University in Australia. Currently the Director of the Master of International Business Program and an Associate Director of the European and EU Research Centre at Monash University, Paul teaches at the post-graduate level in the area of international business, cross-cultural communication and European studies. His research interests focus on foreign direct investment (FDI), particularly inward FDI into Australia, repeat investment and the politics of FDI. His work has appeared in a range of academic journals and has been presented at a number of international conferences. Paul can be reached at: paul.kalfadellis@monash.edu.

Igor Kalinic, PhD is a Marie Curie Fellow at the Centre for International Business, Leeds University Business School. He also holds the position of Policy Officer at the European Commission (on temporary leave). His research focus is on international entrepreneurship and economic policies towards the entrepreneurial sector. He earned his PhD in Industrial Engineering and Management at the University of Padova, Italy, with a specialisation in International Entrepreneurship. He was an Assistant Professor at the University of Groningen (the Netherlands) and researcher at the University of Padova (Italy). During his academic career, he has held visiting positions at King's College London (UK), Darden School of Business (University of Virginia, USA) and more recently at the University of Uppsala (Sweden), University of Pavia (Italy) and Turku School of Economics (Finland). Before commencing his academic career, Igor was a consultant to several governmental institutions and companies regarding internationalization and globalisation processes, from which he gathered substantial experience in international relations. He also worked on a number of EU-funded transnational projects.

Olli Kuivalainen, D.Sc. (Econ.) is a Professor in International Business and Management at the University of Manchester (Alliance Manchester Business School, UK) and in International Marketing and Entrepreneurship at School of Business and Management of Lappeenranta University of Technology (Finland). His expertise covers broad areas of international business, entrepreneurship, marketing and technology management and their interfaces. He has published in journals such as *Journal of World Business*, *Journal of International Marketing*, *International Business Review*, *Technovation*, *International Marketing Review*, *International Journal of Production Economics* and *Journal of International Entrepreneurship*.

Igor Laine is a doctoral candidate at the School of Business and Management, Lappeenranta University of Technology, Finland. He holds a Master's degree in

International Technology and Innovation Management from Graduate School of Management, St. Petersburg University, Russia, and Lappeenranta University of Technology, Finland. His main research interests include international entrepreneurship and the role of institutional environment, new venture internationalization, entrepreneurial decision-making and entrepreneurship in emerging economies, particularly in Russia.

Pardis Nabavi Larijani is a Researcher at the Centre for Excellence in Science and Innovation Studies at the Royal Institute of Technology, Stockholm and the Swedish Entrepreneurship Forum. She researches principally in the area of the economics of innovation.

Xiaming Liu is a Professor in International Business at the Department of Management, Birkbeck, University of London. He holds a PhD from Strathclyde University. His research interests include foreign direct investment, technology spillover and emerging economies. His articles have appeared in *Journal of International Business Studies*, *Long Range Planning*, *International Business Review*, among others.

Hans Lööf is a Professor of Economics at the Royal Institute of Technology, Stockholm, Sweden. He is the Director of the Centre for Excellence in Science and Innovation Studies. He researches principally in the areas of innovation, technology and knowledge spillovers and agglomeration.

Bac Van Luu is the Head of Currency and Fixed income strategy in the Investment Division at Russell Investments, London, UK. Previously, he was in the Allocation Strategies Department at Norges Bank Investment Management (NBIM), Norway's Sovereign Wealth Fund.

Tuija Mainela is a Professor of International Business at the University of Oulu Business School, Finland. Her main research interests relate to dynamics of business networks, roles of social relationships in business, networking in internationalization of firms and international entrepreneurship. On these topics she has published in journals, such as *International Journal of Management Reviews*, *Industrial Marketing Management*, *Scandinavian Journal of Management*, *Management Decision*, *Journal of Service Management* and *Journal of International Entrepreneurship*.

Robert Pearce is a Professor in International Business and Emeritus in the John H Dunning Centre for International Business at Henley Business School and the Department of Economics at the University of Reading. His most recent books are *Multinationals in China—Business Strategy, Technology and Economic Development* (with Si Zhang) and *The Strategic Development of Multinationals: Subsidiaries and Innovation* (with Marina Papanastassiou).

Rebecca Piekkari is a Professor of International Business at the Aalto University School of Business, Finland. She is interested in how large and geographically dispersed multinational corporations manage their global operations and diverse

workforce. In recent years, she has conceptualised organisations as multilingual communities. She also has a particular interest in the use of qualitative methods, particularly the case study in organisation and management research. Her methodological articles have been published in leading management journals, such as the *Academy of Management Review*, *Organizational Research Methods*, *Journal of International Business Studies*, *International Journal of Management Reviews* and *Industrial Marketing Management*. She has also co-edited (with Catherine Welch) two handbooks on qualitative methods for organisational research.

Vesa Puhakka is a Professor of Management at the University of Oulu Business School, Finland. His research focuses mainly on international entrepreneurship, opportunity creation processes, growth-generating mechanisms and strategy practices of new ventures. His latest research on international entrepreneurship has been published in *International Journal of Management Reviews*. His doctoral dissertation received The Academy of Management and the NFIB Education Foundation award for outstanding research in the fields of entrepreneurship and international business in 2003.

Kaisu Puumalainen is a Professor in Technology Research at the School of Business and Management at the Lappeenranta University of Technology, Finland. Her primary areas of research interest are innovation, entrepreneurship, sustainability, strategic orientations and internationalization. She has published on these issues in *Journal of the Academy of Marketing Science*, *International Journal of Research in Marketing*, *International Business Review*, *European Journal of Marketing* and *Technovation*, among others.

Tiina Ritvala is an Assistant Professor of International Business at the Aalto University School of Business, Finland. She specialises in cross-sector collaboration between corporations, nonprofits and governments in transnational contexts. Tiina's research intersects organisational theory, international business and social purpose. Much of her research focuses on the contexts of high institutional complexity, such as transnational environmental problems, emerging industries and the cultural field. She has published in leading international management journals, including *Academy of Management Review*, *Industrial Marketing Management* and *Journal of Management Studies*.

Sami Saarenketo is a Professor in International Marketing at the School of Business and Management in Lappeenranta University of Technology, Finland. His primary areas of research interest are internationalization of the firm and international entrepreneurship. He has published on these issues in *Journal of World Business*, *Management International Review*, *International Business Review*, *European Journal of Marketing* and *Journal of International Entrepreneurship*, among others.

Yevgeniya Shevtsova is a Lecturer in International Business at the University of Liverpool Management School, UK. She researches principally in the areas of trade,

innovation and productivity. Current work includes the relationship between clustering, MNE location strategies and innovation.

Sakari Sipola is an Assistant Professor at the University of Oulu Business School, Finland. His primary research areas relate to high-growth venturing on firm and systemic levels, different forms of entrepreneurial finance, and related policies and their evolution in a variety of different geographic contexts like Finland, Israel and Silicon Valley.

Yuxuan Tang received her doctorate from the University of Reading in 2014 for research on the operations of Chinese infrastructure MNEs in Africa. She is currently pursuing post-doctoral research at Peking University in Beijing, China.

Paz Estrella Tolentino is a Lecturer in International Business at the School of Business, Economics and Informatics, Birkbeck, University of London, UK. Her research interests include the theory of the multinational enterprise, multinational enterprises based in emerging markets, international business history and international business strategy. She is the sole author of two books both published by Routledge, *Technological Innovation and Third World Multinational* and *Multinational Corporations: Emergence and Evolution*. Her doctoral thesis submitted to the University of Reading received the 1989 Academy of International Business Richard N. Farmer prize for the best PhD dissertation on International Business.

Ellen Pei-yi Yu, PhD is a Lecturer in Finance at Birkbeck, University of London. Her current research interests include banking, ethical investment and cultural differences. Her recent publications include papers in the *Review of Quantitative Finance and Accounting*, *Journal of Investing* and the *Journal of Fixed Income*.

List of Figures

Fig. 2.1	The start-up industry as a context for the collective activity of venture framing	18
Fig. 2.2	A timeline of key events in Israel 1960–2015	21
Fig. 2.3	High-growth venturing in a start-up industry	26
Fig. 7.1	An integrative model of entrepreneurial cognition	137
Fig. 8.1	Greimas' actantial model (1983) applied to the Guggenheim Foundation	151
Fig. 8.2	Process of internationalization of the Guggenheim Foundation	154
Fig. 8.3	The number of new stories on the Guggenheim Museum Helsinki in the local newspaper <i>Helsingin Sanomat</i>	157
Fig. 8.4	Key actors in phase I versus phase II	161
Fig. 10.1	Geographic distribution of firms in the ORBIS database by NUTS2 region 2003–2012	204
Fig. 10.2	Geographic distribution of NUTS2 regional employment in the NOMIS database, 2011	205
Fig. 10.3	Geographic distribution of firms in knowledge-intensive producer service sectors in the ORBIS database, 2003–2012	206
Fig. 13.1	Developed Country banks' Tobin's Q	273
Fig. 13.2	Developed Country banks' P/B ratio	273
Fig. 13.3	Civil Law countries banks' P/B ratio	277
Fig. 13.4	Developing Country banks' log (profit)	282

List of Tables

Table 2.1	The primary empirical data of the study	20
Table 4.1	Frequencies and percentages of the characteristics of MNE subsidiary respondents ($N = 356$)	58
Table 4.2	Means, standard deviations and correlations among the measures of variables	59
Table 4.3	Multiple regression analysis—‘after-care’ service and repeat investment	60
Table 6.1	List of Turkish multinational companies (USD million)	113
Table 7.1	Russia’s World Bank Doing Business rankings (out of 189 economies)	123
Table 7.2	Classification statistics ($N = 213$)	126
Table 7.3	Entrepreneurial cognition in entrepreneurship and internationalization	128
Table 7.4	Regulative institutions	130
Table 7.5	Normative institutions	131
Table 7.6	Institutional escapism	131
Table 9.1	Literature review on social value and social interventions	170
Table 9.2	List of home countries of socially oriented organizations on the data set	177
Table 9.3	Eight types of social interventions	179
Table 9.4	Descriptive statistics of variables ^a	182
Table 9.5	Correlation matrix of five country-level measures of strength of national institutions	183
Table 9.6	Results of binary logistic regression	184
Table 10.1	Summary statistics	203
Table 10.2	TFP growth, system GMM	209

Table 11.1	Description of the cases	226
Table 11.2	Summary of the propositions	230
Table 12.1	FDI projects included in the analysis	244
Table 12.2	Average political rights, civil liberties and institutional quality of host locations (by investing country)	246
Table 12.3	Average political rights, civil liberties, gross enrolment in education, jobs created and capital invested between 2003 and 2013	247
Table 12.4	Definitions and sources of variables	248
Table 12.5	Summary statistics	249
Table 12.6	Regression analysis of the effect of political rights and civil liberties suppression on FDI (dependent variable is a logarithm of jobs created)	250
Table 13.1	Executive pay dispersion of our five groups of countries	266
Table 13.2	Definitions of variables in our model and their estimation methods	267
Table 13.3	Descriptive statistics of all variables (Currency: US dollar)	268
Table 13.4	Pay Dispersion vs. Culture Dimensions for our five sub-sample banks	268
Table 13.5	Analyses on Tobin's Q—"a group of Developed Countries banks (63 banks)"	270
Table 13.6	Analyses on the P/B ratio—"a group of Developed Countries banks (63 banks)"	271
Table 13.7	Analyses on the P/B ratio—"a group of Civil Law countries banks (36 banks)"	275
Table 13.8	Analyses on the P/B ratio—"a group of Common Law countries banks (27 banks)"	278
Table 13.9	Analyses on the log (profit)—"a group of Developing Countries banks (29 banks)"	280
Table 13.10	Summary of empirical results	282
Table 13.11	Common Law vs. Civil Law countries	284

List of Appendices

Appendix 12.1	List of recipient countries	253
Appendix 12.2	Correlation Matrix	254

1

Introduction: Towards Advancing the Growth of International Businesses and the Global Economy

Kevin Ibeh, Paz Estrella Tolentino, Odile E.M. Janne,
and Xiaming Liu

International businesses, as a collective grouping, have been among the stellar performers of the post-crisis global economy. The upward trending world merchandise and commercial services exports, largely stable global foreign direct investment (FDI) flows (UNCTAD 2015) and rising average *transnationality indices* for the top 100 non-financial transnational corporations from developing and transition economies (UNCTAD 2014) all illustrate this golden era of international enterprise. So is the heightened internationalization and entrepreneurship of small- and medium-sized enterprises (SMEs; Coviello 2015; Zander et al. 2015). A number of factors might explain the resilience of this economic sector.

The first is the typically masterful way in which international enterprises leverage knowledge and act upon the divergent growth–opportunity–risk profiles offered by different geographies and sectors. The second is their ever-increasing capacity to deploy firm-specific advantages, including strategic and operational capabilities, to pursue growth opportunities in national, regional and global markets, including emerging frontiers. The third is their effectiveness in managing complex, spatially dispersed and diverse business environments, value-laden networks and innovative hubs via a mixture of collaborative and competitive strategies (Giroud and Mirza 2015; Chen et al. 2012). Other reasons for the robust health of IB firms include the continuing emergence

K. Ibeh (✉) • P.E. Tolentino • O.E.M. Janne • X. Liu
Department of Management, Birkbeck, University of London,
Malet Street, London WC1E 7HX, UK

© The Author(s) 2017

K. Ibeh et al. (eds.), *Growth Frontiers in International Business*,
DOI 10.1007/978-3-319-48851-6_1

of game-changing, globally marketed innovations and brands; expanding digital internationalization and globalization; markedly rising outward FDI from developing economies, which now account for the preponderance of global outward FDI flows (UNCTAD 2015); increasing prevalence of strategic asset-seeking M&As by developing economy multinationals (Mathews 2006; Chimanade and Rabelloti 2015; Yang et al. 2014); and deepening intra-regional expansion of multinationals from developing regions, notably Latin America and Africa (Ibeh 2015; Ramamurti and Singh 2009).

Despite the undoubted contributions of these actors, the global economy has continued to stutter, remaining at best in a multi-speed dial (El-Erian 2014; Reuters 2014). This edited volume, a product of the 43rd AIB-UKI Conference hosted by the Department of Management at Birkbeck, University of London, on 7–9 April 2016, aims principally to capture and document frontier ideas and reflections on avenues and strategies for further advancing the growth of international enterprises and the global economy. The title of this book, *Growth Frontiers in International Business*, reflects the above-stated focus.

The term ‘Growth Frontiers’ is used here to encompass avenues, pathways and opportunity triggers that offer potential sources of new radical and incremental growth as well as value creation to international businesses and their home and host economies. These sources may be internal¹ or external² to the organization, or a mixture of both.³ The editors of this volume are pleased to have received contributions, from a diverse cast of established and emergent IB scholars, which richly reflect and illustrate the foregoing conceptualization of IB growth frontiers. These contributions are grouped in four parts that focus respectively on policy frontiers, emerging market frontiers, innovation pathways and ethical growth avenues.

The four parts of the book and their constituent chapters are now discussed.

¹ Internal growth frontiers refer to growth avenues emanating from organizational actions, notably strategic initiatives, innovations, resource configurations or structural or cultural transformation that might enable international businesses take better advantage of new market opportunities.

² External growth frontiers include newly emerging economies, marketplaces, industries, radical innovations or practices emanating from shifts or trends in the global, regional, technological, institutional or socio-cultural environments, which international businesses might capitalize upon to grow further.

³ External–internal growth frontiers encompass opportunity platforms arising from organizational responses to initiatives by national, regional, global institutions to address major global challenges, including inter alia advancing human/equal rights and pay equity/fairness, and combatting climate change and corporate abuses.

Part I Policy Frontiers

Part I comprises contributions on growth-enhancing policy or institutional mechanisms that support businesses to more actively pursue international market opportunities or undertake FDI or re-investment. Chapters 2, 3 and 4 make up this section of the book.

Chapter 2 by Mainela, Puhakka and Sipola sets the tone by discussing the confluence of private–public sector interests and institutional infrastructure that underpin and support start-up industries to undertake international high-growth venturing. Drawing on a review of contextual influences on international entrepreneurship, including the social setting in which international entrepreneurial behaviour is embedded, the authors develop a conceptualization of a collective activity-based start-up industry for international high-growth venturing. Subsequent empirical study of Israeli's start-up industry enables the explication of the contextual determinants of international venturing in start-up industries and contributes to the understanding of start-up industries as a particular growth frontier in IB.

Kalinic and Clegg's Chapter 3 picks up the growth narrative, by focusing on one of the most prominent themes within the economic growth agenda of the European Union, specifically the internationalization of SMEs and the role of public policies and allied initiatives in facilitating this. Reflecting the widespread appreciation of SMEs and entrepreneurial firms as quintessential engines of economic growth, at national and international levels, many governments are actively pursuing policies to support the internationalization of their SMEs. Kalinic and Clegg argue that such support measures must, for effectiveness sake, be underpinned by an appropriately identified and 'proven' internationalization theory (or theories). Pertinent theoretical insights should influence how best to tackle firm-level gaps, for example, regarding availability and terms of finance, capacity-building, knowledge acquisition and 'brand' awareness. The chapter underlines the need for all internationalization boosting measures to contribute to the ultimate objective of enhancing the economic growth of focal economies.

Chapter 4 by Kalfadellis and Freeman continues on the theme of support measures, specifically 'after-care' services provided by inward investment promotion agencies (IIPAs) to attract repeat investment by multinational enterprises (MNEs). Such additions to stock of FDI represent an often-ignored, but important growth avenue in IB. These authors argue that IIPAs need to invest effort and resources, typically via 'after-care' service provision, in nurturing and 'looking after' established MNE operations within their sphere of

interest, given evidence that these firms are likely to engage in repeat investment or upgrade operations in their existing foreign location(s). Based on their study of the perceptions of foreign MNE subsidiaries in Australia, the authors called on governments and their IIPAs to consider varying ‘after-care’ service provision according to the size and age of foreign subsidiaries. They further posit that such differentiation of ‘after-care’ service provision might help to generate growth-boosting repeat investment from larger MNEs as well as SMEs and recently established foreign MNEs.

Emerging Market Frontiers

Part II assembles studies on emerging market firms, arguably the most prominent growth symbols of the past few decades. The three constituent Chapters, 5, 6 and 7, examine the contemporary remarkable growth of international businesses from newly emerging economies, now accounting for the preponderance of global outward FDI flows.

Tang and Pearce’s Chapter 5 discusses the pervasive rise of Chinese and other emerging market multinationals (EM-MNEs) associated with spectacular international growth levels. These authors acknowledge that the earlier-than-expected emergence of these firms as MNEs challenges established thinking in IB theorizing, but argue for their accelerated internationalization to be seen as integral to the processes of their home-country development, in ways that were not relevant to the comparable growth of traditional ‘Western’ MNEs. The chapter, organized around a macro–micro, FSA–CSA framework, suggests that at the macro-home country level, these countries’ development not only generates resources (e.g., capital and foreign exchange) that can be leveraged to support FDI, but also creates imbalances (resource shortages and knowledge constraints) that provide motivations for FDI. This, at the micro firm level, places EM-MNEs’ growth within the institutions of national development and thereby indicates the need for relationship-building competences to secure this position.

Chapter 6 by Coban explores Business Groups (BGs), another increasingly important, internationally active organizational form originating mainly from emerging economies. The chapter underlines the pivotal role of BGs, especially Turkish BGs, in internationalization activities in emerging economies and examines the factors, including unique home-country environmental characteristics, that influence their emergence and enable them to compete with developed country MNEs.

Chapter 7 by Laine and Kuivalainen examines institutional constraints on the internationalization of new ventures in Russia, based on the premise that re-engineering and upgrading the institutional environment in previous command economies such as Russia might offer an important new frontier for boosting new venture creation and entrepreneurial internationalization. Drawing on interviews with entrepreneurs and government officials, specifically regarding their perceptions and experiences of the impact of Russian institutional environment on entrepreneurial growth and internationalization, the chapter illuminates and discusses critical impediments to the growth and internationalization of new Russian ventures. The authors also offer practical insights on how the internationalization of entrepreneurial ventures might be facilitated through improvements in the institutional environment.

Innovation Pathways: Sectors, Knowledge Flows and Entry Modes

Part III accommodates studies of emergent IB sectors whose relative newness to internationalization opens up spaces for new international market actors and offers additional IB growth opportunities. Also included here are chapters on knowledge flows and entry mode options, which reportedly have positive implications on growth at various levels. Each of the four chapters, 8, 9, 10 and 11, constituting this part of the book is now discussed.

Chapters 8 and 9 focus on a recently emerging internationalization growth pathway, specifically the innovative expansion of socially oriented organizations and arts organizations into international markets. Ritvala, Piekkari, Franck and Granqvist's Chapter 8 draws on a qualitative study of the Guggenheim Foundation to discuss the relatively recent opening of foreign outposts by art museums, largely overlooked in IB research. Contending that museums provide an interesting context to study how institutional complexity shapes internationalization, and using an innovative narrative methodology, the authors found the foundation's internationalization process to be characterized by unpredictability and complex political negotiations. They also found that non-business actors had a powerful voice and that past international market entries and heritage shaped subsequent moves. The next chapter, by Jie, Saarenketo and Puumalainen, adds to the scant knowledge base on internationalization of socially oriented organizations, by exploring three potential determinants, specifically organizational form or relative economic sustainability, social nature or type of interventions undertaken and home

country's institutional environment. Based on a data set of 271 socially oriented organizations from 63 countries, these authors found that organizations undertaking social interventions aimed at improving beneficiaries' satisfaction with employment opportunities and employment conditions were less likely to be international than their counterparts that do not undertake such interventions. Socially oriented organizations that conduct social interventions to improve beneficiaries' satisfaction with formal and informal education, natural and communal environment, physical and mental health, or access to physical resources such as clean water, energy and housing were found more likely to be international than those that do not conduct such interventions. The study also found that nonprofit organizations do not differ significantly from social ventures in terms of likelihood of internationalization, and that stronger and better-developed institutions in the home country facilitated the internationalization of socially oriented organizations.

In Chapter 10, Cook, Shevtsova, Lööf and Larijani continue on the innovation theme, by examining the impact of local and global external knowledge on the productivity and innovativeness of MNEs located in various UK regions. This study's focus on productivity, measured as total factor productivity, is critically important as it is a driver of long-run growth, a major focus of this book. The authors distinguish between high-technology and low-technology industries, use the global openness of regional industry and regional economy as proxies for global knowledge flows and assess the effect of access to complex and tacit knowledge on innovation. The study finds, *inter alia*, that access to knowledge-intensive professional services had a generally positive and significant effect on productivity growth in domestic MNEs, but not on patenting. The effects of openness to trade were also found to be generally positive and sometimes significant for productivity growth.

Chapter 11 by Ahi and Kuivalainen draws on real options reasoning to conceptualize firm entry mode choices as alternative investment opportunities with varying growth implications. As the authors argue, noticing and later exercising shadow options offer potential growth opportunities to firms entering international markets, depending, however, on the firm's attention structure and entrepreneurial orientation. The chapter attributes entrepreneurially orientated firms, with requisite internal capabilities and attention structure, with greater likelihood of noticing and exercising effective shadow options (or selecting more appropriate entry modes), hence achieving international market growth. Two illustrative practice-based examples are used by the authors to further develop the arguments made in the chapter, which ends with a discussion of its contribution to enhancing firm's growth in uncertain global markets.

Ethical Growth Avenues

Part IV accommodates the final two chapters of the book devoted to the ethical underpinnings of growth, specifically the role of democratic values and pay equity in facilitating firm performance and FDI inflow, hence economic growth.

Filippaios, Annan-Diab and Hermidas' Chapter 12 suggests that the deepening of democratic tenets offers an important avenue for promoting inward FDI, job creation and economic growth in host economies. Cognisant of the contrasting previous findings on democracy level-inward FDI relationship the authors introduced a number of conceptual refinements, notably using disaggregated measures of democracy (civil liberties and political rights) and integrating the investing MNEs' motivations and existence of human capital as moderators. Their empirical tests, which drew on vast, longitudinal sample of investment projects in 110 developing and emerging economies, found a non-linear relationship between civil liberties and FDI and a positive moderating effect of human capital on this relationship.

Based on the view of pay equity as a probable 'new frontier' for enhancing firm performance and growth internationally, Chapter 13, by Yu and Luu, examines the relative relevance of equity fairness theory (smaller pay dispersion) and tournament theory (greater pay dispersion) in explaining firm performance and global valuation. Controlling for cultural differences across countries, they found evidence that equity theory prevails in most sub-groups of their sample. The authors, thus, call for greater adoption of pay equity or lower pay dispersion among international corporations given its overall positive impact on corporate performance and growth.

Conclusion

Taken together, this book showcases external (Parts I and II), internal (Part III) and external-internal pathways or frontiers to international growth available to organizations across demographic divides. The overarching message can be summarized as follows. First, effective policy and institutional support measures are still enduring sources and catalysts for growth at multiple levels—micro, macro, local, regional, international and global. Such support measures appear to underpin the high-growth international venturing witnessed among start-up industries and can be similarly influential in boosting internationalization and repeat investment among SMEs and foreign direct