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GLOBALIZATION AND DEMOCRACY: A SUMMARY

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ABSTRACT

The idea of whether or not globalization promotes democracy has been a longstanding debate. Many strong cases may be made in favor of and against this theory. There are numerous arguments that can be made to endorse the idea that globalization promotes democracy. First, the technological innovations that arrive with globalization bring with it advances in communication that enable citizens to pass along information more freely, and this in turn helps to educate society. Also, globalization helps the professional and middle class grow. These two groups, in turn, assist the process of democratization. Additionally, it should be noted that as globalization continues, it becomes more difficult and costly for an undemocratic state to rule.

It is possible to argue against the theory that globalization promotes democracy. Many times due to globalization, authoritarian governments' control is prolonged by the economic prosperity that is experienced. The citizens associate the booming economy with the current form of government. At times during globalization, foreign companies will set up a manufacturing plant in another country. Soon that country's economy will experience a period of prosperity but will then become reliant upon that one plant. If that company decides to close the plant, the country's economy will be destroyed. Another argument against the theory that globalization promotes democracy is that it creates a big gap between the wealthy and the poor.

These arguments bring to light some concerns for a manager dealing in international business today. Profits cannot be a manager's only concern, especially when doing business with or in a foreign country. Companies must realize that when they are dealing with foreign companies, they are not only representing their company but also their country. It is of the utmost importance that the welfare of the community, its individuals, and the environment are taken into account.

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INTRODUCTION

A number of factors affect the extent to which globalization does or does not promote democracy. The term globalization has existed for quite sometime but has only become a popular buzzword in recent years. This is due in part to the economic and political changes that took place after the Cold War. The factors include - but are not limited to - technology, interdependence, political and economic alignments, and economic opportunities and competition. International disciplines are not a current phenomenon but rather a means for understanding our global society and the process of globalization. It has been debated whether globalization drives democracy, and critics have argued for both sides of the issue.

Globalization is "best thought of as a multi-dimensional phenomenon involving diverse domains of activity and interaction including economic, political, technological, military, legal, cultural, and environmental" (Held, 1997, 16). While the above is a basic definition of globalization, in actuality it is too complex to be summed up in a single sentence. Additionally, the significance of globalization differs for individuals, groups and countries (Held, 199). This means that depending on which country you are dealing with, globalization can be more or less of a factor. For instance, among the cultural elites of the world, globalization is more of an influential factor when compared to a Third World country. This is not to say that countries like Sudan and Ethiopia are unaffected by globalization, they just usually seem to have less of a stronghold on the actual forces involved. In other words, these countries are still influenced by globalization but often cannot control the forces (Held, 199).

Democracy according to the contemporary definition is generally a type of government that "relies on elected representatives and tends to draw a distinction between the public and private spheres" (Walt, 2000, 38). Additionally, a number of elements seem to be common to all those societies that are known as democracies. These elements include elections, competition for public support, and the governing bodies' accountability to the people (Walt, 2000, 41). While the above terms do describe what we might call democratic concepts, a number of other factors differentiate democracies from other types of states. A democracy is a "system in which no one can choose himself, no one can invest himself with the power to rule and, therefore, no one can abrogate to himself unconditional and unlimited power" (Walt, 2000, 36). In a democratic system the voters who elected the officials into power hold rulers accountable.

This paper will discuss arguments both for and against globalization powering democracy. At the end, we will share our thoughts on the issue as well as discuss the impact this has on the role of a manager in business today.

LITERATURE REVIEW

Opposing Thoughts

Benjamin Barber speaks of two controversial "schools of thought" in his article entitled "Jihad vs. McWorld." Jihad relates to hundreds of narrowly conceived faiths against every kind of interdependence, every kind of artificial social cooperation and civic mutuality. In other words, Jihad is against globalization and therefore democracy as well.

On the other hand, McWorld refers to the onrush of economic and political forces that demand integration and uniformity. These forces mesmerize the world with fast music, fast computers, and fast food. The momentum of these forces press nations into one commercially homogeneous global network tied together by technology, ecology, communications, and commerce. These two forces operate with equal strengths but in opposing directions. Jihad is driven by parochial hatreds, and McWorld is powered by globalization and integrating people and economies (Soe, 2001).

McWorld is primarily driven by four factors. These include a market imperative, a resource imperative, an information-technology imperative and an ecological imperative. Essentially, these forces are responsible for shrinking the world and diminishing national borders.

A market imperative gives a good link to how democracy drives globalization. Many international organizations are created for the promotion of trade. It is not coincidental that a majority of these is run by democratic ideals. Common organizations and markets demand a common currency, language, and the like. The Western model of democracy has proven to be strong when compared to alternative political institutions. Resource and information-technology imperatives are essential to the concept of globalization. Humans, by nature, are dependent on each other. This way of living promotes interdependence by providing a medium for exchange. McWorld, or globalization, is a primary driver of democracy in many respects. It serves as a sanctuary for people of all ethnic and national backgrounds.

Karl Marx believed that workers would unite under Communism on an international level. Since Communism failed, a system like democracy based more on individuality is highly unlikely to spread. Globalization, if followed by democracy, will create unequal social classes that will ultimately revolt. Political scientists concur that political institutions and economic institutions are inherited from the past. This provides strong framework for shooting down democracy following in the footsteps of globalization.

As of yet it is hard to determine whether one promotes or needs democracy. We will further our discussion of this topic through case studies, facts, and opinions. There is much to be said about both sides, and many conclusions to be drawn.

There are many possible “answers” to this issue but not one single definitive one. If there were a clear-cut answer, the discussion of this topic would be much more straightforward and not geared for an analytical paper such as this. There are positives and negatives to globalization, and that in many cases, globalization does promote democracy. While this is all well and good, there are other things that need to be taken into consideration, such as who really benefits from these business ventures? What happens when they go wrong? Finally, who is in charge on a global scale?

CONCLUSION

We have analyzed a two-sided model in this paper. The first side relates to the extent that globalization promotes democracy. The second, or opposite side, is the extent to which globalization hinders democracy.

We have viewed these topics through perspectives of others, cases, facts and opinions to draw some conclusions. This question can be pose is: Does globalization promote democracy? The answers to this question seem to be inconclusive. We agree that globalization does play a role in the spread of the democracy, but the question remains: To what extent is this positive.

A possible extension of this study might include a statistical analysis of the spread of democracy and the success factors that allow developing nations to overthrow authoritarian regimes. Also, the ethical implications of this topic could be an interesting direction of study.

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FOREIGN AID AND THE POTENTIAL EFFECTS ON INCOME INEQUALITY IN RECIPIENT NATIONS

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ABSTRACT

Foreign aid can be effective in promoting economic growth and reducing poverty but there are also cases where aid has been wasted by the recipient nation. This study examines the effectiveness of foreign aid on income inequality, as measured by the GINI coefficient. Several studies have documented that foreign aid has a positive effect on economic growth, but few studies have focused on the impact that aid has on income inequality. While economic growth should benefit the economy as a whole, economic growth does not imply that income inequality will improve. Using data for twenty-nine countries and controlling for a variety of factors, the results of the study suggest that increased aid may actually be associated with higher levels of income inequality in the recipient nations. However, the results are sensitive to model specification.

ESTABLISHING BRANDS AS RENT GENERATING ASSETS IN INTERNATIONAL MARKETS: WHEN TO SHARE THE RENT WITH LOCAL INTERMEDIARIES

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ABSTRACT

Economic development throughout the world is allowing many companies to expand their markets and introduce their brand names and branded products in new international arenas. In this paper we view brands as rent-generating assets because they meet the RBV (resource based-view of the firm) criteria for being sources of competitive advantage - they are rare, valuable, non-substitutable, and inimitable. Traditionally the owner of an asset collects the rents generated by that asset; however, in this paper we recognize that in developing international markets there are situations where it is optimal for the owner of the brand to share rents with the distribution channel (local intermediaries). The basic notion is that the intermediaries frequently can take action that validate and enhance brand equity, and consequently generate and increase the rent. We consider three characteristics of international markets - general acceptance of branded items, consistency of meaning of the brand and acceptance of foreign goods (especially western or American). We examine different conditions for each characteristic and examine the efficacy of 'pull' (manufacturer, brand), 'push' (distribution channel, local advocates) or mixed strategies promotional strategies. The paper concludes by identifying the rent sharing implications of the prescribed strategies.

RESOURCE BASED VIEW

The resource based view of the firm (RBV) sees maximizing rents over time as the primary goal of strategy formulation. Imperfect market, imperfect market information, factors of production which are at least partially immobile, and production functions that at least partially undefined are the major ideas behind RBV (Mahoney, 2001). Unlike in economics, in RBV the unit of analysis for understanding sources of above-normal returns is the firm rather than the industry, which allows to address the inter-firm, intra-industry differences in profitability (Mahoney, 2001).

In the RBV the firm is a combination of heterogeneous resources allowing the firm to achieve competitive advantage when the resources are employed in an efficient and unique manner (Wernerfelt, 1984; Barney, 1991). Such resources include reputation (Grant, 1991).

Competitive advantage from resources and capabilities is realized through the company's ability to leverage them (Grant, 1998; Hamel & Prahalad, 1994). Unless the organization has the complete array of resources and competencies for a chosen technology, these capabilities must be obtained from outside the firm (Pfeffer & Salancik, 1978).

ECONOMIC RENTS

The idea of economic rents is linked to the works of David Ricardo and is based on the idea that a scarce resource can bring economic rent (Schoemaker, 1990). The scarce resource in question can be either a physical, tangible one (land, unique equipment, unique location, etc.) or an intangible one (unique abilities, talent, beauty, skills, patents, etc.).

Economic rents, whether pure economic rents or quasi-rents, monopoly or Ricardian rents, can be considered above-normal returns accrued to a resource or capacity. Economic rent requires rejecting the equilibrium assumptions of neoclassical economics and assuming market imperfection, the cornerstone of strategic behavior aimed at the creation of sustainable competitive advantage (Hunt, 1995). Rent can be generated at the industry or firm level. Individual companies can generate rent through resources and capabilities that are rare, too difficult, too costly or impossible to imitate or substitute (Schoemaker, 1990). The overall capacity of an industry to produce rents is related to barriers to entry. Strategic use of the company's resources and capabilities can bring additional returns particularly through efforts to increase demand.

BRAND, RBV AND RENT

A brand is an intangible product characteristic. To the consumer the brand becomes a symbol; a perceived representation of everything the branded product is about. Consumers form relationships with the brand (Aaker, 1997). Customers use brand names as a proxy for other product characteristics, and to identify who and what they are to themselves and others. To a producer, the brand is an asset. Some firms with strong brand names directly incorporate brand value into publicly released balance sheets.

Successful brands are rare, valuable, inimitable and non-substitutable organizational resources, meeting the RBV criteria for being a source of competitive advantage (Barney, 1991). A brand's development requires substantial expense and considerable time (Capron & Hulland, 1999). The resultant investments, unique history and experiential associations make the brand rare, valuable and inimitable. No other strategic resource can substitute the ability of a strong brand name to attenuate problems of asymmetrical information.

The brand name and image by themselves generate utility for the consumers (Keller, 2001), which increases the demand for the branded product. Brand influences demand in two ways, through highly positive components of consumer's utility functions compensating for the disulity of higher prices, and decreases in consumer's price sensitivity (Erdem, Swait & Louviere, 2002). By increasing the demand brands bring to their owner economic rent above and beyond what would be expected for the industry as a whole (Amit & Schoemaker, 1993).

RENTS AND DISTRIBUTION CHANNELS

A marketing channel actualizes the demand by making it possible for the customers to purchase the product. Channel members (retailers, distributors, dealers, etc.) can influence demand for the branded product and/or affect brand equity by undertaking efforts to uphold the manufacturer's overall brand positioning strategy; and taking action to boost the selective demand for the product or brand. Managing the channel relationship can boost competitive advantage and actualize (and potentially increase) rent (Srivastava et al. 2001).

'Push' and 'pull' are basic strategies for building and maintaining demand for products that reach the public through intermediaries. A 'pull' strategy generate customer interest through advertising, consumer sales promotions such as coupons, sweepstakes, etc, public relations actions such as news releases, sponsoring events, and other tools so that consumers seek the product in stores. A 'push' strategy involves the manufacturer inducing the channel to carry its products, primarily through incentives (Kotler, 1997, p.627).

Reliance on 'pull' strategy is coupled with the manufacturer extracting and retaining rents, whereas 'push' strategy transfers the rent to the channel members. The idea behind the pull strategy is that a strong brand that commands brand loyalty will have to be supported by the channel since not only the demand for it is reasonably guaranteed but it also might increase the demand for the retailer's other products. In the case of such consumer demand the level of value added service expected of the channel members to uphold the product's brand equity should be relatively low. In this case, the selective demand for the branded product is stimulated by the manufacturer. As long as the channel members uphold their contractual obligations, the rents will be generated and accrue to the manufacturer.

If the product needs much effort (service, weight of store's own name, promotional support) from the channel member to build and maintain its brand, then the demand is being shifted through joint effort. 'Push' promotional strategy transfers the effort of shifting the demand to the channel members (Farris, Olver, & de Kluyver, 1989). The higher the channel participation, the greater the degree of rent sharing needed to assure participation.

IN THE INTERNATIONAL ARENA

International markets vary in their potential to generate rents and conditions under which it can be best achieved if at all. Generally, a country's attractiveness as a market depends on two economic factors: the country's industrial structure and its income distribution (Kotler & Armstrong, 2004, Ch. 19).

Attitudes toward international buying in general, and American brands in particular, is an important factor that influence the success of the brand and rents generated by it (Rawwas & Rajendran, 1996). Consumer nationalism, that is preference of domestic over foreign products, when widely spread, decreases the opportunities for the brand to generate rents in that country, in particular, leading to perceptions of lower quality of the brand. On the other hand, there are "worldminded" consumers who may prefer certain foreign brands, consider them of higher quality and thus help generate rents (Rawwas & Rajendran, 1996).

The hostility of legal and institutional environment, that is, the degree to which contracts and property rights can be enforced in the foreign country have been shown to be an important factor in forming a relationship with a foreign distributor and the latter's opportunism (Cavusgil, Deligonul & Zhang 2004). In a hostile environment, the distribution opportunism is curtailed when the manufacturer relies on trust-based mechanisms rather than formal contracts (Cavusgil et. al 2004).

The issue of "Americanization" is of additional concern to brands associated with the US (such as Coca Cola, McDonalds, and Marlboro). Americanization is adoption of American 'patterns of production, consumer behavior, and ways of life' (Barjot, 2003; Avraham & First, 2003), which American brands (along with their promotion & distribution arrangement) are expected to propagate. There is an issue with the desire to avoid "Americanization" and losing own identity, and there is disagreement and dislike for particular actions by the American government or particular facets of the American life. Rises in anti-American feelings in a particular country may lead to decrease in the rents that brands can generate (Anonymous, 2004). Generally, the perception of the Country's image is very important to the marketing success of products originated in it (Balabanis, Mueller & Melewar, 2002).

Government bureaucracy, its laws, regulations, practices is another important factor in determining the degree of brand success and its rent-generation capacity. For example, resistance in Germany to price liberalization including ban on coupons and other promotional tools that result in discounted pricing have created barriers for book discounters such as Barnes and Nobles (Steinmetz, 1997). In some countries, it is often difficult and costly to terminate a relationship with a local distributor (Ghobril, 1997), which would both, stand in the way of generating the rent, and also possibly extracting the rent (or even recover the investment). Monetary regulations in particular countries may complicate matters further. Last but not least in the political-legal environment is the risk of political instability in the developing countries (Jennings, 1998). Political turmoil may negate any and all investment in the area altogether, far beyond the loss of brand rent.

Consumers in various foreign markets have separate, different from one another systems of deeply entrenched cultural meanings that may pose difficulties in maintaining and communicating the brand image (Kates & Goh, 2003). Furthermore, expectations and ways of working with the channel members vary.

Rent sharing associated with promotional strategies of ‘pull’ vs. ‘push’ discussed in the section above obtains new angles when the channel member is in a foreign country. On the consumer side, we consider three characteristics to be of importance for the company’s promotional strategy (see Table 1): whether the consumers accept the brand name as a cue of quality and features, whether the brand has integrity of meaning, which is consistently understood by the consumers, and whether the are issues with “Americanization”, or, more broadly, the political/ideological implications of the brand’s country of origin in the consumer minds (and whether they are accepting of those implications).

Table 1 –Market Characteristics for Promotion Strategy

Characteristic	Description
Acceptance of Brands as Indicators of Quality	General acceptance of branded items
Brand Integrity	Consistency of meaning of the brand
Acceptance of ‘Americanization’/ Westernization	General acceptance of American branded items

The implications of the three factors above are summed up in Table 2. The higher the consumer’s reliance on brand names for symbols of quality, the less support is needed from the channel partners to help sell the branded goods, once the positive association has been established. The more consistent the meaning, the easier it is to establish and maintain the associations and therefore the less support from the channel is needed.

Finally, the more accepting the consumers are of the political/ideological loading of the brands’ country of origin (if any), the easier it is for the brand to “sell itself.” It follows that higher levels of those factors are associated with more reliance on Brand Pull and less Channel Push promotional strategy, and consequently, consistently with the discussion in the previous section, lower levels of rent sharing are required.

Table 2 – Promotion Strategy, Rent Sharing and Market Characteristics

Promotion Strategy	Brand Pull	Channel Push
Sharing of Rents	Low	High
Market Characteristic		
Acceptance of Brands	High	Low
Brand Integrity	High	Low
Acceptance of ‘Americanization’	High	Low

CONCLUSIONS

Brand is a valuable, rare, inimitable and non-substitutable asset, meeting RBV criteria for a source of competitive advantage. It increases the demand for the product and thus generates economic rents for its owner. However, it is through the channel members that this rent can be actualized. To realize the brand’s potential, it may be necessary to share the rents generated by the brand in order to induce the support by the channel members. Reliance on ‘push’ promotional strategy implies higher levels of rent sharing, and ‘pull’ strategy implies lower levels of sharing.

The level of sharing the rent with a foreign channel member will depend, aside fro legal, monetary and economic particularities of the country, on three major factors: degree of acceptance of brands as a mental shortcut, the degree of brand integrity in the country, and the acceptance of 'Americanization.' The higher the level of each of these factors, the more appropriate the 'pull' strategy is, and the lower rent sharing needed. Vice versa, the lower the level of each of these factors, the more appropriate 'push' strategy is and the higher the rent sharing recommended.

References available upon request.

AN EMPIRICAL MODEL FOR DEVELOPMENT AND IMPLEMENTATION OF INTERNATIONAL STUDENT EXCHANGE PROGRAMS FOR BUSINESS MAJORS

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ABSTRACT

Study abroad provides students with an exceptional educational opportunity as well as the opportunity to develop a unique perspective of the world. Not only are students able to study and apply marketing and other business concepts, students also develop an understanding of people from other cultures and the way they live. Researchers also report increased interest in academic study overall and increased self-confidence.

Traditionally, study abroad programs focused on liberal arts majors seeking to experience study in "the laboratory" where history, art, music, literature, or language skills often developed. Today, however, the need for trained business and marketing professionals prepared for the global marketplace is greater than ever. Studies also emphasize the value of internships while studying abroad as a means to provide better career direction.

More colleges and universities are providing or requiring international study abroad programs of their business majors. According to the U.S. Department of Education, the number of programs with an international focus has increased from fifty in 1972 to more than three hundred in 2001. Pennsylvania State University reports that twenty-five percent of employers seek to hire graduating students with some international exposure.

This paper provides a case history of the development of a study abroad program and a model approach for other educators seeking to develop a study abroad program for business majors.

GAINING A PERSPECTIVE ON TURKISH VALUE ORIENTATIONS: IMPLICATIONS FOR EXPATRIATE MANAGERS

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ABSTRACT

Turkey's emergence as a significant player in the international business arena and its potential membership with the EU have created a need to gain a better understanding of Turkish cultural values. The primary objectives of this paper are to offer Western expatriate managers (US, UK, Germany, France, Holland, etc.) an accurate perspective of Turkish national culture and discuss their impact on business practices. It is hoped that this knowledge will aid in the success of Western expatriates during their assignments in Turkey.

INTRODUCTION

Turkey is strategically located at the cross-roads of southwestern Asia and southeastern Europe bordering the Black Sea and the Mediterranean Sea, sharing its northwestern border with Greece and Bulgaria; its western border with Georgia, Armenia, and Iran and its southeastern border with Syria and Iraq. Additionally, Turkey was also identified as one of the "big 10" emerging economies by the Clinton administration (CIA World Fact book 2003; http://economist.com/countries/Turkey). With a GDP of $240 billion, the Turkish economy is currently ranked as 17th largest in the world. The leading trading partners are Germany, UK, US, Italy, Russia, Switzerland and France.

The liberalization of the Turkish economy and the transition to a free market has increased interaction between Turkish nationals and managers from Europe, UK, and the US. The level of business activity is expected to increase with Turkey's projected membership into the EU community scheduled for 2015. Despite these developments, many Western managers continue to harbor several fears, doubts, and stereotypes of Turkish culture (Dombey and Boland, 2005). A large number of Europeans have serious concerns about Turkish identity with European culture and commitment to secularism.

The skepticism was further enhanced when the Turkish government proposed a change to the penal code in 2004 that would make adultery a criminal offence. This move seriously jeopardized Turkey's accession talks with the EU community—the issue was finally resolved when the Erdogan administration withdrew the proposed legislation.

So, is Turkey a secular state or an Islamic one? Are Turkish values and beliefs impacted by religion? Are values and beliefs followed uniformly throughout the country? Are there cultural differences between urban and rural areas? Answers to these questions would go a long way in helping Western expatriates gain a better understanding of Turkish culture and values. Besides dispelling negative stereotypes, this cultural understanding will enable Western expatriates to adapt their business and other management practices to be compatible with Turkish culture.

EVOLUTION OF TURKISH VALUES-THE PRESENCE OF DUALISM

Turkey is a country whose history spans many centuries across two continents. It is imperative to gain an understanding of Turkey's history to understand Turkish values. Scholars who have studied modern day Turkish culture have noted the "dualism" of values that is characteristic of Turkish society. Dualism has evolved due to a juxtaposition of Western secular values with traditional Turkish values such as conservatism and collectivism (Wasti, 1998; Kasaba and Bozdogan, 2000; McDaniel, 2003). Dualism also exists as the pace of industrialization and modernization has impacted different segments of Turkish society in very different ways. According to Cavusgil et al., (2003, p. 476), "…in major urban areas there is the same cosmopolitan atmosphere found in any modern city in terms of infrastructure, lifestyles, fashion, and shopping habits. In the rural sector, traditional social values are still safeguarded." Wasti (1998, p. 15) notes, "…there is a striking difference in the values and lifestyles of the 'Westernized' urban segments of the society when compared to the rural population and city dwellers."

In his study of Turkish sub-cultures, Kozan (2002) identified two distinct groups, *Traditionalists* and *Egalitarians*. *Traditionalists* would like to adhere to a more traditional outlook and lifestyle infused with Islamic values (not be confused with those advocating a fundamentalist perspective). The first group (*Egalitarians*) continues to press for Westernization, secularism, and modernization whereas the second group Members of the military, civil bureaucracy, and long-time urban residents display a secular and Western outlook. *Traditionalists* are predominantly from smaller towns, villages, rural areas and include recent migrants to big cities—they are not part of the traditional power structure, have not occupied the seat of power but their numbers are growing and many political parties are paying greater attention to their needs and aspirations.

In recent years, there has been a mass migration of *Traditionalists* from rural areas to cities where *Egalitarians* have traditionally tended to dominate. This contact has led to the emergence of a third group in the Turkish social scenery that is a hybrid of both Traditional and Egalitarian values. We label this emerging third cultural group as Turkey's *Islamic Democrats* (a.k.a. Mainstream Muslims or Mild Muslims) and consider this group to represent a middle position in the continuum of Turkish values. The vast majority of *Islamic Democrats* support globalization and Turkey's membership in the European Union. Further they consider open relations with Western nations as one of the best guarantees of political and religious freedom (Kasaba & Bozdogan, 2000; Rouleau, 1993).

TURKISH CULTURAL VALUES AND THEIR IMPACT ON MANAGEMENT PRACTICES

Hofstede (1980) and Trompenaars and Hampden-Turner (1998) have identified Turkish culture as being high on *collectivism*, *power distance*, and *conservatism*. Therefore, many Turkish organizations have centralized-decision making structures, a personalized leadership style that is both autocratic and paternalistic, emphasis on hierarchy, and a patronage relationship between the leader and subordinate.

Western expatriates should demonstrate sensitivity and flexibility in their leadership styles to be effective with Turkish peers and subordinates. A paternalistic yet personalized leadership style may be most effective with subordinates discussed earlier (Pasa, 2000). Alternatively there may be subordinates schooled in Western thought who are independent in their behavior and outlook. Leadership styles that delegate authority and independence and which are more participatory in nature would be more effective with the latter group.

Expatriates should be aware that Turkish culture places a premium on *being hospitable*, *cultivating personalized relationships*, and *saving face* (Cavusgil, Civi, Tutek, Dalgic, 2003; Kozan and Ilter, 1994). In social situations, there is an expectation that each and every person in a room should be *personally greeted*—not doing so, is considered as an insult resulting in an individual to lose face. Turkey is a *high context culture* where verbal communication and personalized face-to-face contact are emphasized more than written communication. Therefore, business lunches and dinners tend to be more formal and long drawn out affairs.

Personal and professional relationships overlap in Turkish culture (Taylor and Napier, 2001). An expectation of reciprocity based on friendship may be viewed as an intrusive habit by Western expatriates—on the other hand, lack of reciprocity may be viewed as a let down by Turks and an insult to their pride creating loss of face. Expatriates are encouraged to use indirect, subtle, and face-saving communication techniques if they are unable to comply with such requests.

Turkish culture is *polychronic* therefore, from a Turkish perspective, effective managers are those who promptly tend to peoples' requests while simultaneously dealing with multiple tasks. Notwithstanding *polychronic time orientation*, punctuality is important and expected in business settings. The emphasis regarding punctuality is *mixed*; it is more important in urban than rural areas.

Aycan (2001) notes that many Western human resource (HR) management practices should be modified/adapted for Turkish work environments. Given the high power distance in Turkish culture, performance evaluations tend to be one way, i.e. from the superiors to the subordinates. Self-assessment exercises were ineffective as Turkish employees tended to rate themselves considerably lower than their superiors. These results suggest that the use of 360 degree feedback processes may have limited relevance in Turkish work environments. Additionally, given the importance of saving face and maintaining group harmony, giving negative feedback in a direct manner may create conflict.

In two separate studies, Kozan (1989, 2002) found that hierarchy played a significant role in impacting Turkish conflict management styles. Overall, the tendency was to be more accommodative towards one's superiors (respect for authority); suppressing/and or avoiding competition between peers (focus on collectivism and group harmony); and imposing solutions on subordinates (analogous to a parent-child relationship). In his 2002 study, Kozan found that while both *Traditionalists* and *Egalitarians* chose problem-solving as the most preferred approach suggesting a social desirability bias. *Traditionalists* chose avoidance as the fallback option while *Egalitarians* chose accommodation as their fall back option. These results have implications for expatriate managers working for multinationals who will deal with a variety of Turkish nationals. They need to be trained to identify diversity and become familiar with appropriate conflict resolution styles of various Turkish groups.

An issue of great interest would be the assignment of women expatriate managers to Turkey. Taylor and Napier (2001, p. 359), conclude that subject to certain conditions, "In general, if properly prepared, a woman professional should have no great difficulty in working successfully in Turkey, and can be just as successful if not more so than a foreign man." Women executives can maximize their effectiveness by: working in certain types of occupations such as accounting and banking over others like agriculture, occupying a senior position in a multinational or a large Turkish holding company, being older, working and living in bigger cities like Istanbul and Ankara which have several entertainment and social outlets, and being married. A large amount of Turkish social life revolves around the family-therefore social options are limited for single women.

The secular values adopted by Ataturk, have given Turkish women access to institutions of higher learning and the right to vote. On the flip side, since women are considered to be responsible for raising children and maintaining family relationships, these societal expectations again act as barriers to career advancement. These factors are an illustration of the dualism that is characteristic of Turkish society. Turkish women comprise 36% of the labor force population (Fullager et al., 2003). All trends indicate an increasing participation of women in Turkish organizations.

CONCLUSION

We hope that the earlier discussion aids in the success of Western expatriates who are assigned to Turkey. This information should be considered as a starting point to an expatriate's cross-cultural awareness of Turkey. Turkey's ties to Europe are bound by history and commerce. Turkey is a member of NATO, OECD, the Council of Europe, the Conference of Security and Cooperation in Europe, etc. Turkey receives huge capital inflows from European countries; it's primary trading partners are all based in Europe. As Turkey's projected date of 2015 looms closer, the pace of free market reforms and openness of Turkey's economy will continue to increase.

Next, Turkey is a diverse country and the expatriate manager will experience diversity in their interaction with Turkish nationals. Three cultural groups were identified and discussed—these 3 groups should be considered representing a continuum in Turkish society. *Traditionalists* represent Turkish values that predate the establishment of the Republic; the *Egalitarians* who represent Turkish values that Kemal Ataturk sought to inculcate; and the *Islamic Democrats* who combine elements of the previous two groups. Expatriate managers must first learn to recognize cultural differences among Turks and become aware who they are dealing with. Conflict-resolution or communication styles that work with *Egalitarians* may be ineffective with *Traditionalists* and vice versa.

Partly due to history and partly due to recent events such as 9/11 attacks on the World Trade Center and other acts of terrorism by a religious minority, many in the West are unable to differentiate between moderate Muslims versus Islamic fundamentalism and extremism. They are unable to distinguish between the dictates of a theocratic state like Iran versus a vibrant democracy like Turkey where many Turks who are active devout Muslims also wish to live in a secular country. According to Kramer (1999), Islam will continue to play an important role in Turkish politics, but it is exemplified by a progressive outlook that is appealing to many urban middle class residents and younger generation. Europeans and others who deal with Turkey must acknowledge this emerging image as a fact.

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ENTREPRENEURIAL FIRMS IN THE INTERNATIONAL ARENA

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ABSTRACT

This paper presents some of the findings of an ongoing, longitudinal study of high growth entrepreneurial firms that had successful implemented their global strategies. While most SMEs produce a service or product that could be competitive in international markets, many are unsure of the appropriate strategy for entry. In 1993-1994, in order to provide insights into how domestic SMEs could successfully enter the international arena, a study was conducted of 100 high-growth firms that had recently "gone international." The sample was drawn from Inc.magazine's list of the top 500 smaller U.S. companies. It was noted at that time, however, that the performance and relative success of these firms need to be ascertained over a period of time. Thus, the present study discusses an in-depth investigation of these same firms—ten years later- in order to assess their performance over a time span. Follow up data was obtained from each firm by mail survey and telephone and personal interview. Accordingly, we explore the changes that occurred as internationalism proceeds. The results provide more insights into patterns and experiences of foreign market entry among SMEs and suggest several recommendations for overcoming obstacles and continued growth in the international arena.

RECENT CHANGES IN MAJOR EUROPEAN STOCK MARKET LINKAGES

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ABSTRACT

The gradual lifting of restrictions on capital movements and the relaxation of exchange controls in recent years have led to a substantial increase in international stock market activities. Due to several recent developments, many experts suggest that stock markets have moved toward a far greater degree of global integration, which has led to a renewed interest in the efficiency of international financial markets. This paper examines the extent to which the linkages of the twelve largest European stock markets have changed over the last decade. The findings suggest the presence of distinct systematic relationships among these stock markets. Such relationships, typical of the existence of overall market efficiency, make it more difficult for investors to generate abnormal rates of return in these markets.

THE CLIMATE FOR FOREIGN DIRECT INVESTMENT IN SOUTH AFRICA

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ABSTRACT

A key factor in a country's or region's economic growth, foreign direct investment can affect the country/area in a variety of ways including capital formation, transfer of technology and innovation, and access to international markets. Any positive effects will depend upon how the host country or countries deal with the issues that attract foreign direct investment and create a comfortable business environment for investment. Such issues include the political structure, political corruption, trade, efficient markets, enforceable contracts and property rights.

The Gross Domestic Product growth in Africa has been dramatically lower than other areas of the developing world such as Latin America and Asia. Africa has an abundance of natural resources including oil, diamonds and platinum. However, a history of political and government instability, economic instability, government corruption, inadequate infrastructure, poverty and disease have prevented the increased economic development created in other parts of the world. Two other important issues vital to increased direct foreign investment include property rights (which comes with privatization) and enforceable contracts. Africa has made strides in this direction over the past decade.

However, progress is still in its beginning stages. Many issues remain that can continue to deter direct foreign investment. A large sector fears privatization will merely transfer control from native owners to foreign owners. Skepticism is widespread about the true reasons for privatization standards. National pride leads many to oppose direct foreign investment. There is unhappiness with a perception that foreign firms would replace African traditions, methods and cultures. Many Africans believe that foreign investors do not understand nor appreciate the African culture. There is also a significant level of distrust toward foreign media. Experience makes Africans fear inaccurate, unflattering, judgmental reports about Africa.

Realizing the low direct foreign investment received may be hindering economic growth and having the desire to induce foreign investment, many African countries are initializing social, political and economic reforms. The creation of an environment conducive to attracting direct foreign investment could lead to substantial economic growth in an area of the world that drastically needs this type of growth. This paper will review important issues that affect Africa's ability to attract foreign direct investment.

THE EFFECT OF CAPITAL STRUCTURE CHANGES ON THE EARNINGS RESPONSE COEFFICIENT IN KOREA

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ABSTRACT

This study extends the growing literature on the determinants of variation in the relationship between unexpected earnings and abnormal stock returns, viz., the earnings response coefficient (ERC). From analytical results, we develop the hypothesis that the ERC is a negative function of the firm's default risk. We test this hypothesis by comparing the ERC's between pre-change and post-change period, using a sample of 38 Korean firms that experienced changes in their capital structures through either the issue of new debt or the retirement of outstanding debt. The empirical results indicate that the ERC's have decreased for the issue of new debt, but increased for the retirement of outstanding debt from pre-change to post-change period. However, these shifts in the ERC's are statistically insignificant. These results are robust with respect to the choice of UE metric, and hold up even after controlling for the differences in the systematic risk and growth between pre-change and post-change period. Overall, our findings do not support (only a directional support) the hypothesis. Several potential explanations for these results are provided.

AN EXPLORATION OF THE COMPETITIVE ADVANTAGE OF EMPLOYER OF CHOICE PROGRAMS ON INTERNATIONAL HUMAN RESOURCE MANAGEMENT

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ABSTRACT

The competition for knowledge workers has intensified as traditional recruitment markets expand beyond national borders. The infusion of technology in the recruitment process has broaden the reach of employers to locate talent. Multinational corporations find that competition for labor crosses industries and oceans. An MNC needs to market their employer brand in order to remain competitive in the war for talent. The organization that can attract and retain top talent will achieve and sustain competitive advantage. Many human resource professionals believe that the organizations that achieve Employer of Choice status will win the war for top talent. The costs associated with such a strategy are significant yet the outcome of such a position has not been studied. This article suggests, based on existing theory, empirically testable propositions to analyze the effectiveness of Employer of Choice strategy in the global market.

GLOBAL ECONOMIC AFFECTS OF RECENT ACCOUNTING REGULATION: A REVIEW

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ABSTRACT

The accounting standards promulgated by designated bodies affect not only the presentation of an entity's financial status, but also the perception of the company on the part of the investors, creditors and owners. Fortunes are made and lost in the capital markets all because of formulated expectations of a company through analysis of the company's financial situation and business dealings. The importance of fair presentation of financial information exists in the fact that investors may be easily misled through accounting manipulations, such as in the example of Enron.

Since the Enron scandal, many changes are taking place in the accounting environment as initiated through the recent debacles of big businesses in America. The Public Company Accounting Oversight Board (PCAOB), created by the Sarbanes-Oxley Act of 2002, is now charged with accounting standard setting for the publicly traded companies trading on the exchanges within the United States of America. The Financial Accounting Standards Board (FASB), the predecessor to the PCAOB, will continue to participate in the accounting standards realm in the guise of an aid to the PCAOB.

The International Accounting Standards Board (IASB) is a newly formed standard-setting body charged by the European Commission with the responsibility of creating international accounting standards to be followed by the European Union's participating countries. The IASB and the FASB have shown much interest through published discussions in the convergence of the two Boards into one internationally recognized standard-setting body with the purpose of adopting a global set of standards. This convergence is anticipated to happen very soon, within a few years time.

This paper covers the recent accounting standards issued by the International Accounting Standards Board and the Financial Accounting Standards Board. The discussion pertains to the financial and economic affects these standards will have upon the global economies and the capital markets. This discussion also relates the future planning undertaken by the IASB and the FASB to converge boards and create internationally recognized accounting standards to be followed by all publicly traded companies in the world.

GLOBAL BUSINESS: FROM FRAMEWORKS TO COMPLEX ADAPTIVE SYSTEMS

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ABSTRACT

This paper uses Boulding's (1956) system types and the more recent notion of Complex Adaptive Systems (Lansing, 2003), as rhetorical support for a discussion of the complex nature of current global politics and business.

INTRODUCTION: SYSTEM TYPES

In 1956, Boulding (1956) anticipated current discussions of the complex dynamics of institutions and economies by listing nine categories of systems in the order of increasing complexity (where complexity is defined as the number and changeability of forces that determine the system). In recent years, another level has been added, bringing the number of system types to ten. The ten are as listed below. The extended definitions are not Bouldings, but we have attempted to merely elaborate Boulding's basic conceptualization of each.

Frameworks - static systems, systems that are either dead (run down) from entropy, incipient-yet to evolve, or that are frameworks not designed for movement or change, such as the frame of a house which is designed to stand still. Clockworks - simple dynamic systems such as clocks, doors that swing on hinges, or other simple machines with limited and predictable movement capacity. Cybernetic systems - capable of self-regulation by something analogous to a thermostat…notice that the important distinction between a cybernetic system and a clockwork is that the cybernetic system is capable of independent movement or self-contained change

Open systems - capable of self, maintenance as illustrated by a living cell…the open system is one level of sophistication beyond the cybernetic system, because the open system operates using positive and negative feedback loops to absorb resources from the environment, use those resources and to emit outputs into the environment. Blue-printed growth systems - development wired in as in the case of acorn, egg, DNA…such systems appear to evolve over time from a simple state to an elaborate state that represents an actualization of original potential. Internal-image systems – capable of detailed awareness of environment, animals operate here…the term internal-image is used because of an apparent capacity of these systems to represent the external environment internally through sensory mechanisms, permitting system navigation and manipulation of elements of that environment. Symbol-processing systems – possess self-awareness and can communicate with language, human beings operate here…notice that self-awareness and language are similar in that they both have to do with indexing the system among other systems in a shared environment, a process that permits conscious mutual interaction among these types of systems

Social systems – actors operating at level seven that form a social order and culture…symbol-processing systems are capable of creating mutual expectancies and dependencies that can be represented mathematically or symbolically as formulaic or patterned. Transcendental systems – comprised of absolutes and inescapable knowables …Boulding stopped with this system, including it as a possibility because he was sensitive to the extent to which social systems may be under the control of forces difficult or impossible for symbol-processing systems (humans) to discern. Dynamical systems – systems whose behavior is understood to be governed by attractors…these systems have been created by mathematicians and physicists in the years since Boulding wrote and can be said to be those transcendental systems where a less than 100% perfect pattern can be described, but that nonetheless is true enough to the characterization for the different attractors to be labeled and discussed.

CHAOS

Chaos is a term used to refer to certain manifestations of dynamical systems, specifically systems that appear to be in a state of disorder or under the influence of a "strange attractor". A valuable lead is provided by the work of Christopher Langton (1992) based on insights of Stephen Wolfram. Langton identified four classes of dynamical systems: Class one: Governed by a single point attractor. Doomsday scenario in which agents or patterns of behavior rapidly die out. Class two: Set of periodic attractors. Relatively predictable pattern of behavior, but essentially static. Class three: Governed by strange attractors. Chaotic behavior which never settles into a predictable pattern. No stability. Structures breakup as soon as they form. Class four: Emergence of coherent structures that continue to grow, propagate, split, and combine in a complex way.

Langton explored the nature of Class four behavior as a second-order phase transition between Classes one/two and Class three, namely a condition under which chaos and order are combined. In these terms Classes one/two corresponded to "order", whereas Class three corresponded to "chaos". At the transition between them, at the "edge of chaos", the "complexity" of Class four behavior could emerge (Waldrop, 1992, p. 234). Class four is: "a class of behaviors in which the components of the system never quite lock into place, yet never quite dissolve into turbulence, either. These are the systems that are both stable enough to store information, and yet evanescent enough to transmit it. These are the systems that can be organized to perform complex computations, to react to the world, to be spontaneous, adaptive and alive" (p. 293).

Let us seek to extend our understanding of dynamical systems (transcendent systems under the influence of assignable attractors).

COMPLEX ADAPTIVE SYSTEMS

Class Four order may actually exist or it may be a wishful metaphor. If it actually exists, it may come about naturally (self-organizing) or it may come about as a result of deliberate human action. If it results in whole or in part from human action, humans may either be able to assess the probability of their impact on its emergence or not. If they cannot, then the usefulness of identifying this "reality" may be lost if one measures usefulness as human adaptation to social/political/economic conditions.

Complex adaptive systems (CAS) is a term currently being used to describe either successes by humans to guide complex systems out of Class Three order into Class Four order, or systems that "self-correct". You are probably well ahead of me in guessing which of these two is most popular with those who think about organizations "on behalf of profit", or those who contemplate macro-economics and believe that material growth is always best and that organizations are our best tools for that.

Is the question we are asking not simply: "Do economies have handles… or do organizations have handles?" That is, can I pick up an economy or an organization and move it? Can you give wealthy people and corporations large tax breaks and breathe life back into a recessive economy? Could you make an economy do better by giving tax breaks to the masses? We all know you can get really bright economists to argue any way you need them to on such issues.

It seems likely that human-catalyzed adaptation by CASs is less likely than self-organization of such systems. That is, a lot of the "control" over such systems that is attributed to humans by post-scenario investigation, may actually be due to optimization on chance. Perhaps we consciously or unconsciously look only at the evidence that will support the connection between human decisions and outcomes, ignoring evidence to the contrary (Lansing, 2003).

Most economists would say that keeping the prime interest rate low can help stave off inflation, just as most organizational theorists would say that removing layers of bureaucracy can improve customer service, but almost certainly in times of chaotic environmental conditions, just the opposite move might as easily be correct. Many economists have been surprised that the U.S. economy appears to have rebounded in late 2003 and early 2004, but without adding the 150,000 or so jobs per month that are necessary to replace jobs being lost. Many organizational theorists are surprised when some organizations appear to do worse, not better, when the move to team-based decision making or front-line-worker empowerment.

Nonlinear relationships among contextual variables may play a part in such “surprises”. A nonlinear relationship exists between two variables when an increment in one leads to an increment or reduction in the other, until a certain point of increase and then the relationship either disappears or reverses. Of course, what we just described is relatively simple nonlinearity, but it can get highly complex with many shifts in the relationship. Then the questions begin to arise, such as, what other variables might be causing these changes in the relationship between our two variables, or is the relationship between these two variables nonlinearly related to one or more other variables and so on like that?

Most large-scale social systems are considered complex. But notice that our terminology gets sort of fuzzy here. Where does one system begin and another end, for example? It is often difficult to tease apart organizations in a supply chain or in various cooperative alliances, and it is not always clear how great the advantage might be of trying to make such distinctions.

Also, is it the system that is complex or is it a system in a complex environment? The answer to this question often depends on the level at which you wish to analyze variable relationships. As we will see a little later, the assumption tends to be made that when conditions are chaotic (Class Three) systems operating in that environment are complex if they survive for some period of time, they are said to be adaptive. Clearly, such systems are making contributions to the ecology of organizations among which they exist that can be said to contribute to the chaos or to adaptation. Such distinctions are also not easily made, however.

If we treat human-catalyzed complex adaptive systems as a metaphor, we might at least permit ourselves to entertain the notion that the belief in the possibility of such systems may create something like a self-fulfilling prophecy. That is, by believing we can effect macro-level outcomes by the manipulation of certain macro-level (or I suppose even micro-level) variables, we might actually bring about the effects we were hoping for, less because of the manipulation of the particular variables and more because of the hard-to-define way our believing affected variables that might be mediating the relationship between the variables we are controlling and those we are studying as outcomes.

Or I suppose the opposite might also be true. Suppose we do not believe that the variables we are manipulating will cause outcomes, but we make the changes half-heartedly anyway or do so because it is what other companies are doing, we may well find that our “unbelief” undermines any positive correlation between our variables of interest, by subtly affecting mediating variables.

This idea of the belief system or values that guide our decision making may actually be quite important. Our manipulation of one variable hoping for a simple linear relationship between that variable and an outcome (e.g. adopting a pay for performance system to increase organizational productivity) may have more of a chance for success if a number of other decisions we are making that impact this relationship emanate from the same value set. Even chaotic systems may be influenced toward Class Four order when decisions are lined up according to a coherent value set or belief system. Our values may be said to either become the “attractor” or at least to be highly influential on the prevailing attractors.

If we subscribe to the idea that human decisions can literally help navigate CASs toward ongoing adaptation, we are often going to be disappointed, mainly because we are usually talking about negotiating what some authors have described as "white water" conditions. After our predictions or our interventions have failed us in some cases at least, we may take at least some comfort in knowing that the challenge was tough and that we probably did our best, and the fact is, perseverance itself often pays off since it can permit us to whether the period of Class Three order.

CHAOS AND GLOBAL BUSINESS

Optimal competitive balance in circumstances exemplified by the Prisoner's Dilemma, is one of a blend of competition and cooperation, just enough cooperation among competitors so that everyone does not wind up losing everything (Lansing, 2003). However, most Prisoner Dilemma scenarios do not take into account such variables as power (indeed hegemony in the case of the United States), vulnerability, or for that matter, terrorism. What does defection (e.g. declaration of a war on terrorism) do to "the Commons" (Hardin, 1968)?

There is no chance that such a grand effort as "the war on terror" on the part of the United States will occur without massive efforts by other nations and ethnic peoples to forestall it and retaliate for the damages it does. The major question is how large will be the twin outcomes of (1) defeating the enemy and (2) creating more or more invigorated enemies. The new world order will not be Class One as a result of this unilateral aggression, but rather it is more likely to reach a state of Class Three or chaotic order, given the inevitable reaction on multiple fronts against it. The war on terror may have just begun, but so too has the war on the war on terror. The war on the economic sovereignty of developing nations began over a decade ago. Recently we have seen an increasingly unified response to this campaign by nations of the so-called third world. The talks of the fifth ministerial meeting of the World Trade Organizations in Cancun, Mexico, in September, 2003, collapsed when developing nations refused to discuss the agenda put forth by "first-world" nations, before discussion of issues such as the dumping of subsidized agricultural products into nations where the citizens rely on agricultural exports as a primary means of survival. The first world nations had wanted to talk about corporations from their nations have unfettered access to land and other resources in mostly poor nations south of the equator, but China, India, Brazil, South Africa, the Caribbean and Pacific (ACP) group, the African Union, the Least Developed Countries (LDCs) and Asian countries such as Malaysia, banded together in their refusal to discuss the U.S.- and Europe-led agenda (Inter Press Service (IPS) reported (September 15, 2003).

Multi-national corporations (MNCs) based primarily in the U.S. and Western Europe, have so much power on the world stage that even many of the peoples of their own nations who are less than excited about the international hegemony of these firms, are in a weak position to reign them in. This means that the national governments and NGOs working around the globe to challenge MNC global dominance are fighting not only on behalf of their own people, but also on behalf of those citizens in the developed countries that believe such corporate dominance to be a threat to all the world's people.

It is in such a contested ideological, economic and political climate that modern corporations attempt to do business on the most global scale ever. Cynics would argue that those who have enough wealth, power and control of global media, can write their own ticket in such a circumstance, particularly if they combine those "assets" with business acumen, a deeply selfish view of the world and an insatiable appetite for dominance. When the twin freedoms of capitalism and democracy are unleashed in a world where other ideological approaches have held sway for centuries, the spirit of the times can only be characterized as strange and chaotic, heaving too and fro, with freedom proclaimed as a right to those who are economically and politically advantaged and as a threat of hegemony to those on the bottom looking up.

Nations and MNCs can assert themselves through laws, international accords, cartels, trading blocs, economic unions, tariffs and subsidies, but these maneuvers are never permanent and just as military assaults are almost always eventually given a response, so too can counterforces around the globe be counted on to seek redress for what they perceive to be violations of their individual and collective rights. There is a Chinese proverb that says: "It is better to be a dog in a peaceful time than to be a man in a chaotic period. (http://www.noblenet.org/reference/inter.htm)" To that I would only add, it is beyond the dog's power to keep the times peaceful, but perhaps within the grasp of man to move Class Three order to Class Four, from Chaos to a Complex Adaptive System.

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RE-EXAMINING IMBEDDEDNESS: A CRITICAL ANALYSIS OF GLOBAL STRATEGIC MANAGEMENT

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ABSTRACT

Studies of the international tendencies in organizational activities have led to the emergence of the sub-field of global strategic management. Theorists of global strategy have suggested that imbeddedness, both at the level of geography and culture, is an impediment to growth, and advocate an approach that is free of such constraints in the quest for above average profits.

In this paper, we suggest that global strategic theorists have viewed the process of internationalization from a narrow and western-oriented perspective. Drawing upon the more diverse views of internationalization from economics and political science, we identify the critical views of internationalization which do not find mention in this research. We critique existing frameworks of global strategy, and offer an alternate research agenda for international organizations as well as theorists, as an imperative against intellectual marginalization and as a possibility for a more inclusive approach to non-western subjects in the field of international business.

INTRODUCTION

In this paper, we attempt a critical examination of the assumptions that appear to have informed the literature on international corporatization in the field of Strategic Management, and therefore question the theory building processes that have arisen from the scholarship. In doing so, we seek to identify a few key research questions and directions which might invest the field with a greater degree of legitimacy, and address the various criticisms that have been leveled against it from diverse ideological positions.

In the past few years, the literature in Strategic Management has been increasingly captivated by the ideas of the globalization of management strategy (van Gelder, 2004; Harris 2002; Nohria and Ghoshal, 1994). While the issue of the internationalization of capital has had a long history in the field of business strategy, going right back to the works of Chandler (1962) and Perlmutter (1969), the current resurgence in the field may be interpreted as an attempt by the academy to respond to the issues that have arisen following the exponential increase in the globalization of world economic activity (Dicken, 2003), in terms of global shifts in manufacturing and production operations internationalization of investment, and widening circuits of capital.

We review the literature in the field of Global Strategic Management (GSM), in an attempt to locate the various ideological assumptions that drive the field. Following from the economic assumptions that are articulated within the mainstream scholarship in GSM, we examine the influential microeconomic theories of the Multinational Enterprise (MNE) that inform the mainstreams of GSM, in particular the internalization theory (Hymer, 1976) and transaction cost theory (Williamson, 1985). We also discuss the critical treatment of the internalization theory as it unfolds in various other social sciences, mainly economics and political science, offering a thesis that while the mainstream views of internationalization accentuate the non-antagonistic differences between the corporation and the state, they actually understate how collusive arrangements between the transnational elites actually create conditions for ensuring the successful performance and economic domination of MNEs. In juxtaposing these points of view, we attempt to contextualize the unqualified acceptance of the superior performance (and beneficial impact) of MNEs by the field of GSM and suggest that alternate research agendas in the field need to achieve a more balanced understanding of the theme of globalization. We end with a suggestion that theories of GSM need to exhibit greater sensitivity to power imbalances, issues of national priorities and geo-political egalitarianism, and the larger socio-cultural impacts of globalization rather than operate in a purely economistic and unidirectional perspective.

GLOBAL STRATEGIC MANAGEMENT - AN APPRAISAL OF THE LITERATURE

At face value, the literature in the field of Strategic Management that deals with globalization appears to be marked by a great deal of diversity. For instance, Melin's (1992) review of three volumes of the Journal of International Business Studies found them representing seven different areas of internationalization, namely finance and banking, cross cultural aspects, international joint ventures, human resources, foreign direct investments, coordination/control and host government relationships. Such a broad spectrum of interest areas have led to a variety of research interests, which appear to pull the field in different directions.

While there have been many attempts at developing typologies of research themes in the field, two influential organizational frameworks for research in the field of Global Strategic Management (GSM) are noteworthy. First, Ghoshal (1987) sees global strategies as being mediated by two key variables, strategic objectives and sources of competitive advantage. In an attempt to recast the "totality of a multidimensional and complex phenomenon" (p 438) into a two dimensional framework, Ghoshal identifies three strategic objectives, namely efficiency, risk management and innovation; and three sources of competitive advantage, namely national differences, economies of scale and economies of scope. From the network of this 3x3 matrix, Ghoshal identifies 9 strategies of globalization, designed to "help managers and academics in formulating various issues that arise in Global Strategic Management" (p 433).

It is interesting to note that of the six aforementioned factors that Ghoshal uses to form the perimeter of his taxonomy, only `national differences' may be identified as being a non-economistic variable. However, upon closer examination, it is evident that Ghoshal's treatment of national differences also arises from economistic aspects such as "wage rates, interest rates of currency exchange rates" and second order effects like "economically inefficient environments", or "inter-organizational linkages, the educational system and managerial know-how" (p 433).

While Ghoshal's organizing framework can be charged with being too constricting and reductionist, the framework proposed by Melin (1992), is far more flexible. After an extensive review of the literature, Melin identifies three broad themes of internationalization in the mainstream literature. The first theme attempts to cast internationalization as a stage in the development of a corporation. It is here that we may place the influential `eclectic theory' of Dunning (1980, 1988), which sees foreign involvement as a function of locational, integrational and ownership-specific advantages of the internationalizing firms. The second theme attempts to study the sequential and causal link between strategy and structure. A bulk of the empirical research in internationalization has centered on this theme (see Martinez and Jarillo, 1989, for a review of studies done in the field). Much of this research is concerned with identifying the direction of the causal arrow in the strategy-structure linkages. Chandler's (1962) famous assertion that structure follows strategy has been continually supported and refuted by a number of studies in the international context (see Peters, 1980 and Melin, 1989 for a review of this research). The third theme that seems to have dominated the internationalization debates has been termed the "Process School" (Prahalad and Doz, 1987).

Concentrating their research in the direction of the Diversified Multinational Corporation (DMNC), the researchers affiliated to the Process School eschew the "architectural" approach of to the MNE literature in favor of examining the constant balancing that MNEs have to perform between the `economic imperative' of profit maximization.

LESSONS FROM OTHER SOCIAL SCIENCES

Irrespective of the nature of one's ideological affiliations, it would be difficult to deny the reality that economic and political structures have begun to be increasingly linked on an international basis. As the capitalist economy continues to be further globalized, the debate is not on the extent of internationalization, but on the way it needs to be analyzed. While the mainstream social scientists believe that the internationalization of capital has rendered the nation state and economic class obsolete as units of analysis (Williamson, 1985), scholars with critical affiliations are circumspect that these distinctions have disappeared altogether (Ruccio, Resnick and Wolf, 1991).

While the issue of the transnational enterprise (and its relationship with the nation state) has not been subjected to any major dissenting views in the field of management, it has been the subject of many contentious debates in some of the other social sciences, especially the fields of economics and political science. In this section, we briefly attempt to examine some aspects of the debates in this field, in an attempt to use the experiences to inform mainstream management theory.

The MNE and the nation state: mainstream and critical perspectives in Economic Theory.

The mainstream approach to the MNE can best be exemplified by the transaction cost approach. Derived from the classical microeconomic theoretical approach of using the market as the starting point of analysis, the transaction cost approach attempts to explain both the firm and the state as a safeguard against `market failures' such as monopolistic and oligopolistic markets which may deter the optimal allocation of resources. The market, on its own, would not be able to sustain optimum allocation except through paying a high price in terms of transaction costs. The state then is conceptualized as an institutional device with a monopoly over coercion and a task of ensuring a market that does not degenerate into a situation of failure. The firm on the other hand, resorts to a variety of activities such as vertical and horizontal integration and contracts mediated by the state to replicate the perfect market conditions (see Hennart (1991) for a detailed review). [For more analysis of the critical perspective, please write for the full version of the paper].

IMPLICATIONS FOR RESEARCH IN GLOBAL STRATEGIC MANAGEMENT.

The moot point raised by critical theorists, as to whether these theories adequately portray existing power imbalances and the role of international economic regimes in reinforcing these inequities continues to be unengaged with. For instance, it has been contended that international economic regimes such as the erstwhile Bretton Woods Agreement on exchange rates, the IMF, GATT and OECD, which have a history of dominance by a few select countries in selection of leadership, staffing and finance, are nascent representatives of materialized relations of social production, which is subjected to shadow control by a few nation states, thus implying that the nature of control by nation states of international processes is being transformed rather than being diminished. Critical economic and political theories contest the representation of national interests in terms of the interests of specific dominant classes. They see the state as a condensation of class relations (Poulantzas, 1978), acting as the organizer of the disparate interests of specific social strata, where the powers encapsulated by the state are functions of the extent to which the elite classes gain control over surplus value. The process by which transnational elites and local elites engage in commerce has been theorized in critical economic analysis by making distinctions between fundamental class processes, which exist at the site of production and subsumed class processes, which exist in transnational value flows such as intellectual property rights and international debt service repayments (Resnick and Wolf, 1987).

This then is the central theme of this paper: while mainstream management theory has borrowed consistently from a particular viewpoint prevalent in the social sciences, it has neglected to engage with, even for the purpose of refutation, the critical treatment of internationalization in these fields. In doing so, much of the research and theory building in mainstream GSM has been contingent upon the reification of the elite classes as being the sole objects of national interest.

For instance, the Process School may be seen as a study of how the transnational elite, represented by the controlling forces of the DMNC, and the controlling elites of nation states engage in the dynamics of cooperation and competition. As long as the discourse is able to equate the interests of this controlling elite with `local' interests, the Process School remains a model of rational processual inquiry. Likewise, as long as theories of entry and diversification retain their economistic focus and stay out of the realms of cultural environmental or political introspection, their models of causality and interpretation will continue to remain valid.

Such a unilinear and view of a process as complex as internationalization is quite perplexing. While this view of the organization offers a consistency of argument, it is in danger of imminent marginalization because of the speciousness of the assumptions that drive this consistency. The reality of the process of international expansion is that firms entering newer markets are encountering a high level of uncertainty, heterogeneity and multiplicity. Also, in their interaction with local and indigenous forms of society and industry, they are causing very fundamental impacts, which need to be assessed, challenged and transformed in an attempt to mediate the harmonious process of international economic exchange.

CONCLUSION

While the context of research in GSM will need to address this critique of its unilinear focus, it needs to be qualified that research in GSM has often provided the most meticulous and innovative analytical methods and tools. It has led the way in informing various facets of the Resource based view of the firm, through an examination of the core competency theories (Hamel, 1991), internal differentiation processes (Ghoshal and Nohria, 1989), inter-organizational networking (Ghoshal and Bartlett), the role of subsidiaries in structural and processual frameworks (Jarillo and Martinez), schematics of knowledge flows(Gupta and Govindarajan, 1991) and various other aspects of the firm.

However, unless it continues to subject its basic assumptions to rigorous scrutiny, and attempt to address areas of criticism that arise from other social sciences and ideological positions, it will not be able to extricate itself from the allegations that it is little more than a polemical and inward looking branch of the study of organizations.

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ANALYSIS OF CHINA FOREIGN TRADE STRATEGY

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ABSTRACT

Research of China's foreign trade strategy is incomplete. Domestic studies generally do not focus on the relationships between long-term economic development, industrialization, and foreign trade strategy. Foreign studies focus primarily on the impact of China's entry into the World Trade Organization (WTO) and assimilation into the world economy.

It is the hypothesis of this paper that China's foreign trade development policy should pattern after the successful policies of the developed economies rather than retread internally created strategies. The main contribution of this paper is the establishment of a framework for future analysis of China's trade policy.

Foreign Direct Investment (FDI) in China continues to absorb substantial labor from rural areas with the focus primarily on the technology intensive sectors. Nevertheless, the basic problem continues - the supply of capital is still scarce relative to the seemingly unlimited supply of labor, especially unskilled labor. The dual economy theory of Lewis and Ranis-Fei illustrates the internal workings of China's industrialization mechanism. The key for China is to fashion a trade policy that allows the transfer of surplus labor from the countryside to second and tertiary industries of higher efficiency, with the result being the elimination of surplus labor in the long run. By analyzing convergence theory, including absolute convergence, conditional convergence, and club convergence; the forging-ahead strategy; and the comparative advantage theory, I am able to conclude that China's most logic trade policy is the comparative advantage approach.

There is concern that world markets will be unable to accommodate China's increasing level of exports in the future. Young's "Increasing Returns Hypothesis," however, offers hope in that it suggests that division of labor creates its own markets. Further research is needed to determine if this hypothesis is workable in China. In the meantime, China should follow the trade policy example of Japan and other industrialized countries, continue to open its domestic markets, invest in other countries, pursue a balanced trade strategy rather than an "export only oriented strategy," and avoid becoming embroiled in unnecessary trade disputes.

Key words: industrialization, foreign trade strategy, comparative advantage strategy

SACRED COWS AND OTHER REFLECTIONS ON AN INTERNATIONAL ADVENTURE

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ABSTRACT

A number of years ago I spent three weeks in India visiting my daughter and teaching in a Business School. This essay tells that story as well as several lessons that I learned from my international adventure.

I was sweating before I stepped into the shower. The sun was hot that morning, the air still. I had been in India only three days and was having trouble getting used to the noise that surrounded my hotel: cymbals, tambourines, and loud singing in a tongue that I didn't understand. It began about 3 in the morning: penetrating, persistent.

Sarah said, "They're going on pilgrimages this time of year. Lots of them."

I was in Madurai, a tourist town in southern India famous for its temples, visiting my daughter. And from the looks of it, I was also sharing my room with a salamander with whom I had bonded during my showers. He was motionless, unblinking, as I lathered up. I prayed that he didn't come any closer as I was shampooing.

That morning Eric, who was on the staff of Madurai-Kamaraj University, was scheduled to pick us up at 7:00. He would take us to the campus where I was to give a presentation to graduate students in business. I had decided to experience life in an Indian university during my stay. I thought it would provide contrasting perspectives about teaching and prove useful in my businesses courses back in the U.S. Sarah had made all the arrangements and I was even going to receive a small stipend. I was eager to meet my classes; but I couldn't seem to stop fiddling with my hair.

"It must be the humidity, Sarah. I can't seem to get it to look right." Her hair looked pretty calm to me.

"Being chauffeured to the University is really very special treatment," she pointed out to me. "Hardly anyone here drives a car." Lots of bicycles, though, although we had been walking and riding the bus since my arrival. We shared the road with cattle monkeys, rickshaws, taxis, trucks, an occasional elephant and people. Lots of people.

I was scheduled to give two talks. Dr. Rao, the head of the Management Studies program there, had written earlier and suggested: "We would appreciate it if you can deliver two lectures on selected aspects of Personnel Management." His letter continued, "Your students will be graduates in business who are completing a residential program for Defense Services Officers." These were men who were retiring after twenty years of service in the armed forces and were being readied for careers in business. A mature audience. My favorite kind.

The remainder of the article deals with my experiences in the classroom, the reaction of the students to my lectures, and the lessons I learned from them as well as other observations about life in India.

THE EMERGING LANDSCAPE OF TRADE LIBERALIZATION AND NON-UNIFORM CHINA EFFECTS UNDER THE WTO REGIME

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ABSTRACT

Within the context of economic globalization and the emerging WTO-related trade conflicts, the present study is focused on the ongoing debates over China's accession to the World Trade Organization (WTO) from three perspectives: major opportunities and challenges from the China perspective, the controversy from the United States perspective, and the prospective impacts from the global perspective. Results indicate that China's accession to WTO may dramatically reshape the landscape of world trade by engendering two major waves. First, as the United States and the European Union normalize their trade relationships with China, China's exports will compete forcefully with other export-driven economies, intensifying low-cost commodity competition among developing nations in the Western marketplace. Second, as China lifts quotas and non-tariff mechanisms that have protected Chinese farmers and domestic industries, foreign capital will be increasingly beating a path to enter the Chinese market, leading to accelerated foreign competition in various economic sectors within China, particularly in agriculture, financial services, and traditional industries such as chemical, petroleum, steel, machinery, and automobile. Thus the China effect will not be uniform globally; neither will it be equally beneficial to the Chinese. Critical issues emerging from the analysis also include China's economic transition and trade position in the world, the challenging disparate distribution of welfare and associated problems within China, and conflicting ideas about China's potential impact under the WTO regime raised by various interest groups from the West, particularly from the United States. Suggestions for future research and implications for policy making are provided.

RELATED PARTY FINANCIAL STATEMENT DISCLOSURES-PURPOSES, SUBJECT AND NUMBER FOR HONG KONG EXPERIENCE

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ABSTRACT

The purpose of this research study was to investigate existing related party footnote disclosure practices for financial statements in Hong Kong. Part of the objective was descriptive. The study summarized and analyzed the related party footnote disclosures for a sample of Hong Kong companies. In a recent study, Barth and Murphy (1994) developed a framework to analyze the required footnotes for companies in the United States. This study uses a similar approach to examine the situation in Hong Kong for this one type of disclosure. However, there are some significant differences. The Barth and Murphy study is extended to include the review of actual disclosures in financial statements. In this way, this project attempts to determine if existing disclosures for Hong Kong companies can be classified according to the purposes identified in the US study and by a review of Hong Kong annual reports.

Information about the accounting disclosures for related parties was gathered from 1996 annual reports. One hundred companies were selected in a systematic random sample. These firms represent approximately seventeen percent of the companies traded on the Hong Kong Stock Exchange for 1996.

Data had to be hand collected in all cases. This lack of available information makes any analysis more difficult and inefficient. In the future, the development of a more complete database would be useful for research.

Only six companies (6%) included a footnote disclosing related party information. As discussed, there is no requirement to include any footnote at this time.

Accounting guidance for related party transactions needs to be provided by the HKSA (new HKICPA) for publicly traded companies in Hong Kong. Only six percent (6/ 100) voluntarily provided related party disclosures in 1996. The level of detail varied greatly for even these six companies. Only one company stated that their company was not involved in any related party transactions. Ninety-four companies selected in this study did not indicate that their respective firm was or was not involved in any related party transactions. Investors are left guessing about the status for each company.

One firm, Far East Hotels & Entertainment Limited, included extensive details about loan activity for related parties. Others did not apparently feel that such disclosures were necessary. Of course, a difficulty is that no guidelines are available to provide assistance for the appropriate level of disclosures. As discussed, this guidance needs to be provided by the HKSA.

The actual disclosures in this study appear to meet several purposes. Barth and Murphy determined that related party disclosures met the following general purposes, 1) describe recognised items and provide relevant measures of those items other than the measure in the financial statements, and 2) provide information to help investors and creditors assess risks and potentials of both recognised and unrecognised. The six Hong Kong footnotes do appear to meet these general objectives. However, as discussed the level of detail varies greatly. In one case, there is only negative assurance that there were no related party transactions during the year. Probably

more importantly, the major difficulty is the lack of consistency. Voluntary related party disclosures do not appear to be adequate.

The Hong Kong Institute of Certified Public Accountants needs to evaluate the accounting disclosures in the related party area. At this time, comparisons among Hong Kong companies are, at best, difficult. Companies are using different disclosure methods. Consistent disclosure practices may be critical in the future. It is hoped that this study has provided some useful information about the status of Hong Kong corporate financial reporting for related party transactions.

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