Articles' Summary

International Business Operations

Abdullah S. Al-Salloum | Abdulrahman M. Al-Khannah
Malek J. Al-Sabah | Mubarak S. Al-Sabah
Nabil F. Fayed

Table of Content

Article I

Title: ON THE RELATIONSHIP BETWEEN FIRM SIZE AND EXPORT INTENSITY
URL: http://www.palgrave-journals.com/jibs/journal/v23/n4/pdf/8490280a.pdf
Author(s): BONACCORSI A - University of Pisa
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The purpose of this article: To compare research findings on the relationship between firm size and export behavior with findings from selected Italian export studies.

The case study: Selected Italian firms.

Research question: what is the relationship between the firm size and its export intensity?[1]

In my point of view, the research question is very important and interesting as it enables us to understand whether firms have to have a certain capabilities before starting international business operations as exporting, or size of the firm is not a crucial factor in this concern.

Hypothesizes:

P1: The probability of being an exporter increases with firm size, and;

P2: Export intensity is positively correlated with firm size.

Introduction:

Export marketing literature supports the view that firm size is positively related to export intensity. Although the empirical findings have been mixed, a number of theoretical arguments are used to support this proposition, i.e., international marketing economies of scale, limited managerial and financial resources of small firms, decision maker's risk perception. Based on a large survey of the Italian manufacturing industry, the article falsifies the proposition and challenges some widely held assumptions in export marketing literature.

The relationship between firm size and export behavior has been extensively analyzed in the export marketing literature. Firm size is thought to be a useful and manageable approximation of firm resources which are held to affect export behavior. Furthermore, firm size provides a simple criterion for segmenting firms into groups showing a similar export behavior and, possibly, similar problems that public support programmes should deal with in a focused way. Thus many researchers have included firm size as an independent variable in their empirical studies.

Analysis:

In the first part, the author summarized the findings of the international literature concerning the article topic, then started to discuss a selected findings on Italian small exporters along with

[1] (On the Relationship Between Firm Size and Export Intensity)

performing a statistical test of the relationship between firm size and export intensity where the test results falsified the proposition that export intensity is positively related to firm size.

In the second section, he presented the arguments in favor of a positive relationship between firm size and export intensity, given findings on Italian small exporters.

The test performed in the article, discussed the expanded theoretical framework for export research.

Results:

1 - There is a general consensus on Proposition 1 in the literature as authors always found that the profile of firms that are most likely to export included the size variable, the firm size was a good predictor of the probability of exporting, and sales volume was a significant determinant of the same export behavior.

The author stated that "Up to a certain minimum size the probability of exporting in industries with export potential rises with increasing size, but beyond this limit, there is only a weak association between size and exporting".

2 - There is less agreement on Proposition 2 in the literature. A group of authors finds the evidence inconclusive. For instance, in a meta-analytic survey of thirty studies, it was reported that twenty-one studies supported the general hypothesis that firm size is positively related to export behavior, but those that took export intensity as the dependent variable failed to support a positive relationship with firm size.

The author stated that ″Up to a certain minimum size the probability of exporting in industries with export potential rises with increasing size, but beyond this limit, there is only a weak association between size and exporting″.

Conclusion:

Proposition 1 is supported by empirical evidence on Italian exporting firms. As the proportion of exporting firms to the total number of manufacturing firms is much higher for medium and large firms than for small firms. only 37.7% of very small firms (11-20 employees) are exporters, while 89.3% or more of firms with more than 500 employees are exporters. The probability of finding an exporting company clearly increases with the size of the firm for all sectors.

Proposition 2 is not supported, as export intensity is not positively related to firm size. In many industrial sectors very small firms (11-20 employees) have a higher than average export intensity: food and tobacco, textiles, apparel, timber and wooden furniture, non-metal minerals manufacturing, petroleum and chemical, pulp and paper, printing and publishing, other manufacturers. So no significant correlation between firm size (number of employees and total sales) and export intensity.

Summary:

Selected findings from studies on Italian small exporters have lead the author to support P1 but to reject P2.

The author later admitted that acceptance of P2 could also be supported, since many arguments can be put forward to prove that firm size significantly influences the degree of international involvement of industrial companies. Which is also a strongly held view in the literature, despite failure to validate it through existing empirical research.

The decision to export and the decision to increase export commitment are made by small firms on the basis of the collective experience of the group of firms to which they belong.

Many small firms not only begin and stop exporting several times during their life, but also ensure they can exit from individual foreign markets relatively easily. Although there is only aggregate evidence on this point, the author argued that country mobility reduces the risk associated with exporting. Foreign market exit should therefore be conceptualized in export research.

Any model trying to explain export behavior and performance using internal resources as the only independent variables is incomplete.

On contrary to prevailing literature, exporting may well be the growth strategy preferred by small firms.

Strengths:

That data came from a very large sample that is statistically representative of the whole Italian manufacturing sector.

The article substance is supported by useful illustrations.

The article's methodology was straightforward and logically clear.

Weaknesses:

I think the main weakness is, the author did not separate the effect of size on the probability of being an exporter from the effect on export intensity. A direct analysis of many papers quoted in his review shows that, unfortunately, the two variables have been collapsed into one category.

Lesson Learned:

Only a small proportion of exporting companies are stable exporters.

Entry into exporting activity and exit from it are much more widespread (i.e., are less costly) than is generally hypothesized in the literature. It seems that for many companies the decision to export is not made at one point in time in a nonreversible way. On the contrary, the decision is contingent on external factors and seems to be easily reversible.

We cannot make any meaningful generalization about the relationship between firm resources and export behavior without explicitly considering the export strategy adopted by the firm and the relationship between export strategy and competitive strategy. Any firm internationalization theory should be explicitly based on a theory of the firm.

Exporting might be the least resistance path to company growth for small firms, rather than the one best way that the literature often assumes.

Final judgment on Article's value:

This Article has shown empirical evidence of the relationship between export intensity and firm size on the basis of a nationwide sample of manufacturing firms. More generally, it has been argued that there are good reasons for rejecting the widely accepted proposition that organization size is positively related to export intensity. This proposition is often taken for granted, despite the failure to validate it through the literature, because it reflects the conceptual shortcomings of current export research. The article argues that a more comprehensive research framework should consider that very often the firm belongs to a system of firms and uses external resources. Due to low entry barriers in export activity, to easily accessible information on foreign markets and on the basis of an imitative behavior, small firms reduce their export risk perception and make the decision to export. Regional expansion is not the condition for export expansion of small firms. Exporting, on the other hand, has been the least resistance path to growth for small firms, as an alternative to more resource-consuming strategies. International competitiveness of small firms is much more based on general competitive factors, like product quality, than on explicit marketing strategies and policies. They maintain the flexibility to enter and exit foreign markets several times. Although there is no evidence on the impact of these factors on export performance, it has been argued that small firms may succeed in international markets despite their lack of internal specialized resources. The concepts of external resources, least resistance path, collective process and market exit have been proposed as an integration of the current export research.

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Article II

Title: MEASURING PERFORMANCE OF INTERNATIONAL JOINT VENTURES
URL: http://www.palgrave-journals.com/jibs/journal/v22/n2/pdf/8490302a.pdf
Author(s): GERINGER JM, HEBERT L
Source: JOURNAL OF INTERNATIONAL BUSINESS STUDIES 22 (2): 249-263 1991

The purpose of the article: is to explore hypothesis regarding international joint ventures (IJV) this includes writing a hypothesis and determining a way to test these hypothesis to come up with the probability of theses hypothesis being true or not.

The case study: selected Canadian and American firms.

The research question: "This study tests several hypotheses regarding the reliability and comparability of a range of objective and subjective measures of IJV performance, as well as evaluating the relative utility of different data collection approaches."[2]

I think that understanding what makes an IJV successful is important today, because of globalization, an increasing number of IJV are established and answering some questions that concern IJV will reduce the risk of failure of these ventures. Moreover, I would like to explore the reasons of a Kuwaiti company not succeeding internationally, an example would be ZAIN' Venture in Africa.

Hypothesizes:

HI: There will be a significant positive correlation between objective and subjective measures of IJV performance.

H2: There will be a significant positive correlation among the parents′ and the IJVGM′s assessments of IJV performance.

H3: There will be a significant positive correlation between a parent′s satisfaction with IJV performance and perception by the other partner and the IJVGM of this parent′s satisfaction.

H4: Correlation between partners′ assessments of IJV performance will be stronger in IJVs involving parents with similar national cultures.

H5: Correlation between a parent′s satisfaction with IJV performance and the perception by its partner and the IJVGM of this parent′s satisfaction will be stronger in IJVs involving parents with similar national cultures.

Introduction:

Joint ventures (JV's) include two or more organizations which share the responsibility of owning a venture. Each company has decision making shares therefore they jointly run the company.

[2] (Measuring Performance of International Joint Ventures)

International joint ventures are when at least one of the parent company's headquarters are outside the ventures operating country. In recent years, there has been an increase in joint ventures because of their strategic importance to maintain a competitive advantage.

Although JV is increasing, studies show that on average 50% of JV underperform.[3] Reason for this unsatisfactory performance has to be studied to determine which variables affect most joint ventures. Also data collection methods have to be studied to insure proper results.

Analysis:

H1: There are plenty of ways to measure a Venture's performance; Profitability, growth, cost position, duration, survival, management stability which are considered objective measures. However a JV may not be intended to make profit or reduce costs. It might be that a venture is created to transfer technology, or perform research or simply access materials in that country. Therefore ventures have to be measured objectively and subjectively and the only judges can be the parent company CEO along with the Ventures Management (IJVGM). However, management tends to be bias towards their company, and they may be reluctant to give negative information. Therefore the first hypothesis will test the correlation between subjective and objective measures.

H2, H3: In the process of data collection, it would be great if all the parent companies along with the venture management can share the results of the variables measures in this study, however as the author explained, it would be hard on any researcher to collect all the data from all the parties. Therefore a solution lies in statistics. A new hypothesis test has been included to support that the data from parent companies will be correlated with the IJVGM.

H4, H5: Culture can also have a big effect on the correlation of assessment of IJV between parent companies and IJVGM. The closer the culture the closer the correlation. Also if the two management teams are from the same nationality, more correlation of the assessment of results will occur. Different cultures result in different attitudes, values and beliefs. An example given by the author is the incompatibility of U.S and Japanese cultures. This difference can cause different approaches to coordination and operation methods and strategy of implementation. Whereas similar cultures tend to have greater agreement amongst the management teams which will result in better venture performance. This methodology is tested in hypothesis 4 and 5.

The five research questions that were developed were tested on IJV in the U.S and Canada. Two questionnaires were identical and they were sent out to existing ventures along with ventures that ceased to exist. Data was collected from 109 firms, with parent companies from the US, Canada, Japan and Europe. Follow-up interviews were conducted after the questionnaires. An example of one of the questions is the following ″In general, how satisfied has your firm been with the joint venture′s overall performance?″[4]

Results:

H1: result show that within 95% certainty the correlation was positive between objective and subjective measures of IJV performance.

[3] (Measuring Performance of International Joint Ventures)
[4] (Measuring Performance of International Joint Ventures)

H2, H3: Also showed positive correlation among the parents′ and the IJVGM′s assessments of IJV performance.

H4, H5: finally, the cultural similarities has been proven to show positive correlation of IJV performance

Conclusion:

The objective of this study is to examine the correlation between various IJV performance measures. Objective and subjective measures have been proven to be positively correlated and also cultural similarities of the management has been proven to yield better performance. The results are supported by questionnaires filled by more than 100 ventures in the US and Canada.

Strengths:

- Large sample
- Accuracy of results is more than 90%
- Informative article with tables of results that show details of the questionnaire

Weaknesses:

I think that the article weakness is the lack of data of other regions in the world.

Lesson Learned:

The most important lesson learned for myself is the importance of culture in successfully managing ventures. Culture affects operations and strategy implementation and could easily cause a venture to succeed. Also it is important to set objectives of a venture, whether its profitability or just market penetration and to set correct performance measures to insure the success of that venture.

Final judgment on Article's value:

This was an informative article that discussed an interesting topic regarding international joint ventures. This will be useful for people in the corporate level of MNC to give them a sense on how performance measures can be implemented and how important is their choice of the management team of ventures to insure alignment in decision making and implementation of the company's strategy. More research of this type is required and more information from MNC's will prove beneficial to the understanding of ways to establish a successful international Joint Venture.

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Article III

Title: The Coming Globalization
URL: http://www-wds.worldbank.org/external/default/WDSContentServer/IW3P/IB/2006/12/06/000112742_20061206155022/additional/GEP_029-066.pdf
Author(s): Global Economic Prospects. 2007, Chapter 2
Source: World Bank

The purpose of this article: The purpose of this article has been to outline a plausible evolution of the global economy and to highlight some of the key findings from the forward-looking exercise. Irrespective of whether growth rates exceed or fall short of the central scenario, it has exposed several problems that require further analysis and policy response. Three of the most important problems, income distribution, tensions in labor markets, and environmental risks that require multilateral response.

The case study: Developing countries (e.g. china, India)

The research question: what are the key forces that will shape the world economy of tomorrow? If globalization continues, what does it mean for the allocation of production in rich and poor countries? What role will developing countries play, particularly those with large populations, such as China and India? Finally, what forces could accelerate growth and globalization, and what could derail them?[5]

This article explores these questions by developing a long-term scenario to 2030. The scenario is anchored in trends already evident in recent years, and ones unlikely to be reversed in the foreseeable future. The results describe a world in which the gross domestic product (GDP) in high-income countries is slated to nearly double and that of developing countries will more than triple.

Hypothesizes:

H1: The next 25 years will undoubtedly bring significant surprises that cause outcomes to deviate from the central scenario in this article.

H2: Growth in parts of the world may well be more robust than projected in this scenario.

H3: Developing countries are likely to become more important in the global economy.

Introduction:

The last quarter-century, a time of unprecedented integration for the global economy has witnessed a dramatic rise in standards of living around the world. The fall in transport and communications costs and in barriers to trade paved the way for productivity increases associated with the integration of emerging economies into global markets.

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[5] (The Coming Globalization, 2007)

Add to these forces the fall of the Berlin Wall, the subsequent lifting of the Iron Curtain, and the progressive opening of the Chinese and then Indian economies and the stage was set for a new wave of globalization of production, trade, and finance.

While the associated benefits have been uneven over time and space, average living standards across the globe have risen markedly. Global income has doubled since 1980, 450 million have been lifted out of extreme poverty since 1990, and life expectancy in developing countries is now 65 on average.

Analysis:

The author split the article into four parts

1. The evidence of globalization
    - Huge expansion of trade
    - Rapid increase in migration toward high-income countries
    - More integrated financial and capital markets
    - Faster pace of technological take-up and diffusion

    The world in 2030, the big picture - Preface: assumptions

    - World population will increase
    - The global economy will more than double
    - Per capita income growth is what matters
    - Demographics are central to the growth scenario
2. The four channels of globalization
    - Trade integration will accelerate
    - The push and pull factors driving international migration will persist
    - Financial integration will intensify
        - The coming savings decline.
        - Implications for developing countries' access to finance.
        - The transition to the medium term.
    - Technological diffusion: productivity, information, and knowledge
3. Future growth scenarios and impacts in the next 25 years.
    - A slow-growth scenario

  - A faster-growth scenario

4. Challenges of the coming globalization

  - Income distribution and jobs

  - The global environment will come under increasing stress

Results:

- The expansion of computer networking has vastly changed the way large companies organize production and has permitted the introduction of production networks that span the globe.

- The macro assumptions on productivity built into the forecast are largely consistent with the estimates of total factor productivity (TFP) growth from the literature.

- The central scenario is predicated on only modest changes in the policy environment. Over the last 25 years, the world has seen a dramatic drop in trade barriers for goods. And although they remain high in some countries and for some sectors (for example, in agriculture), the dismantling of remaining barriers will not have the same impact as in the past. A possible exception: dismantling barriers in services that remain high could produce significant economic gains.

- This chapter's central scenario uses the underlying UN methodology and projections for the growth in country population and makes no additional assumptions as regards international migration.

- The decline in saving rates is not expected to follow a smooth trend over the next 25 years. In industrial countries, saving rates should rise in the near future, as the bulk of the baby boom generation remains in the workforce during peak saving years.

Conclusion:

Conclude that many of the forces (such as; Improvements in transportation and the advent of supply networks , and the improvements in telecommunications and networking) are likely to provide the same impetus to globalization as they have in the past, some with diminishing power, and others perhaps with more.

Incomes, inequality, and poverty are at the heart of the debate on globalization and its impacts, energy and more specifically environmental impacts are lurking not far behind. Though the energy issue had been somewhat relegated to a less prominent position during most of the 1990s and early 2000s, the recent run-up in fossil fuel prices and the more alarming evidence of global warming have returned energy and environment to the front pages.

The global economy is benefiting from another period of sustained and broad-based growth. Among reasons are improved macroeconomic conditions (such as; less inflation and inflationary expectations), more sustainable debt levels (at least for developing countries on average), more diversified economies with less reliance on volatile commodities, a much greater role for services (which tend to be less volatile), much improved production management with lower inventories (which tended to be a major factor in past business cycles), and better macroeconomic management, particularly monetary policy.

The discussion suggests that an abrupt reversal in current trends, particularly toward a global economic collapse, has a very low probability. The central scenario and any reasonable upward or downward deviation around it will generate mostly positive consequences, but not exclusively.

Globalization and growth will have uneven impacts leading to structural change, job losses in some sectors and regions, and the risk of some being left behind. And virtually any growth scenario will put stress on natural resources in the absence of corrective action.

Summary:

A number of discrete policy changes can have significant impacts on long-term growth even if they do not individually imply large deviations from baseline growth rates, particularly as seen from a regional or global level.

Employment growth initially will provide significant stimulus to economic growth, but its share will decline rapidly in most developing regions as the current generation of youth join the workforce and leave behind a smaller pool of potential workers as fertility continues to fall.

The increase in value added for all developing countries can be decomposed into volume and price effects and further differentiated by factor of production.

History has shown that past trends are not immutable over time. In fact, the only thing certain about the future is that surprises will occur. However, even if growth rates turn out to be faster or slower than in the central scenario, the demographic and globalization related strains in the global economy identified in that scenario are likely to persist, if in somewhat different form.

If developing countries grow by only by 1.5–2 percent per capita over the next 25 years, a glum scenario from any point of view, globalization-related problems would remain, including the issues examined in subsequent articles, such as income distribution, labor market adjustments, and the environment.

Slower growth is likely to heighten all of these problems, as countries would have fewer resources to tackle them and be more reluctant to compromise in undertaking multilateral action. Faster growth would likely ease distributional concerns and labor market adjustments, but increase pressures on the global environment. The bright side of faster growth for the environment is that an accelerated pace of technological changes and investments in capital stock means that abatement technologies can be adopted sooner and at lower costs than with slower growth.

Securitization usually results in reduced spreads and longer maturities for emerging market debt issues, compared to conventional or unstructured debt. While traditional items such as oil and gas and mining receivables were among the first to be securitized, other assets (such as remittances and DPRs) have increasingly taken their place in recent years.

Strengths:

The author used multiple sources to support his hypothesis and point of view. Accuracy in collecting the data and giving opinions based on theories and accurate figures gives the article the shape of efficiency.

The large number of examples in each part of the article makes it easier to follow and understand.

Weaknesses:

The discussion in the article is out of date as well as the statistics, as the recent events changes all the methodology of businessmen planning and expectations of the experts for the future events.

Lesson Learned:

Developing countries are likely to remain relatively risky investments. If risk aversion rises with age, the aging of the rich countries will imply a greater premium for risk, and thus less willingness to lend to developing countries.

Globalization interconnected the industrial, managerial, econometrical, financial, and many fields into each other, and made the trading over the world much easier, with the reduction in the barriers.

Final judgment on Article's value:

The article has very efficient facts and lessons about the evolution of the global economy. And also highlights some of the key forces that lead or sponsor the coming globalization.

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