
Contents

1	Introduction	1
	References	7
2	The Global Economy as the Macro-Environment	15
2.1	Globalization or Internationalization?	16
2.2	The Duality Between Structure and Agency	19
2.2.1	Upward and Downward Conflation of Structure and Agency	20
2.2.2	Structure and Agency: A Morphogenetic Approach	22
2.3	Core–Periphery Relations and the New Economic Geography	25
2.4	Agglomeration and Gravity Equation	26
2.5	Interpreting the Data on the World Economy	28
2.5.1	Gross Domestic Product: Its Pattern and Structure	28
2.5.2	World Trade: Its Pattern and Structure	31
2.5.3	Foreign Direct Investment: Its Pattern and Structure	36
2.5.4	The Multinational Firm	46
	References	59
3	Theories of Internationalization	67
3.1	Foreign Trade Theories and International Business	69
3.1.1	Classical and Neoclassical Trade Theory	70
3.1.2	Mercantilism	71
3.1.3	From Mercantilism to Deregulation	73
3.1.4	From Country-Specific Factors to Factor-Specificity in Trade	73
3.1.5	Comparative (Cost) Advantages	74
3.2	Foreign Direct Investment and the Theory of the Multinational Firm	77
3.3	Technology, Product Lifecycles, and the Internationalization of Business Firms	80

3.3.1	Technological Gaps and the Learning Curve Inconsistencies Across Countries	81
3.3.2	Product Lifecycle	85
3.3.3	PLC Affecting the Internationalization of the Multinational Firm	86
3.4	Neo-Institutional Approaches Explaining Diversification and Internalization	88
3.5	Vertical Integration and Horizontal Expansion	89
3.6	Property Rights, Externalities, and Ronald Coase	92
3.7	Transaction Costs and Ronald Coase	93
3.7.1	Enforcing Control and the Costs of Transaction	96
3.7.2	The Firm as a Nexus of Contracts and Transaction Costs	97
3.7.3	Asset Specificity, the Frequency of a Transaction, and Uncertainty	99
3.8	Internalization Theory	105
3.9	Edith Penrose's Theory of the Firm	107
3.10	Firm Specificity, Location, and Internalization: The "OLI" Paradigm	109
3.11	Internationalization as an Evolving Process	112
3.11.1	Reijo Luostarinen: The Internationalization of the Firm	114
3.11.2	Johanson and Vahlne: The Process of Internationalization	117
3.11.3	Modifications and Extensions of the Original Uppsala Model	121
	References	127
4	Market Entry Decisions	137
4.1	Entry Mode Choice	137
4.1.1	The Rational Decision Maker in Entry Mode Choices	138
4.1.2	A Descriptive or Prescriptive Approach	139
4.1.3	Uncertainty	140
4.2	Planning the Entry Mode Choice	146
4.2.1	Franklin Root and the Entry Strategy	147
4.2.2	Way Station Model to Entry Mode Choices	151
4.2.3	Choosing One Entry Mode or Combining Several Entry Modes	152
4.3	Entry Mode Studies	153
4.4	Institutional, Cultural and Transactional Costs Affecting Entry Mode Choice	155
4.4.1	Lack of Knowledge About Feasible Markets and the Problem of Distance Measures	157
4.4.2	Product Readiness	159
4.4.3	Assessing Risks with PESTEL	161
4.4.4	Maximizing Profits and the Rational Entry Mode Choice	162
4.4.5	Managerial Experience and Export Orientation	163

4.4.6	Motives to Internationalize	164
4.4.7	The Pattern and Scope of Internationalization	166
4.4.8	Liability of Foreignness	166
References		169
5 Market Entry Modes		179
5.1 Export		180
5.1.1 Export Pattern and Trade		181
5.1.2 How to Define Exports		185
5.1.3 Inter-firm and Intra-firm Trade		186
5.1.4 How Do Firms Export		187
5.2 Licensing		189
5.2.1 Licensing and Agency Problems		190
5.2.2 Licensing Mixed with Other Entry Modes		192
5.2.3 Compulsory Licensing		193
5.2.4 Licensing and Learning Attributes		194
5.2.5 Factors Affecting the Licensing Choice		195
5.3 Franchising		196
5.3.1 The Pros and Cons of Franchising		197
5.3.2 Performance, Learning and Productivity in Franchising		198
5.3.3 Why Do Intellectual Property Rights Matter?		199
5.4 Entry Modes and Asset Commitment		203
5.5 International Joint Ventures		206
5.5.1 Joint Venture Goals		207
5.5.2 High Failure Rates in IJVs		207
5.5.3 Major Motives for IJVs		208
5.5.4 Performance and IJV Stability		210
5.5.5 Messy Research		211
5.6 Wholly Owned Subsidiary as Entry Mode Strategy		212
5.6.1 WOS and Control		213
5.6.2 The WOS and Liability of Foreignness (LoF)		215
5.6.3 The Role of MNE Subsidiaries		215
References		217
6 The Coordination and Configuration of Global Value Chains (GVCs)		231
6.1 Coordination and Control Between and Within Firm Boundaries		232
6.2 Coordination and Configuration		233
6.2.1 Hierarchy and Control		234
6.2.2 The Boundaries of the Firm and Value-Adding Activities		236
6.2.3 Value-Adding Activities as a Chain of Interrelated Activities		239

6.2.4	Coordination and Configuration of Cross-Border Value Activities	241
6.2.5	Managing Interlocked Patterns of Cross-Border Value Adding Activities	242
6.3	Global Value Chains and Firm Networks	242
6.4	GVC Analytical Framework	244
6.4.1	Input–Output Structure of GVCs	247
6.4.2	Geographical Scope of Global Value Chains	252
6.4.3	Governance Structure of the Global Value Chains	253
6.4.4	Upgrading Within a GVC	257
6.4.5	Local Institutional Context of a GVC	259
6.4.6	Industry Stakeholders	259
	References	260
7	The Management of the Multinational Firm	269
7.1	The Early Focus on Managing Large Industrial Enterprises	269
7.2	The Meaning of Management	270
7.3	The Rise and Success of the Multidivisional Structure	271
7.3.1	General Motors' Transformation from the U-Form to the M-Form	274
7.3.2	The New Multidivisional Structure of Alfred Sloan Jr.	278
7.3.3	The Fundamental Principles of the Sloan Structure	278
7.4	The Tortuous Evolution of the Multinational Firm	284
7.5	The Stopford/Wells Model	293
7.6	The Heterarchical Multinational Firm	301
7.7	Diverging Worlds in Global Strategies	304
7.8	The Transnational Approach and the Needs of the Multinational Firm	307
7.8.1	Managing Conflicting Demands Within the Multinational Firm	308
7.8.2	The International Management Mentality	309
7.8.3	Global Management Mentality	310
7.8.4	Multinational Management Mentality	311
7.8.5	A Transnational Solution?	312
7.9	Global Integration or Local Responsiveness	314
7.9.1	Staying Global or Becoming Multi-Domestic	317
7.9.2	Forces that Legitimize a More Rigorous Global Strategic Integration	317
7.9.3	Forces that Push the Business Units Toward More Local Responsiveness	319
	References	323
	Correction to: Theories of Internationalization	C1