



EDITORIAL

Letter from the Editor-in-Chief

Lorraine Eden

Editor-in-Chief

Journal of International Business Studies
(2008) 39, 177–179.
doi:10.1057/palgrave.jibs.8400352

Volume 39, issue 2, of the *Journal of International Business Studies* begins a new section for the journal: From the Editors. This section is an editorial, written by one or more members of the *JIBS* editorial team, about researching, writing and publishing international business studies. We anticipate 2–4 editorials over the course of a year. The process behind these editorials is as follows. Any *JIBS* Editor or member of the *JIBS* Consulting Editors Board (CEB) or Editorial Review Board (ERB) may propose a topic – in fact, any Journal reader may propose a topic – to the *JIBS* Editor-in-Chief. The topic is discussed by the *JIBS* editorial team, and if we agree it is important, one or more Editors volunteer to write the editorial. The draft editorial is circulated among the Editors for comments and, after revisions, circulated to the CEB and ERB for a further round of comments and revisions. The penultimate version is circulated again to the editorial team and Managing Editor Anne Hoekman for final editing and approval.

Our first From the Editors was written by Rosalie Tung and Arjen van Witteloostuijn. The motivation behind this editorial sprang from comments by several *JIBS* Editors, from both the outgoing and the incoming teams, noting the high number of desk rejects involving single country studies. We also received several email requests from authors asking when a single country study was appropriate, and when not appropriate, for *JIBS*. Our first From the Editors is therefore designed to help authors determine whether their research fits within *JIBS* boundaries.

In addition to the From the Editors, volume 39, issue 2, contains eight Articles and one Commentary, all of which were accepted for publication by Editor-in-Chief Arie Y Lewin. Several of the articles are single country studies and can usefully be compared with Tung and Van Witteloostuijn's criteria for "sufficiently international". Two strong themes run throughout this issue: regionalism and technology.

The first set of articles focuses on the "globalization is dead – long live regionalism" debate. We lead off the debate with an article by Osegowitsch and Sammartino, "Reassessing (Home-) Regionalisation". This article is a critique of recent work by Alan Rugman and his co-authors arguing that globalization is a myth and global strategy a mistake. Rugman believes that most multinationals are regional not global firms and that the appropriate strategy for these firms is therefore regional, not global. Moreover, he argues that most MNEs are home-based regional firms. The empirical work underlying this contention is based on an analysis of the sales patterns of *Fortune's* Global 500. In Rugman's work, a firm is classified as global only if it has 20% or more of its worldwide sales

in each of the three regions of the Triad: North America, Europe and Asia.

Osegowitsch and Sammartino offer four major criticisms of the “most MNEs are regional” argument. First, almost 20% of the firms in the sample are domestic, and since domestic sales are not excluded, the results are biased in favor of the home region (a point made earlier by Westney, 2006). The results may also favor the home region if a Global 500 firm is headquartered in a large country (United States) rather than a small country (Netherlands), when domestic sales are included in regional sales. Second, a sensitivity analysis around the 20% threshold shows that small changes in the threshold can cause firms to jump from one category to another. Third, Rugman et al.’s work is based on cross-sectional results; Osegowitsch and Sammartino argue that over time the host region percentages should rise, creating more global firms, so time series analysis is needed. Lastly, the authors argue that the country level is more important for firms and for international business researchers than the regional level. Too strong a focus on regionalism may lead to wrong interpretations, for example, of firm-specific advantages or liability of foreignness.

Rugman and Verbeke respond to these criticisms in a Commentary, “The Theory and Practice of Regional Strategy: A Response to Osegowitsch and Sammartino”. Their response is in three parts: any classification scheme is open to criticism, regions do matter, and the regional level belongs in the integration–responsiveness matrix. The authors also respond to an earlier criticism of the regionalism argument (Westney, 2006; see also Qian, Li, Li & Qian, this issue) that sales is a poor metric compared to metrics such as the distribution of international production, value added and/or assets for determining whether or not a firm is global or regional. Rugman and Verbeke provide data – using assets – to show that, over 2001–2005, the Global 500 are regionally based on both sales and asset criteria.

The second article in this issue, “Regional Diversification and Firm Performance” by Qian, Li, Li and Qian, defines *regional* differently from Rugman and Verbeke, but reaches the same conclusions: regionalism matters, and a good regional strategy enhances MNE performance. Regional diversification is defined as an entropy measure of the number of countries where the MNE has foreign subsidiaries (domestic subsidiaries are not included so *regional* excludes *domestic*). Number of foreign

countries (NFCO) has a long history in multinationality and firm performance studies. Allen and Pantzalis (1996), for example, refer to this measure as the *breadth* of multinationality as opposed to the *depth*. Using the World Bank’s categorization of the world into 10 regions, the authors categorize the largest 189 *Fortune 500* firms as low, medium and highly diversified across regions. Their empirical results show that (1) costs are lower for diversification within a region than across regions; (2) regional diversification has an inverse-U-shape relationship with MNE performance, that is, regional diversification improves performance up to a medium level but then hurts performance; and, as a result, (3) most MNEs are regional not global firms. Thus, while the metrics are quite different from those used by Rugman and his co-authors, these results support the “regionalism matters” argument.

Next in the issue are two articles about Japanese multinationals. Collinson and Rugman, in “The Regional Nature of Japanese Multinational Business”, apply Rugman’s regionalism framework to analyze the largest 64 Japanese MNEs. The authors find only three global firms; 60% of the firms average over 80% of their sales and their assets in their home region. A structural contingency approach is then applied to two case studies of Japanese MNEs (Sumitomo Chemical and Nippon Steel) to explain how home region-bound firm-specific advantages constrained their internationalization strategies.

Qian and Delios, in “Internationalization and Experience: Japanese Banks’ International Expansion, 1980–1998”, explore the “why” and “where” of international expansions by Japanese banks. They argue that Japanese banks engaged in foreign direct investment to secure internalization benefits by following their existing clients and to achieve economies of scale and scope by applying their intangible assets in international markets. The use of internalization theory to explain internationalization patterns and sequential FDI is one of the contributions of this paper.

Where, when and how firms engage in FDI are core topics in international business studies. Paul and Wooster’s, “Strategic Investments by US Firms in Transition Economies”, examines all three questions for a matched sample of US firms that did and did not invest in transition economies in the 1990s. Their paper specifically addresses the impact of firm-specific factors on the likelihood, timing and mode of entry into countries characterized by high

levels of host-country uncertainty. The authors find that entering firms have greater advertising intensity and sales growth relative to non-entering firms, suggesting market seeking is the primary driver behind location choice in transition economies. Early entrants have fewer industry competitors and higher sales growth, suggesting market-seeking FDI also motivates timing. In addition, firms from concentrated industries are more likely to enter with high equity modes of entry, which is also consistent with market-seeking motivations. Lastly, the authors find that firms take the progress of market-oriented reforms into account when making decisions about timing and mode of entry into transition economies.

The antecedents of internationalization are also explored in the next article by Fernhaber, Gilbert and McDougall. "International Entrepreneurship and Geographic Location: An Empirical Examination of New Venture Internationalization" argues that industry clustering (local density) encourages internationalization of new ventures. High levels of clustering, however, create more competition among firms and scarce resources, discouraging new venture internationalization. The authors separate internationalization into two well-known dimensions of multinationality: breadth (number of foreign countries, which they call *international scope*) and depth (foreign sales-to-total sales, which they call *international intensity*). Their results con-

firm that local density positively affects new venture internationalization except at high density levels, especially for small new ventures.

The antecedents of internationalization are also explored by Song and Shin in "The Paradox of Technological Capabilities: A Study of Knowledge Sourcing from Host Countries of Overseas R&D Operations". Why do MNEs set up R&D labs in foreign countries? To what extent are these labs "listening posts" designed to capture host-country knowledge for the parent MNE? Song and Shin argue that MNEs with either weak or strong technological capabilities should be less motivated to engage in knowledge-seeking FDI than MNEs with moderate capabilities; this is the *paradox of technological capabilities*. Not only absolute levels, but also relative capabilities, both at the national level (home vs host) and at the firm level (leading vs lagging firms), matter for knowledge sourcing from host countries. Using patent data, they find strong support for their knowledge sourcing hypotheses.

The last article in this issue, by Lages, Jap and Griffith, entitled "The Role of Past Performance in Export Ventures: A Short-Term Reactive Approach", uses organizational learning theory to examine the short-term effects of past export performance, internal management and external market forces on current marketing strategies and on current export performance. A survey of Portuguese export managers provides support for their hypotheses.

References

Allen, L., & Pantzalis, C. 1996. Valuation of the operating flexibility of multinational corporations. *Journal of International Business Studies*, 27(4): 633–653.

Westney, D. E. 2006. Book review of "The regional multinationals: MNEs and 'global' strategic management". *Journal of International Business Studies*, 37(3): 445–449.