



POZNAŃ UNIVERSITY  
OF ECONOMICS  
AND BUSINESS



**PROCEEDINGS OF THE 44TH ANNUAL CONFERENCE  
OF EUROPEAN INTERNATIONAL BUSINESS ACADEMY**



**EIBA 2018 POZNAŃ CONFERENCE**

**International Business  
in a Transforming World**  
– the Changing Role of States and Firms

Editors:

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subsidiary-level and/or headquarter-level innovation knowledge to the competing MNCs' subsidiaries and free-riding local firms. Considering MNCs' global R&D investments is on the rise, it is important to understand the determinants of Inventors' outward mobility from subsidiaries. This paper explores the role that formal (regulatory and economic) and informal institutional (cultural) distance play on the outward mobility of Inventors from the MNCs' subsidiaries. We propose a new methodology by using Inventors' LinkedIn profiles as data sources to track Inventors' mobility. Using a sample of 1,512 Indian inventors and 3,078 outward mobility events from 687 foreign MNCs' Indian subsidiaries, we show a positive association between MNCs' regulatory and cultural distance (w.r.t. individualism) and the outward mobility inventors from the subsidiary. In contrast, Inventors' outward mobility from subsidiary is negatively associated with the MNCs' economic and cultural distance (w.r.t. uncertainty avoidance). We also show that MNCs with prior experience in a similar regulatory environment to that of the host country is able to reduce the impact of regulatory distance on Inventors' outward mobility from the subsidiary.



## INTERACTIVE SESSIONS

8:30 – 10:00

### I 1.1.1.: Institutional influences on international business

Location: 0.5, Building CEUE PUEB

Session Chair: Susana Costa e Silva

Session Chair: Jiyoun Shin

- ***Cross-country comparison of environmental, social, and corporate governance performance: How do institutions matter?***

**J. Shin<sup>1</sup>, C. H. Oh<sup>2</sup>**

<sup>1</sup>University of Groningen, The Netherlands; <sup>2</sup>Simon Fraser University, Canada

Our purpose in this chapter is to establish links between formal, informal, and financial market institutions and their differential impacts on environmental, social, and corporate governance (ESG) performance. To establish these links, we review the literature on and practices related to ESG as well as their associations with country institutions. Using the ASSET4 database, which provides ESG information for 40 countries between 2002 and 2016, and other databases for the country-level characteristics, we examine the effects of formal, informal, and financial market institutions on ESG performance at the country-level. We find that a country's formal institutions have a significant impact on the country's environmental performance and that the informal institutions have a significant impact on the country's social performance. We also find that the financial market institutions have a positive relationship with corporate governance performance. We conclude with future research directions.

- ***The influence of institutional regulations on the competitiveness of companies in emerging markets***

**M. L. F. McLennan<sup>1</sup>, M. Elo<sup>2</sup>, S. C. e Silva<sup>3</sup>**

<sup>1</sup>Centro Universitário, Brazil; <sup>2</sup>University of Turku, Finland; <sup>3</sup>Universidade Católica Portuguesa, Portugal

In the era of contested globalization the role of institutions and regulation is gaining more importance for management, as it deals with uncertainty while aiming for higher competitiveness. To illuminate these challenges, this paper addresses the impact of ambiguous institutional environment on corporate strategy and how institutional challenges affect business competitiveness. We compare and analyse the response of multinational enterprises (MNEs) and local companies to regulatory and normative ambiguity and changing business environment. A multiple case study on eight companies: two foreign MNEs, four Brazilian importers and two Brazilian local firms, is employed. The cases indicate that dif-

ferent businesses use specific strategic responses to local ambiguity of rules and regulations related to product specifications. Instead of size, the localness matters. Local importers seem to be able to display better responsiveness to local institutional regulatory constraints than MNEs. The low entry barriers and the vulnerabilities caused by the absence of rules force international companies to experience a great deal of uncertainty related to their investments and operations. Institutional influences have a substantial impact on competitive dynamics across businesses and on market development of emerging economies.

- ***Pro Market Reforms: Do they affect firm profitability?***

**B. Buscariolli, J. Carneiro**

Fundação Getulio Vargas, Brazil

The effects of economic liberalization have been subject to academic and political discussion for decades. It remains under discussion, however, if less trade barriers and more economic freedom lead to more profitable firms. We use Vector Autoregression models and data of all public companies operating in the seven largest Latin American countries. Results indicate a positive relation between economic freedom and firm profitability and a negative relation with administrative expenses.

- ***How MNEs Respond to Institutional Voids and Why Do they Differ: The Influence of Firm Factors, Local Partnership, and Institutional Contexts***

**M. Allen<sup>1</sup>, M. B. Rana<sup>2</sup>, J. Liu<sup>1</sup>**

<sup>1</sup>The University of Manchester; <sup>2</sup>Aalborg University

Research has identified a range of responses by foreign firms to institutional voids, but has not analyzed how and why particular firms respond the way that they do. We draw on the comparative capitalisms literature and adopt a critical realist perspective to develop theory abductively. We examine two multinationals from the same industry, but contrasting institutional environments that work with local organizations in Bangladesh. We reveal how their ownership and control structures, host-country institutions and their firm-specific host-country contexts shape their responses, enabling us to put forward propositions that will help to explain firms' variable responses to the same institutional void. By linking home-country institutional mechanisms to strategic responses within a specific context and highlighting the importance of firms' fundamental, institutionally conditioned diversity, we contribute to the emerging research on the interactions between institutions, firms, and strategy.

- ***Convergence of innovation policies in the European aerospace industry***

**M. Landoni<sup>1</sup>, D. Ogilvie<sup>2</sup>**

<sup>1</sup>Università Cattolica del Sacro Cuore, Italy; <sup>2</sup>Rochester Institute of Technology, USA

This paper contributes to an understanding of the evolution of the space industry and the role innovation policy and industrial change played in that process. It looks at the impact of business-government interactions on the emerging space industry and how it evolved from the consolidation of aerospace businesses to the government creating national agencies to support the industry through the use of innovation policy instruments along with the privatization of the aerospace businesses.

We conducted a comparative case study of the aerospace industry in three European countries—France, Italy, and the United Kingdom (the U.K.)—that explores the governments' strategies to develop the emerging space industry. These strategies comprise a mix of innovation instruments, including the establishment of government agencies with the mission of supporting the space industry. The space agencies in each country had a common design that enabled the businesses to become global players in the industry.