SUSTAINABLE ENTREPRENEURSHIP PROJECT

Globalization: A Global Survey of Theory and Research

SUSTAINABLE ENTREPRENEURSHIP PROJECT
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About the Project

The Sustainable Entrepreneurship Project (www.seproject.org) engages in and promotes research, education and training activities relating to entrepreneurial ventures launched with the aspiration to create sustainable enterprises that achieve significant growth in scale and value creation through the development of innovative products or services which form the basis for a successful international business. In furtherance of its mission the Project is involved in the preparation and distribution of Libraries of Resources for Sustainable Entrepreneurs covering Entrepreneurship, Leadership, Management, Organizational Design, Organizational Culture, Strategic Planning, Governance, Corpoorate Social Responsibility, Compliance and Risk Management, Finance, Human Resources, Product Development and Commercialization, Technology Management, Globalization, and Managing Growth and Change.

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Globalization:
A Library of Resources for Sustainable Entrepreneurs
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The Sustainable Entrepreneurship Project (www.seproject.org) also prepares and distributes other Libraries of Resources for Sustainable Entrepreneurs covering Entrepreneurship, Management, Organizational Design, Organizational Culture, Strategic Planning, Governance, Corporate Social Responsibility, Compliance and Risk Management, Finance, Human Resources, Product Development and Commercialization, Technology Management, Globalization, and Managing Growth and Change.

§1:1 Introduction

For the past several centuries, companies wishing to do business internationally had to face two major problems – geographical and temporal space. However, with the emergence of virtually instantaneous communication methods, including telephones, computers, and videoconferences, and the ability to be in almost any other part of the world within 24 hours, distance and time are no longer major concerns for operating on a global playing field. In fact, coupled with the emergence of an international marketplace for most goods and services, all businesses today, from start-up firms to large mature companies regardless of where they are located, must be prepared to operate and compete in a rapidly changing environment in which competitive opportunities and threats arise from a number of disparate factors: regulatory, economic, social, cultural, political and technological. As a result, globalization has become a strategic imperative for firms looking to reduce manufacturing and other operational costs, secure additional access to necessary supplies and technologies, improve customer service and relations, and gain access to new markets for their goods and services. Companies may also look at global operations as a way to manage risks and learn about new ways to improve operations in all locations throughout the company and to attract talented managers, engineers, and scientists who can make a contribution to the entire organization. Firms must adapt to and embrace globalization or lose their competitive advantage and this requires thoughtful consideration of the choice of foreign countries and modes of penetration; the extent of localization and globalization in international markets; the degree of coordination among worldwide operations scattered throughout multiple locations, time zones and societal cultures; and the timing and sequence of internationalization plans. However, while globalization is a "global" phenomenon there is still much to learn about the process that firms use to launch and expand their paths to internationalization and it is clear that strategies will vary depending on industry, location, cultural and other factors.[1]

While the title of this section refers to "globalization" it is actually important to consider two different, albeit closely related subjects. The term "globalization" is generally used when discussing the degree to which countries are integrated into the larger global economy. In fact, globalization has been defined as "the worldwide integration of government policies, cultures, social movements, and financial markets through trade and the exchange of ideas."[2] Globalization of some type has been a continuously occurring phenomenon; however, the technological advance of communications and mass media coupled with the rise of multinational companies has accelerated the process of integration among countries.[3] Globalization has often been a mixed bag for citizens of developing countries. While globalization often brings new ideas, products and wealth to developing countries the flip side is explained in cautionary comments such as the following: "Embedded in the concept of globalization is the notion of the cultural

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[1] For further discussion of globalization, see the Part on "Globalization" in "Globalization: A Library of Resources for Sustainable Entrepreneurs" prepared and distributed by the Sustainable Entrepreneurship Project (www.seproject.org).
[2] R.T. Schaefer, Sociology: A Brief Introduction, 6th ed. (New York: McGraw Hill, 2006).
[3] H. Bui, Decode that Sociological Stuff: Globalization and Its Effect on Vietnamese Culture, http://sociologyiu09.wordpress.com/2009/12/30/globalization-and-its-effect-on-vietnamese-culture-2/

domination of developing nations by more affluent nations. Simply put, people lose their traditional values and begin to identify with the culture of dominant nations. They may discard or neglect their native language and dress as they attempt to copy the icons of mass-market entertainment and fashion."[4]

One well-known measure of globalization is the KOF Index of Globalization, which was first introduced in 2002 and has been updated annually since then.[5] The researchers responsible for the Index have embraced a definition of globalization that includes "the process of creating networks of connections among actors at multi-continental distances, mediated through a variety of flows including people, information and ideas, capital and goods" and conceptualizes globalization as "a process that erodes national boundaries, integrates national economies, cultures, technologies and governance and produces complex relations of mutual interdependence".[6] In order to measure globalization the Index focuses on three dimensions which are defined and described as follows:

- Economic dimension: Extent of cross-border trade; investment and revenue flows in relation to GDP; and the impact of trade and capital transaction inflows
- Social dimension: Cross-border personal contacts in the form of telephone calls, letters and tourist flows and size of foreign population; cross-border information flows as measured by access to the Internet, TV and foreign press products; and measures of cultural affinity to the global mainstream by means of the number of McDonald's and Ikea branches and the level of book imports and exports
- Political dimension: Number of foreign embassies resident in a country; number of international organizations of which the country is a member, number of UN peace missions in which the country has engaged; and number of bilateral and multilateral agreements the country has concluded since 1945

The Index for 2013 covered 187 countries for the period 1970-2010 and the results pointed to stagnation of the process of worldwide globalization due to the lingering effects of the economic crisis that began in 2008. The world's five most globalized countries included Belgium, Ireland, the Netherlands, Singapore and Denmark, while the five countries at the bottom of the table included Myanmar, West Bank and Gaza, Burundi, Uzbekistan and Sao Tome and Principe. The United States ranked 34th and the most recognized developing countries ranked in the following order: Turkey (43rd), Russia (48th), Russia (54th), Korea (60th), China (73rd), Mexico (74th), Brazil (76th), Indonesia (90th), India (107th) and Vietnam (126th). In the 2015 Index, nine of the top ten countries were in Europe—Singapore was the lone exception: however, it was also interesting to note that due to the size of their domestic markets many of the world's

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[4] R.T. Schaefer, Sociology: A Brief Introduction, 6th edition (New York: McGraw Hill, 2006).

[5] See http://globalization.kof.ethz.ch/. The discussion of the elements of the Index in this paragraph is adapted from 2013 KOF Index of Globalization, http://globalization.kof.ethz.ch/media/filer_public/2013/03/25/method_2013.pdf For detailed discussion of the background of the KOF Index of Globalization see A. Dreher, "Does Globalization Affect Growth?: Evidence from a New Index of Globalization", Applied Economics 38:10 (2006), 1091; and A. Dreher, N. Gaston and P. Martens, Measuring Globalization - Gauging its Consequence (2008).

[6] 2013 KOF Index of Globalization, http://globalization.kof.ethz.ch/media/filer_public/2013/03/25/method_2013.pdf

major economic powers ended up further down the list: the United States was 35th, China was 75th, Japan was 54th and Germany was 27th.[7]

Researchers are also looking at the strategies and methods used by governments and firms in specific countries to expand their footprints in foreign markets. Generally this means increasing exports; however, globalization can take different forms including establishing manufacturing subsidiaries in foreign countries and integrating human resources located in foreign countries into research and product development activities and customer support services. The sections below provide summaries research on globalization conducted among various developed countries.

The second subject of interest is generally referred to "internationalization" and is measured and analyzed at the firm, rather than the national, level, although actions taken by the government certainly have an important influence on the actions that firms can and will take with respect to exploring foreign markets for sales, capital, human resources, technology and other business activities. Thai identified several different approaches that have been taken with regard to defining and describing the concept of internationalization.[8] The first view focuses on foreign direct investment activities as the primary measure of internationalization.[9] Others have conceptualized internationalization as a process of business evolution.[10] A third approach also begins with the notion of internationalization as a process but cautions that the process does not necessarily move along a predetermined progressive path and will likely include both outward and inward internationalization.[11] Beamish argued that internationalization should be seen as a process of increased awareness within firms of the direct and indirect

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[7] KOF Index of Globalization: Globalization is Stagnating, KOF Swiss Economic Institute, Press Release (March 5, 2015). Full information on the Index is available at the KOF Swiss Economic Institute website at www.kof.ethz.ch.

[8] Mai Thi Thanh Thai, The Internationalization of Vietnamese Small and Medium-Sized Enterprises (2008), 5-6 (citing L. Welch and R. Luostarinen, "Internationalisation: Evolution of a Concept", in P. J. Buckley and P. N. Ghauri (Eds.), The Internationalization of the Firm: A Reader (1993), 155; N. Aaby and S. Slater, "Management Influence on Export Performance: A Review of the Empirical Literature 1978-88", International Marketing Review, 6(4) (1989), 7; J. Johanson and J. Vahlne, "The Mechanism of Internationalisation", International Marketing Review, 7(4) (1990), 11; J. Johanson and J. Vahlne, "Management of Foreign Market Entry", Scandinavian International Business Review, 1(3) (1992), 9; L. Melin, "Internationalization as a Strategy Process", Strategic Management Journal, 13 (1992), 99; and O. Andersen, "On the Internationalization Process of Firms: A Critical Analysis", Journal of International Business Studies, 24(2) (1993), 209).

[9] J. Dunning, "The Eclectic Paradigm of International Production: A Restatement and Some Possible Extensions", Journal of International Business Studies, 19(1) (1988), 1 and J. Dunning, "The Eclectic (OLI) Paradigm of International Production: Past, Present and Future", International Journal of the Economics of Business, 8(2) (2001), 173.

[10] L. Melin, "Internationalization as a Strategy Process", Strategic Management Journal, 13 (1992), 99; and J. Johanson and J. Vahlne, "The Internationalization Process of the Firm - A Model of Knowledge Development and Increasing Foreign Market Commitments", Journal of International Business Studies, 8(1) (1977), 23.

[11] L. Welch and R. Luostarinen, "Internationalisation: Evolution of a Concept", in P. J. Buckley and P. N. Ghauri (Eds.), The Internationalization of the Firm: A Reader (1993), 155; and L. Welch and R. Luostarinen, "Inward-Outward Connections in Internationalization", Journal of International Marketing, 1(1) (1993), 44.

influence that international transactions can have on their future.[12] Thai preferred the following holistic definition offered by Lehtinen and Penttinen: "Internationalization of a firm concerns the relationships between the firm and its international environment, derives its origin from the development and utilization process of the personnel's cognitive and attitudinal readiness and is concretely manifested in the development and utilization process of different international activities, primarily inward, outward, and cooperative operations."[13]

While it has become commonplace advice for companies all around the world to seriously consider building internationalization into their business strategies from the outset—becoming so-called "Born Global" firms[14]—the reality is that expanding activities outside of the home country is a relatively recent phenomenon, even for firms in the US and other developed markets. Internationalization often begins opportunistically as companies received unsolicited orders from customers in foreign countries. The next step is generally exporting, often with the assistance of local agents and distributors in foreign markets.[15] However, this process often moved forward slowly and companies soon realized that accelerating internationalization was an imperative when they needed to reduce costs and risks, secure additional access to necessary supplies, improve customer service and relations and gain access to new markets for their goods and services. Companies may also look at global operations as a way to learn about new ways to improve operations in all allocations throughout the company and to attract talented managers, engineers, and scientists who can make a contribution to the entire organization.[16] A number of dramatic changes in environmental factors have also played a big role in increasing the pressure, and opportunities, for internationalization including advances in logistics that have reduced transportation costs, developments in communications technologies, easier access to market information, and implementation

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[12] P. Beamish, "The Internationalization Process for Smaller Ontario Firms: A Research Agenda", in A. M. Rugman (Ed.), Research in Global Strategic Management - International Business Research for the Twenty-first Century: Canada's New Research Agenda (1990), 77.

[13] U. Lehtinen and H. Penttinen, "Definition of the Internationalization of a Firm", in U. Lehtinen and H. Seristö (Eds.), Perspectives on Internationalization (1999), 3, 13.

[14] See S. Andersson and I. Wictor, "Innovative Internationalization in New Firms: Born Globals—the Swedish Case", Journal of International Entrepreneurship, 1(3) (2003), 249; G. Knight and S. Cavusgil, "The Born Global Firm: A Challenge to Traditional Internationalization Theory", Advances in International Marketing, 8(1996), 11; T. Madsen and P. Servais, "The Internationalization of Born Globals: An Evolutionary Process", International Business Review, 6(6) (1997), 561; O. Moen, "The Born Globals: A New Generation of Small European Exporters", International Marketing Review, 19(2) (2002), 156; P. McDoughall, S. Shane and B. Oviatt, "Explaining the Formation of International New Ventures", Journal of Business Venturing, 9(6) (1994), 469; and A. McAuley, "Entrepreneurial Instant Exporters in the Scottish Arts and Crafts Sector", Journal of International Marketing, 7(4) (1999), 67.

[15] For further discussion of ways of doing business in foreign markets and the models of the progression of global expansion that have been developed by scholars, see the Part on "Globalization" in "Globalization: A Library of Resources for Sustainable Entrepreneurs" prepared and distributed by the Sustainable Entrepreneurship Project (www.seproject.org). See also J. M. de Caldas Lima, Patterns of Internationalization for Developing Country Enterprises (Alliances and Joint Ventures) (2008).

[16] For further discussion of the reasons for considering international business activities, see the Part on "Globalization" in "Globalization: A Library of Resources for Sustainable Entrepreneurs" prepared and distributed by the Sustainable Entrepreneurship Project (www.seproject.org).

of standardized rules and regulations of trade in the context of the expanding number of multilateral trade agreements.[17]

Many models of the internationalization process are based on the premise that a lack of knowledge and experience generates uncertainty that drives most firms to carefully and slowly build up their commitment of resources to foreign markets and activities by starting with foreign entry/operations strategies that are low in terms of risk, control and commitment and close in terms of cultural or physical distance. However, as the firm gains experience and confidence perceived uncertainty begins to subside and it becomes more willing to consider foreign market opportunities (and market entry/operations strategies) that involve a higher level of risk and commitment and call for investment of more time and other resources in commitment and involvement in all aspects of the day-to-day activities in one or more foreign markets. At the same time the firm is likely to become more comfortable with entering countries that are more distant both in terms of physical location and societal culture (i.e., countries where the characteristics of their societal culture are noticeably different than those in the firm's own home country).[18] In practical terms, all this predicts that over time, as the internationalization process evolves, firms move from lower to higher commitment modes (i.e., exporting to wholly-owned foreign sales and manufacturing subsidiaries) in specific countries and expand the scope of countries in their foreign sphere of activity from physically and culturally close neighbors to foreign markets around the world regardless of how distant they might be from a physical and cultural perspective, particularly markets where the potential economic benefits are greatest.[19]

The notion of internationalization occurring in stages as part of an incremental learning process become quite popular and was the subject of numerous empirical studies.[20] However, caution in accepting the premise has been urged by other researchers who found evidence of internationalization strategies and actions that appeared to contradict the stages model. Notably, many studies have found evidence that firms do not

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[17] T. Erdila, "An Analysis of Internationalisation Behavior of Firms Through Activities and the Case of Turkish firms", Procedia—Social and Behavioral Sciences, 58 (2012), 1247, 1250.

[18] Cultural influences on internationalization strategies have been analyzed by various researchers. In one case, for example, support was found for hypotheses that firms entering culturally-distant markets preferred wholly-owned modes of entry, and firms from high uncertainty avoiding home cultures preferred wholly-owned modes of entry and firms entering low uncertainty-avoiding markets preferred wholly-owned modes of entry. See L. Brouthers, K. Brouthers and G. Nakos, "How National Culture Influences International Entry", in F. McDonald, M. Mayer and T. Buck (Eds.), The Process of Internationalization: Strategic, Cultural and Policy Perspectives (2004), 107, 114.

[19] L. Welch, G. Benito and B. Petersen, Foreign Operation Methods: Theory, Analysis, Strategy (2007), 34-35.

[20] For review see L. Leonidou and C. Katsikeas, "The Export Development Process: An Integrative Review of Empirical Models", Journal of International Business Studies, 27(3) (1996), 517. Many of the studies originated in Scandinavia, particularly in Sweden, leading to the common practice of referring to incremental internationalization as the "Uppsalla School". For detailed discussion of the Uppsalla School and model, including critiques and an extensive set of references, see http://doclib.uhasselt.be/dspace/bitstream/1942/8873/3/Chapt%204%205.pdf. For discussion of the applicability of the stages model to developing countries, see J. Juada and O. Sorensen, Internationalization of Companies from Developing Countries (2000).

necessarily move gradually into culturally more distant countries[21], which means that internationalization may drive firms to specific foreign markets regardless of cultural affinity, proximity to headquarters or the level of knowledge about those markets when perceived economic advantages are sufficiently high to justify the "risk" and uncertainty. Welch et al. suggested that this may occur when the goal of the firm is to lower its production costs and there is no choice but to look to remote locations to find a qualified pool of suppliers who can help achieve the desired cost savings.[22] Others have pointed out that firms often ignore the standard sequence of the establishment chain and may dispense with earlier stages such as exporting in favor of proceeding directly to setting up a full-blown sales subsidiary in a new market in an effort to meet competitive challenges and/or avoid the costs of changing operational modes at a later date.[23]

A special, and widely discussed, case among the exceptions to the stages model is the class of firms that rapidly accelerated their international activities soon after they were launched—so-called "Born Globals", sometimes referred to as "International New Ventures" and/or "Instant Exporters".[24] Among the features of Born Globals identified by McKinsey & Co. based on a study of firms in Australia were the following: small, generally established by active entrepreneurs, built on a significant breakthrough in process or product technology that was used to develop a unique product idea or new way of conducting business and a predisposition toward viewing their relevant marketplace as worldwide from the very beginning of operations.[25] Welch et al. listed the following external factors that likely contributed to more rapid internationalization: the emergence of world-wide market niches; rapid technological change, which required going beyond local markets in order to reap economies of scale; developments in communication and transportation technologies that made it easier for firms to stretch their boundaries; and the impact that globalization has had on reduction of psychic distance.[26] According to Louostarinen and Gabrielson "Born Globals": (1) start international operations even before or simultaneously with domestic ones; (2) base their visions and missions mainly on global markets and customers from the inception; (3) plan their products, structures,

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[21] See, e.g., G. Benito and G. Gripsrud, "The Expansion of Foreign Direct Investments: Discrete Rational Location Choices or a Cultural Learning Process", Journal of International Business Studies, 23(3) (1992), 461; and D. Mitra and P. Golder, "Whose Culture Matters? Near-market Knowledge and Its Impact on Foreign Market Entry", Journal of Marketing Research, 39(3) (2002), 350.

[22] L. Welch, G. Benito and B. Petersen, Foreign Operation Methods: Theory, Analysis, Strategy (2007), 36.

[23] See, e.g., B. Petersen and T. Pedersen, "Twenty Years After—Support and Critique of the Uppsala Internationalization Model", in I. Bjorkman and M. Forsgren (Eds.), The Nature of the International Firm (1997) and G. Benito, T. Pedersen and B. Petersen, "Export Channel Dynamics: An Empirical Investigation", Managerial and Decision Economics, 26(3) (2005), 159.

[24] S. Andersson and I. Wictor, "Innovative Internationalization in New Firms: Born Globals—the Swedish Case", Journal of International Entrepreneurship, 1(3) (2003), 249; G. Knight and S. Cavusgil, "The Born Global Firm: A Challenge to Traditional Internationalization Theory", Advances in International Marketing, 8(1996), 11; T. Madsen and P. Servais, "The Internationalization of Born Globals: An Evolutionary Process", International Business Review, 6(6) (1997), 561; O. Moen, "The Born Globals: A New Generation of Small European Exporters", International Marketing Review, 19(2) (2002), 156; P. McDoughall, S. Shane and B. Oviatt, "Explaining the Formation of International New Ventures", Journal of Business Venturing, 9(6) (1994), 469; and A. McAuley, "Entrepreneurial Instant Exporters in the Scottish Arts and Crafts Sector", Journal of International Marketing, 7(4) (1999), 67.

[25] M. Rennie, "Born Global", The McKinsey Quarterly, 4 (1993), 45.

[26] L. Welch, G. Benito and B. Petersen, Foreign Operation Methods: Theory, Analysis, Strategy (2007), 37.

systems and finances on a global basis; (4) plan to become global market leaders as part of their vision; (5) utilize different product, operation and market strategies as firms have traditionally done; (6) follow global marketing strategies; and (7) grow exceptionally fast on global markets (typically over half of their sales are generated from markets outside their home continent).[27]

There are also important internal factors that influence the speed and sequence of internationalization including the level of international experience of the founders, owners and senior managers of the firm and the degree to which entrepreneurship plays a role on the perception of risk and decisions relating to internationalization. Welch et al. argued that prior knowledge and experience with respect to internationalization among members of firm leadership group reduces psychic distance to specific markets and also increases "absorptive capacity" (i.e., the ability of the firm to rapidly and efficiently collect, organize and use new knowledge relevant to internationalization).[28] A number of studies have been conducted regarding the entrepreneurship and internationalization and Welch et al. reported that many of them have found that "entrepreneurs' attitudes toward international activities, and their motivation, orientation, experience and networks have a positive impact on the international operations of firms".[29] Welch and Welch also found evidence that entrepreneurs perceive the risks associated with entering foreign markets

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[27] M. Gabrielson and Z. Al-Obaidi, "Pricing Strategies of Born-Globals", in F. McDonald, M. Mayer and T. Buck (Eds.), The Process of Internationalization: Strategic, Cultural and Policy Perspectives (2004) 232, 235 (citing R. Luostarinen and M. Gabrielson, Born Globals of Small and Open Economies (SPOPECs): Globalization and Marketing Strategies (2002)).

[28] L. Welch, G. Benito and B. Petersen, Foreign Operation Methods: Theory, Analysis, Strategy (2007), 37. Welch et al. noted that "Born Globals" are more specialized and niche-oriented than other exporters and appear to follow international expansion plans that are less predictable and perhaps influenced strongly by the experiences of the founders and partners of the firm and the network relationships with customers and suppliers they forged while collecting those experiences. Id. at 39 (citing also G. Knight and S. Cavusgil, "The Born Global Firm: A Challenge to Traditional Internationalization Theory", Advances in International Marketing, 8 (1996), 11; T. Madsen and P. Servais, "The Internationalization of Born Globals: An Evolutionary Process", International Business Review, 6(6) (1997), 561).

[29] L. Welch, G. Benito and B. Petersen, Foreign Operation Methods: Theory, Analysis, Strategy (2007), 37 (citing S. Andersson, "Internationalization of the Firm from an Entrepreneurial Perspective", International Studies of Management and Organization, 30(1) (2000), 63; S. Andersson and I. Wictor, "Innovative Internationalization in New Firms: Born Globals—the Swedish Case", Journal of International Entrepreneurship, 1(3) (2003), 249; J. Bloodgood, J. Sapienza and J. Almeida, "The Internationalization of New High-Potential U.S. Ventures: Antecedents and Outcomes", Entrepreneurship: Theory and Practice, 20(4) (1996), 61; K. Ibeh and S. Young, "Exporting as Entrepreneurial Act: An Empirical Study of Nigerian Firms", European Journal of Marketing, 35(5)(6) (2001), 566; W. Kuemmerle, "Home Base and Knowledge Management in International Ventures", Journal of Business Venturing, 17(2) (2002), 99; T. Madsen and P. Servais, "The Internationalization of Born Globals: An Evolutionary Process", International Business Review, 6(6) (1997), 561; O. Moen, "The Born Globals: A New Generation of Small European Exporters", International Marketing Review, 19(2) (2002), 156; P. McDoughall, S. Shane and B. Oviatt, "Explaining the Formation of International New Ventures", Journal of Business Venturing, 9(6) (1994), 469; B. Oviatt and P. McDoughall, "Toward a Theory of International New Ventures", Journal of International Business Studies, 24(1) (1994), 45; B. Oviatt and P. McDoughall, "Challenges for Internationalization Process Theory: The Case of 'International New Ventures'", Management International Review, 37 (Special Issue 2), 85; S. Preece, G. Miles and M. Baetz, "Explaining the International Intensity and Global Diversity of Early Stage Technology-Based Firms", Journal of Business Venturing, 14(3) (1999), 259; and C. Welch and L. Welch, "Broadening the Concept of International Entrepreneurship: International, Networks and Policies", Journal of International Entrepreneurship, 2(3) (2004), 217).

and developing international operations differently than non-entrepreneurs and this sometimes leads entrepreneur-led firms to behave less cautiously than what would otherwise be expected by various theories of internationalization.[30]

Other factors may also play an important role in how firms approach the internationalization process. For example, proponents of the "network perspective" argue that the knowledge that firms have about foreign markets, and the specific opportunities in foreign markets available to those firms, are not restricted to the boundaries of the firm and also include knowledge and opportunities to be found in the external network that firms need to develop in order to effectively penetrate foreign markets: customers; agents, distributors and other intermediaries; financial institutions; and domestic ("home country") and foreign governmental officials.[31] These networks are often based on both formal and informal relationships that, over time, build trust and interdependence that can reduce the perceived, if not actual, risk associated with internationalization. Networking relationships also create opportunities to develop and implement creative strategies for entering new markets that reduce and manage the costs of commitment (e.g., strategic alliance and joint ventures).[32] Welch et al. also noted that the influence of importing and sourcing activities on firms' internationalization had been relatively neglected and suggested that "inward activities may provide a good opportunity to learn about foreign trade techniques, foreign operation characteristics and ways of using different operation modes" and thus put importers in a better position to launch outward activities.[33] While other researchers generally agree with this idea they have noted that firms are often challenged in figuring out how to overcome internal barriers in transferring knowledge gained from inward activities to actors working on outbound activities.[34]

§1:2 United Kingdom

In their survey of internationalization among young high-tech companies from Germany and the UK, Burgel et al. found that internationalization was the norm among the surveyed companies from each country, those companies that did internationalize did so fairly quickly after formation and direct exporting or exporting through a distributor were the two most common modes of internationalization for all sampled firms.[35] The

[30] C. Welch and L. Welch, "Broadening the Concept of International Entrepreneurship: International, Networks and Policies", Journal of International Entrepreneurship, 2(3) (2004), 217.

[31] L. Welch, G. Benito and B. Petersen, Foreign Operation Methods: Theory, Analysis, Strategy (2007), 38-39. See also G. Benio and L. Welch, "Foreign Market Servicing: Beyond Choice of Entry Mode", Journal of International Marketing, 2(2) (1994), 7.

[32] The "Born Globals" often rely on networking in general and on strategic alliances and joint ventures in particular to accelerate their internationalization processes. See T. Madsen and P. Servais, "The Internationalization of Born Globals: An Evolutionary Process", International Business Review, 6(6) (1997), 561; and D. Crick and M. Jones, "Small High-Technology Firms and International High-Technology Markets", Journal of International Marketing, 8(2) (2000), 63.

[33] L. Welch, G. Benito and B. Petersen, Foreign Operation Methods: Theory, Analysis, Strategy (2007), 41.

[34] See, e.g., T. Karlsen, G. Benito and L. Welch, "Knowledge, Internationalization of the Firm and Inward-Outward Connections", Industrial Marketing Management, 32(5) (2003), 385; and H. Korhonen, Inward-Outward Internationalization of Small and Medium Enterprises (1999).

[35] O. Burgel, G. Murray, A. Fier and G. Licht, The Rapid Internationalisation of High-Tech Young Firms in Germany and the United Kingdom (2000), 10.

researchers found that the UK respondents had higher levels of international sales, measured by looking at the share of non-domestic revenues of the company, than the German firms, and that the geographic reach of the UK companies was much broader than the German companies with the UK firms selling more of their total production to customers in a wider range of foreign markets, particularly in North America and in former British Commonwealth countries. Arguably this strategy was enabled by the decision of the UK companies to sell less customized products, which allowed them to achieve more scalable business models and attract a wide spectrum of customers. However, the UK firms did rely on technology to differentiate between their domestic and export markets and the products that were selected for export tended to be more innovative than those sold domestically. In fact, surveyed UK companies that internationalized tended to use more innovative technologies than their peers who remained domestic-focused. The researchers also found that "commitment to internationalize" or involvement of venture capitalists both appeared to have a strong positive influence on foreign sales of the UK companies. Burgel et al. ultimately concluded that the success of globalization activities among the surveyed UK companies could be attributed to strong entrepreneurial management styles, strong marketing skills and commercial experience.

A study conducted by Lockett et al. regarding how venture capitalists influenced the export behavior and intensity of their portfolio companies included a large number of UK firms and provided evidence that the "value-added resources" available from venture capitalists (e.g., assistance in developing new strategies with respect to international marketing and foreign market entry, acting as a "sounding board" for management ideas and using their networks to identify and recruit management talent with general international business experience and expertise in specific target markets) were important in promoting export behavior in early-stage ventures and that "monitoring resources" (e.g., assistance in establish budgeting and other performance management processes) were effective in supporting internationalization as the firms matured.[36]

§1:3 Israel

Grotsky has described the technology-focused firms that have developed in and around Tel Aviv as prime examples of emerging companies that have had to incorporate globalization into their strategies from the very beginning of their existence due to the very small size of the local market—Grotsky explained that "Israel's population of seven million (as of 2010) is mostly regarded by technology entrepreneurs as a wonderful pilot market, but little more"—and the country's political and economic isolation that has made it difficult to export products by land.[37] Other factors propelling early globalization among Israel's emerging companies include the need to heavily rely on foreign suppliers and the strong influence of foreign investors that provide a high proportion of the capital for the Israeli companies and thus look for those companies to achieve success in those foreign markets and provide them with assistance in getting established in those markets.

[36] A. Lockett, M. Wright, A. Burrows, L. Scholes and D. Paton, The Export Intensity of Venture Capital Backed Companies, Small Business Economics, 31 (2008), 39.
[37] D. Grotsky, Globalized Clustering, MIT Entrepreneurship Review (April 28, 2010).

Tolkowsky studied globalization among Israeli technology companies, including 63 companies with shares traded on the NASDAQ exchange in the US as of August 2009, and concluded that many of them had generated their first sales outside of Israel, typically looking to the US for their initial customers, and that success in the primary global markets for their technologies needed to be achieved before they began to sell in earnest back in their own home market.[38] Tolkowsky also noted that Israeli technology companies had often turned to institutional investors from the US, particularly venture capitalists, for funding and that these investors had provided valuable connections to prospective customers in the US that eventually served as references for the companies and provided the validation for their technologies that was needed in order for the companies to push aggressively into an ever widening scope of foreign markets and secure strategic alliances with global partners. Other strategies used by Israeli companies to increase their chances of success with respect to globalization have included closely monitoring the activities of their local agents in primary global markets to develop their own knowledge base regarding customer requirements, paying specific attention to facilitating communication between the R&D team operating in the home country and sales personnel on the front lines in foreign markets and making sure that internationalization is built into the corporate culture from the very beginning and that recruiting strategies emphasize development of a diverse workforce with experience in foreign market, the ability to communicate in multiple language and the cultural sensitivity needed to understand how primary global markets work.

§1:4 Japan

While Japanese companies such as Toyota, Honda, Canon and Sony are known all around the world, aversion to foreign ideas and isolation from many aspects of global trade has been a hallmark of Japanese life throughout its history, and figures compiled by the OECD during the early 2000s showed that Japan had the lowest levels of import penetration, inward foreign direct investment and foreign workers in the OECD and other studies at the same time indicated that Japanese companies lagged far behind their counterparts in the US and Europe with respect to cross-border merger and acquisition activities.[39] Writing in 2011, Iwatani et al. noted that while several large Japanese companies had attained global status and success, many other companies had failed to keep pace with competitors from other countries in important regional and national markets and that the situation was becoming even more challenging as competition emerged from countries other than the US such as China and India.[40] In August 2012, Spencer Stuart similarly observed that while Japanese companies played leading roles in a number of worldwide industries and Japan itself was one of the largest importers and exporters in the world, a long period of isolation and inward focus remained a strong

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[38] G. Tolkowsky, Globalization of Technology Ventures: Lessons from Israel, Knowledge@Wharton (August 17, 2009).

[39] "No Country is an Island: Japan is Reluctantly Embracing Globalization", The Economist (November 29, 2007).

[40] N. Iwatani, G. Orr and B. Salsberg, "Japan's Globalization Imperative", McKinsey Quarterly (June 2011).

influence on Japanese management and operational culture and made it difficult for Japanese companies to make progress with regard to globalization and, in particular, forge diverse organizational cultures and plan roots in and draw talent and ideas from other countries.[41]

Iwatani et al. argued that Japanese companies needed to pay more and better attention to globalization strategies for a variety of practical reasons. For example, demographic and economic conditions in Japan—an aging population and stagnant growth—no longer supported strategies based largely on dominating their home market and Japanese companies were finding themselves engaged in furious competition with foreign companies in the shrinking Japanese market as consumers took advantage of digital commerce and became more open to foreign products. In addition, Japan has consistently been ranked near the bottom of developed countries with respect to productivity and Iwatani et al. reported that Japanese executives concede that their companies are hampered by overstaffing, outmoded worker focus on processes rather than outcome and a long-standing reluctance to implement outsourcing strategies that would reduce costs but shatter long-standing traditions such as lifetime employment. Japanese companies have also found that competing based on process improvement rather than innovation is no longer realistic as competitors around the world have steadily closed any actual or perceived quality gap and implemented most of the process-oriented tools and strategies used by the Japanese in the past such as strong supplier relationships. Finally, while Japan and its companies remain world leaders with respect to investment in research and development ("R&D"), Japanese-style R&D, with its lab-based approach, has proven to be ineffective in creating innovative products that appeal to consumers in emerging markets and Japan has been ranked well down the various lists of innovative countries in recent surveys. Japanese companies have been criticized for their inability, or unwillingness, to abandon "made-in-Japan" product development strategies and get closer to customers to understand their needs.

Iwatami et al. noted that Japanese companies still have a number of compelling advantages such as scale, relative strength in their domestic market and formidable quality and service standards; however, they argued that those companies must embark on a series of difficult changes in order to become truly global businesses capable to enduring profit growth and value creation and with access to talent and ideas from all over the world to fuel innovation. Drawing on experiences of their work with Japanese companies as consultants for McKinsey, Iwatani et al. offered several recommendations to assist Japanese companies with successful globalization. First, they urged senior executives to incorporate global goals, aspirations and value propositions into the stories offered to employees to make sure that everyone in the organization understands that globalization is an important part of the company's mission and that to secure the support of employees for those efforts. What Iwatani et al. referred to as "making the case for globalization" includes spending time and effort to reduce anxieties that employees may have regarding the changes associated with implementing global strategies and building a

[41] Spencer Stuart, The Challenge of Globalization: How Will Japanese Multinational Corporations Advance Their Organizational Cultures? (August 2012).

sense of pride and passion among employees for new visions such as “becoming a global player” while retaining the company’s unique Japanese roots.

Speeches and mission statements need to be supplemented by bold actions from the top such as major foreign acquisitions, implementation of global talent and rotation programs and shifting emphasis from domestic products to development and promotion of global brands. Iwatani et al. urged Japanese companies to take the difficult and controversial step of adopting English as their main company language, arguing that such a step has been an important factor for success of fledgling multinational companies in other countries and that having English as the company language open opportunities to recruit talented people from all around the world and making it easier for them to communicate in a new global network. Spencer Stuart also reported that more and more Japanese companies are moving to English for their internal communications and that while there has been some resistance from more traditional employees the message has been sent to younger generations that they should be prepared to improve their English skills in order to progress within the company and make a valuable contribution to the company’s efforts with respect to globalization.

Iwatani et al. argued that one of the reasons that globalization might be difficult for Japanese companies is that the typical executive was Japanese, male and had never had an international assignment or worked outside of his company or business unit. According to Iwatani et al., the Japanese human resources model is well suited for running a domestic business and not so good for companies hoping to be truly effective and successful internationally. The human resource group at Japanese companies has been primarily focused on recruited the best graduates of Japanese universities and then supporting them as they marched through a rigid career path in which advancement was based on tenure, compensation practices stressed egalitarianism and lifetime employment was offered and expected. Iwatani et al. believed that this approach made it difficult for foreigners and Japanese with talent but without the appropriate professional credentials to succeed and also stifled any urge that someone might have to take risks or deviate from the norm and urged Japanese companies to change their approach to talent management by embracing diversity and setting aspirational targets for hiring women, foreigners and Japanese managers from other companies and industries, creating global rotation programs for large group of promising executives and managers to enable them to get experience working abroad and in other parts of the company, and holding the human resources group more accountable for talent strategy and development as opposed to the internal placement and recruiting that has dominated the group’s agenda in the past. Spencer Stuart advised Japanese companies to implement rotation and skill inventory systems and develop assessment and development programs that are specifically tailored to the requirements necessary to becoming an effective global leader.

Spencer Stuart has also advised Japanese companies to change their traditional talent management approaches and become more aggressive in recruiting local talent to manage operations in foreign countries and play key roles in the development and execution of strategies in those countries. Spencer Stuart also mentioned that some Japanese companies, although not many at this point, have taken bolder steps and placed non-

Japanese executives at high levels of their managerial structure. This strategy not only promotes development of cross-cultural communication and management skills among the leaders of the company it also begins to change the traditional succession and promotion process that depended so heavily on lifetime service to the company. However, non-Japanese executives and senior managers must still overcome substantial resistance and often have difficulties developing productive working relationships with Japanese colleagues who are used to conducting business based on personal ties developed during their university years and in their early years at the company while everyone was progressing up through the lower levels of the organizational hierarchy on the traditional career path.

Spencer Stuart suggested that their chances for effective globalization would be increased if Japanese companies could overcome their traditional aversion to matrix organizational structures, arguing that a matrix structure is commonplace among successfully integrated global enterprises and provides the requisite flexibility for individual business units to concentrate on serving the needs of local customers without getting bogged down in a centralized corporate hierarchy. Japanese companies have usually preferred organizational structures with strict vertical hierarchies and country borders; however, Spencer Stuart explained that matrix structures would provide those companies with opportunities to gather global intelligence and muster their resources in ways that would facilitate the creation of global products and brands. The problem, at least for the time being, is that Japanese executives have little or no experience in implementing and managing matrix structures and outsiders with the requisite experience are reluctant to join Japanese companies that might be reticent to take on the decentralization and dual reporting associated with operating in the matrix format.

Iwatani et al. also admonished Japanese companies to pay more attention to building a global marketing function, noting that traditional product development and marketing strategies that had been successful for many Japanese firms in the 1980s and 1990s were no longer working in a new global environment in which the successful global players were the one best able to create brand equity and continuous produce products that were tailored to the specific requirements of foreign customers. Iwatani et al., and others, have praised the prodigious technical and manufacturing skills of Japanese companies; however, they believed that those companies would not prospect until they embraced certain characteristics of world-class marketing organizations such as establishing a meaningful role for global marketing in the company's innovation and product development processes, including designation of a chief marketing officer who is able to exert substantial influence in strategic decision making to facilitate a shift toward creating global brand equity; the ability to present a consistent customer experience in the way that the company's products are designed, marketed and supported; the ability to absorb insights from other industries or markets, a skill which requires an openness to recruiting talent from outside of the company with experience in other industries and geographies that can be channeled into the knowledge base necessary for truly global brands; the adoption of cutting-edge techniques and technologies to better understand customer needs; and realignment of the organizational structure to shift decision making authority and control over resources to global brand and business unit owners.

Finally, Iwatani et al. stressed that Japanese companies will not be effective with their globalization efforts unless and until they improve their capabilities with respect to strategic corporate development, realizing that in order to aggressively enhance and expand their global footprint they will need to embark on more foreign acquisitions, joint ventures and strategic alliances rather than relying on organic growth in new markets. One of the problems that has plagued Japanese companies in the past has been an inability to effectively integrate foreign acquisitions into their overall organizational structure due to language and other cultural barriers and the failure to identify and exploit opportunities and valuable resources associated with the foreign units (e.g., opportunities to reduce costs, access to talented employees in foreign markets, locally developed products that could be rolled out into global markets and information regarding the local market itself).

§1:5 Sweden

Johanson and Wiedersheim-Paul studied the internationalization process followed by four major Swedish companies—Sandvik, Atlas Copco, Facit and Volvo—to determine whether their experiences supported an assumption that there was a distinctive pattern of internationalization.[42] Based on their research, they found evidence to support the proposition that development of firms along the path to globalization typically followed four different stages in the following sequence: no regular export activities; export via independent representatives (agents); sales subsidiary; and production/manufacturing.[43] Another key finding of their work, as summarized by Welch et al., included a generally high correlation between the sequence of initial entry into a new foreign market and the psychic distance between Sweden, the home country in each instance, and that foreign market; however, psychic distance appeared to become less important when firms established manufacturing subsidiaries, a finding that the researcher attributed to manufacturing subsidiaries being established fairly late in firms' internationalization after they presumably had acquired a significant amount of experiential knowledge and confidence.[44] Interestingly, the researchers found that the speed of internationalization increased over time and was faster among firms that started later.

§1:6 France

According to Lecerf, small- and medium-sized enterprises ("SMEs") accounted for 99.6% of the enterprises, 60% of the workers and 53% of added value in France as of

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[42] L. Welch, G. Benito and B. Petersen, Foreign Operation Methods: Theory, Analysis, Strategy (2007), 35 (citing J. Johanson and F. Wiedersheim-Paul, "The Internationalization of the Firm—Four Swedish Cases", Journal of Management Studies, 12(3) (1975), 305).

[43] J. Johanson and F. Wiedersheim-Paul, "The Internationalization of the Firm—Four Swedish Cases", Journal of Management Studies, 12(3) (1975), 305, 320.

[44] L. Welch, G. Benito and B. Petersen, Foreign Operation Methods: Theory, Analysis, Strategy (2007), 35 (citing J. Johanson and F. Wiedersheim-Paul, "The Internationalization of the Firm—Four Swedish Cases", Journal of Management Studies, 12(3) (1975), 305). Psychic distance was found to be a stronger factor than market size in explaining choices made by firms with respect to the location of their international activities. Id.

2012, and more than half of the French companies filing for patents were SMEs.[45] However, French SMEs have lagged behind their European counterparts on various measures of internationalization, a problem that Lecerf attributed to the insecurity of French SMEs in relation to larger firms. For example, while 11% of German SMEs engaged in exportation as of 2007, the percentage was much lower in France (4%) and France lagged well behind the admittedly low overall European percentage of 8%.[46] The same study by the European Commission found that while foreign markets contributed 14% of the sales revenues of German SMEs, only 8% of the sales by French SMEs were in foreign markets.

Lecerf examined the joint dynamics of internationalization and innovation strategies by measuring the impact of this strategy mix on the financial performance of 335 French small- and medium-sized enterprises ("SMEs") and found a strong interdependence between technological appropriation in internationalized SMEs and their business growth.[47] Lecerf argued that structuring and engaging in research and development activities for exporting SMEs will contribute to an increase in activity volume and technological resources were the common driver of both innovation and internationalization activities among the surveyed companies. Specifically, Lecerf found support for the propositions that following a "mixed strategy" of internationalization and codified innovation offered higher growth potential for French SMEs than a single internationalization strategy, the intensity of international trade depended on the technological capabilities of French SMEs, and accumulated technological capabilities improved the innovation codification of French SMEs. Lecerf also found that financial resources were key levers of codified innovation and that French SMEs could avoid financial barriers that might restrain their innovation processes by aggressively internationalizing their businesses.

§1:7 Germany

In their survey of internationalization among young high-tech companies from Germany and the UK, Burgel et al. found that internationalization was the norm among the surveyed companies from each country, those companies that did internationalize did so fairly quickly after formation and direct exporting or exporting through a distributor were the two most common modes of internationalization for all sampled firms.[48] The researchers found that the German respondents appeared to be more risk averse than their counterparts in the UK at least in terms of the breadth of their international activities, although it was true that the German companies tended to internationalize more rapidly than the UK companies. The Germans concentrated their export activities on France and other neighboring European countries and their primary focus typically remained the

[45] M-A. Lecerf, "Internationalization and Innovation: The Effects of a Strategy Mix on the Economic Performance of French SMEs", International Business Research, 5(6) (June 2012).
[46] European Commission, Supporting the Internationalization of SMEs: Final Report of the Expert Group (2007).
[47] M-A. Lecerf, "Internationalization and Innovation: The Effects of a Strategy Mix on the Economic Performance of French SMEs", International Business Research, 5(6) (June 2012).
[48] O. Burgel, G. Murray, A. Fier and G. Licht, The Rapid Internationalisation of High-Tech Young Firms in Germany and the United Kingdom (2000), 10.

domestic market in Germany including sales of customized products and services to larger German multinationals for incorporation into their own exports. Burgel et al. observed that the German companies appeared to be more closely integrated into the value chain of both suppliers and customers than the UK companies included in the survey. In addition, the German companies produced more customized products, thus limiting the scope of their potential customer base. Within the German companies included in the survey the researchers found that regularity of R&D was an important discriminator of higher internationalization, but that there were no significant differences with respect to the "innovativeness" of the technologies applied between the companies that internationalized and those that remained domestic-focused.

§1:8 Switzerland

Switzerland ranked fifth overall in the 2012 Globalization Index compiled by Ernst & Young, which noted that the country's main strength was in movement of labor and that it had been improving significantly with respect to exchange of technology and ideas.[49] Haour noted that small- and medium-sized enterprises ("SMEs") in Switzerland benefit significant from their easy access to multinational companies, which allows them to efficiently sell their products to companies that will, in turn, use or sell them in foreign markets.[50] Baumgartner observed that while Swiss SMEs may lack the resources to develop a strong and unique brand on their own, they can take advantage of the well-known and highly-regarded "Swiss made" label that is associated with attributes such as quality, reliability and leading-edge expertise worldwide and thus makes it easier for Swiss SMEs to gain access to new foreign markets.[51]

In a report on the experiences of Swiss SMEs offshoring to India, Sievers listed several particular advantages of Swiss companies with respect to globalization including a "business friendly environment", specialized export industries oriented toward high capital investment and an emphasis on promoting continuous quality and technology improvement.[52] Sievers noted that Swiss companies have typically focused on high value added and superior quality products as selected quality enhancement strategies over price sensitivity approaches when establishing their competitive positions. Sievers also reported that Swiss companies have often elected to market and distribute their products in foreign markets from their home offices but that local production in foreign markets has also become an option when the companies have completed careful site assessments and pulled together an experienced management team. Sievers cited comments made by Hess, as chairman of the Swiss Mechanical and Electrical Engineering Industries, for the following list of "success factors" for Swiss firms in Asia and India: a good product line which can be exported to existing and new markets; a good channel to the market (e.g., through a trusted agent network, diversified markets); continued innovation of processes

[49] Ernst & Young, Country Profiles: A Further Look into the Top 10 Performing Economies in the 2012 Globalization Index (January 2013). The Globalization Index takes into account openness to trade, capital flows, exchange of technology and idea, labor movements and cultural integration.
[50] G. Haour, Innovative Switzerland.
[51] As quoted in J. Bolli and S. Mani, Switzerland—Focus on Globalization: Opportunities and Risks for SMEs (June 17, 2010).
[52] C. Sievers, The Experience of Swiss Companies Offshoring to Asia (India) (2013).

and products through continued research effort; quality and competitiveness (also in pricing); and leadership in specialized markets and product niches. Another study on market entry challenges for Swiss companies in India emphasized the need for Swiss firms to carefully evaluate market potential and the steps that need to be taken to adapt their product portfolio for the Indian market, engage in rigorous financial planning, develop a strong and trustworthy leadership team in India and establish and maintain quality management processes in all local operations.[53] The same study noted that the most difficult challenges for Swiss firms typically arise with respect to adaption of their product portfolio, deciding whether to enter the market independently or with a local partner, understanding the "Indian way of doing business" and protecting their technology and intellectual properties.

Volery collected and analyzed data from 69 senior executives of small- and medium-sized enterprises (SMEs) in Switzerland regarding various aspects of the internationalization experiences of their firms.[54] A little over one-third of the firms were not currently exporting any goods or services and had no interest in developing export activities. Another 10% of the firms were also not currently exporting; however, they did have an interest in developing export activities. 25% of the firms exported occasionally, generally limited their activities to neighboring and similar markets, and the remaining 30% of the firms were regular exporters whose products and services reached different markets all around the world. Among the firms that were regular exporters, a substantial part of their sales and production were dependent on foreign markets. Volery found that the Swiss relied heavily on subcontractors located in foreign markets (i.e., sales agents and/or distributors) for assistance in carrying out their export strategies; however, while almost two-thirds of the firms collaborated with local partners, more than half engaged in some form of direct export and there was also evidence of reliance on commercial and production subsidiaries, joint ventures and licensing agreements. The data collected by Volery confirmed several hypotheses regarding internationalization among the firms such as manufacturing firms were more likely to be exporters and report a higher intensity of internationalization, SMEs using multiple modes of internationalization would report a higher intensity of internationalization, there was a positive and significant relationship between owner–manager international business skills and SME internationalization and there was a positive and significant relationship between the owner-manager's international orientation and SME internationalization.

§1:9 Brazil

Brazil is an original member of and an active participant in the World Trade Organization (WTO). Since the 1990s, Brazil has implemented a number of important trade policy changes including the launch of a unilateral liberalization program, integration into the regional economy through participation in Mercosul and establishment of various

[53] India Competence Centre, University of St. Gallen, The Bumpy Road to India: Market Challenges for Swiss Companies (2011).

[54] T. Volery, "Managing the Challenges of Globalization: Evidence from Swiss Small and Medium-Sized Enterprise", in L. Dana, I. Welpe and M. Han (Eds.), Handbook of Research on European Business and Entrepreneurship: Towards a Theory of Internationalization (2008), 636.

financing, insurance and guarantee programs to promote export activities.[55] Positive results have been obtained with respect to development of a strong export market for commodities and Brazil has forged impressive trading relationships with a diverse set of trade partners around the world including China, which has become Brazil's largest trading partner and export market. However, globalization initiatives have been hampered by the inability of the country to fully abandon foreign trade policies implemented during prior periods of protectionist industrialization and one still finds a large volume of special exemptions, registration formalities and high tariffs. Capital provided by foreign investors must be registered with the Central Bank of Brazil, but investments are not subject to prior review.

According to the rankings compiled by the Latin Business Chronicle in 2012 Brazil ranked as the least globalized country in Latin America for the second year in a row based on the country's results for a Latin Globalization Index that took into account exports of goods and services as a percent of GDP, imports of goods and services as a percent of GDP, foreign direct investment as a percent of GDP, tourism receipts as a percent of GDP, remittances as a percent of GDP and Internet penetration.[56] Some of the explanations for Brazil's poor performance included rampant crime and corruption, poor infrastructure, onerous pension obligations, a restrictive business environment with strict labor laws that encourage a thriving black market and, finally, gross social inequities with large gaps between the wealthy and the poor. Similar assessments have come from other sources including data from the Survey of Technological Innovation conducted by the Brazilian Institute of Geography and Statistics released in 2008 that showed that Brazil had made only marginal advances, when compared with Asian countries, to integrate its economy into the global economy.[57] In another report issued in 2012 the Levin Institute noted that Brazil faced the major dilemma of balancing economic development with environmental protection.[58]

The size of the domestic market in Brazil distinguishes it from many other Latin American countries and allows entrepreneurs to focus their efforts on Brazilian customers rather than having to push forward to quickly expand into foreign markets. Melo and Goncalves do Valle noted that internationalization of small- and medium-sized enterprises ("SMEs") in Brazil was "alarmingly low" and cited statistics from the mid-2000s that showed that Brazil's participation rate in world export markets was disappointingly small, particularly when taking into account the size of its economy.[59] The researchers observed that Brazilian firms of all sizes had been operating under governmental policies that avoided international competition and dissuaded local companies from pushing outward. Most of the export activity that was taking place was

[55] The discussion in this paragraph is adapted from Bertelsmann Stiftung, BTI 2012 — Brazil Country Report (2012).
[56] Brazil the least globalized economy in Latin America, Latin Globalization Index, Latin Business Chronicle, November 15, 2012, http://www.latinbusinesschronicle.com/app/article.aspx?id=5808.
[57] Brazilian Institute of Geography and Statistics, Survey of Technological Innovation, Pintec (2008).
[58] What Brazil Thinks About Globalization, Globalization 101, State University of New York, Levin Institute, http://www.globalization101.org/what-brazil-thinks-about-globalization-2/.
[59] P. da Silva Melo and M. Goncalves do Valle, The Entrepreneur and Internationalization of Small and Medium Sized Enterprises in Brazil: Business Networks as a Tool of Reducing Size Disadvantages.

coming from the largest Brazilian corporations and Melo and Goncalves do Valle argued that it was essential for Brazilian SMEs to embrace internationalization as part of their strategies. They noted, however, that in order for this to occur it would be necessary to encourage Brazilian entrepreneurs to understand the importance of internalization and overcome their preference for remaining focused on the domestic market and then provide them with access to business networks involving national and international actors who can assist them in the internationalization process. Melo and Goncalves do Valle reported that surveys indicated that the owners of Brazilian SMEs generally believed that international business was only for large companies, are extremely reticent about undertaking overseas challenges and seeking entry into culturally different markets, and were concerned about a lack of information regarding foreign markets, the perceived difficulties of adapting products to address the needs and customs of foreign customers, the lack of skilled workers thought to be necessary for effective internationalization and, finally, the difficulty in overcoming Brazilian bureaucracy and customs regulations to move their products out of Brazil.

Ovanessoff et al. discussed the challenges that Brazilian companies have encountered in attempts to build globally recognizable brands with the same level of success enjoyed by multinationals from other large emerging economies such as China, India and Korea.[60] They pointed out that while, as of 2012, Brazil was the seventh largest economy in the world and accounted for over 40% of the aggregate gross domestic product in Latin America, only eight of its companies could be found among the membership of the Fortune Global 500. Executives among Brazilian companies surveyed by Accenture overwhelmingly recognized the importance of global expansion as an engine for future growth; however, they acknowledged the poor results referred to above and conceded that strategic and operational changes would be needed in order to improve their chances of successfully becoming "global players".

According to Ovanessoff et al. the leading companies in Brazil have been able to leverage their established positions in their large domestic market as a means for achieving the requisite economies of scale and experience, and generating the capital, necessary for expansion into foreign markets. In addition, government support has been available through Brazil's national development bank, which provided favorable loan terms to companies chosen as candidates for becoming "national champions" in particular business sectors. However, Ovanessoff et al. noted that the development bank program was being abandoned and that with limited exceptions the internationalization of Brazilian companies had proceeded more slowly than in comparable emerging markets and that competition from Asian companies, both in foreign markets and in Brazil itself, was expected to become even more intense. For example, trade figures from the late 2000s and early 2010s revealed that Brazil trailed the other BRICs in measures of total export value and overseas investments and direct foreign investment into Brazil increased

[60] A. Ovanessoff, A. Peppes, C. Puppel and V. Simoes, Elusive Imperative: Brazil Inc. Gears Up to Go Global (2013), http://www.accenture.com/us-en/outlook/Pages/outlook-journal-2013-brazil-inc-gears-up-global.aspx A useful resource for information on globalization activities of Brazilian companies is PIB - Brazilian Companies Go International, which can be accessed through the PIB website at http://www.revistapib.com.br/english-who.php.

significantly from 2008 to 2012. As a result, they argued that it was imperative for Brazilian companies to change their strategies with regard to internationalization and offered several suggestions.

First of all, they called for Brazilian companies to proactively enhance their levels of competitiveness to meet international standards and to do so by pursuing necessary technologies, capabilities and resources outside of Brazil. Second, Ovanessoff et al. suggested that it was time for Brazilian companies to shed their reliance on their home market as a platform for building scale before taking their products and services abroad and shift their strategies to attacking foreign markets much earlier in the process as a means for attaining scale and competitiveness. Specific ideas described by Ovanessoff et al. included searching out and acting on the best ideas by building innovation networks, supported by state-of-the-art information technology infrastructures, to tap into capital and talent around the world; invest in analytics solutions to understand where and how to improve performance and measure success; and transforming corporate cultures to foster a global mindset among the workforce, particularly among current and future leaders. With regard to corporate culture it was illuminating to note that researchers had found that many Brazilian companies acknowledged that their inability to navigate cultural and language barriers has undermined cross-border initiatives in the past.

§1:10 China

Since Chinese governmental leaders decided to open the economy in the late 1970s the country has been dynamically focused on trade and exports as a means for achieving economic development.[61] With its accession to the WTO in 2001 China has engaged in a continuous stream of trade liberalization initiatives including reductions in import barriers, governmental intervention in trading activities and easing of tariffs. China has also elected to participate in a variety of regional and bilateral free trade agreements including the Association of Southeast Asian Nations (ASEAN) and followed a calculated path of gradual, step-by-step opening beginning with the creation of four special economic zones and a deliberate emphasis on exploiting its comparative advantage of low cost labor to attract foreign investment and technology.[62] As a result, China surpassed Germany as the world's largest exporting nation in 2009. However, in spite of the successes potential impediments to ongoing globalization persist including ongoing export prohibitions and restrictions, complex licensing rules, non-transparent tariff classifications and corruption and arbitrary administration of export rules. With regard to inbound foreign investment China's regulations, which include cover both investment and foreign exchange controls, have been gradually tempered and liberalized since the country became a member of the WTO.

Ding et al. noted that while China's level of outward foreign direct investment ("FDI") has risen steadily to the point where it has reached the top of the rankings of all

[61] The discussion in this paragraph is adapted from Bertelsmann Stiftung, BTI 2012— China Country Report (2012).
[62] H.E. Ambassador Zha Peixin, China and Globalization (October 10, 2003), http://www.chinese-embassy.org.uk/eng/dsjh/t27161.htm.

developing countries there has been relatively little attention in the research community to the strategies followed by Chinese companies with respect to internationalization.[63] The Chinese government has actually been quite supportive of outward FDI in circumstances where it is anticipated that the investment will lead to genuine capability enhancement and improved competitiveness of Chinese firms and industries and has often provided incentives to overseas expansion through low interest loans that domestic companies could use to finance the purchase of foreign companies. Ding et al. pointed out, however, that attempts to expand overseas by Chinese companies during the 1990s often ran into difficulties for a variety of reasons including limited knowledge of overseas markets and limited marketing capability, weaknesses in research and development, a lack of strategic focus, limited scale and fragmentation of many projects, lack of international brands or trade names, and inexperience of Chinese managers with respect to coordinating overseas operations. As for joint ventures in foreign markets Chinese firms often stumbled due to inadequate channels of communication; lack of trust between the partners, and poor cooperation arising from unresolved inter-cultural differences.[64] Ding et al. expected that these problems will be avoided in the future as Chinese companies realize the need to adopt a more focused, systematic and long-term strategic view of the internationalization in order to achieve their goals with respect to become global players in international markets.[65]

Ding et al. cited several reasons that Chinese companies are interested in internationalization and forging relationships and making investment in foreign markets.[66] First, Chinese companies have been quite aggressive in their efforts to secure markets abroad and, in particular, establish paths for penetrating potentially lucrative markets in industrialized countries. In order to do this they have invested directly, such as Lenovo's purchase of IBM's personal computer business, and poured funds into less developed countries that have preferential trade privileges with the US and Europe. Second, Chinese companies, realizing that they can no longer compete exclusively on lower cost advantages, perceive internationalization as the best means for gaining access to superior technology, managerial experience and brands that are already well-known outside of China (e.g., the IBM brand acquired by Lenovo). Third, Chinese companies, with the active support of the government, covet the natural resources available in foreign countries (e.g., crude oil, natural gas, iron ore and other minerals) that China will need in order to meet its domestic industrial demands and bolster its national security. Finally, as China's domestic economy has opened and incomes of many Chinese have risen, competitive conditions in their home market have become much more challenging for Chinese companies and forced them to look for opportunities abroad in order to grow their businesses and counteract declining profit margins.

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[63] Q. Ding, M. Akoorie and K. Pavlovich, "Going International: The Experience of Chinese Companies", International Business Research, 2(2) (April 2009), 148.
[64] Id at 151 (citing M. Warner, S. Ng and X. Xu, "'Late Development' Experience and The Evolution of Transnational Firms in the People's Republic of China", Asia Pacific Business Review, 10 (2004), 324.
[65] Q. Ding, M. Akoorie and K. Pavlovich, "Going International: The Experience of Chinese Companies", International Business Research, 2(2) (April 2009), 148, 149.
[66] Id. at 150.

Ding et al. offered several suggestions for Chinese companies seeking to overcome some of the problems associated with their internationalization efforts mentioned above.[67] The first one actually calls for government support in the form of increased access to financial, technical and human resource assistance that companies need in order to compete effectively with multinational firms from other countries. The second suggestion is for Chinese companies to develop and implement strategies specifically focused on creating differentiation and brand advantages that would allow them to convince consumers to pay a higher price for their products. Ding et al. mentioned that opportunities would seem to exist in a variety of consumer market sectors including automobiles, beverages, clothing, consumer electronics, household goods, and mobile phones. The third suggestion encourages Chinese companies to proactively seek to overcome differences in business cultures and managerial styles when operating in foreign markets and Ding et al. called out several of Lenovo's decisions after acquiring the IBM brand including appoint a former IBM vice-president as the CEO of the new enterprise, transferring its headquarters office to New York and retaining IBM as the supplier of after-sales service in all markets other than China. Finally, Ding et al. counseled Chinese companies to practice social responsibility in the foreign communities in which they are operating to seek ways to engage with those communities and make valued contributions therein.

The enormous size of their domestic market reduces the incentive for Chinese startups to embark on globalization and it is rare for new Chinese companies to have technologies and products that are innovative enough to attract interest outside of China. When Chinese startups do begin to push forward with internationalization they often focus their efforts on emerging markets as opposed to the US and Europe, where Chinese companies are often viewed with suspicion. However, in certain technological areas such as voice, text and video communications, Chinese startups are building to become global players from the very beginning. In addition, Fannin noted that business strategies first deployed in China, such as free-to-play online video games that rely on sales of virtual items such as digital clothing for avatars and digital roses as gifts for revenues, are now being copied in other parts of the world.[68]

§1:11 India

India has a long history of involvement in trading activities and globalization through export activities and acceptance of foreign investment and presence is hardly a new concept or challenge for the country. In the years following independence India followed a path of protectionism that included a number of tariff and non-tariff barriers to trade and substantial restrictions on foreign investments and inbound technology transfers. In the early 1990s, however, India began taking steps to liberalize its economy and implement the terms and conditions of multilateral agreements relating to trade in general as well as services, intellectual property, communications and environmental and social conditions. Globalization has played a major role in India's recent economic progress

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[67] Id. at 151.

[68] R. Fannin, Watch Out Silicon Valley, China is Gaining Ground (February 11, 2014), http://www.bbc.com/capital/story/20140211-chinas-own-silicon-valley (accessed May 23, 2014).

and its export-led growth has contributed to the enlargement of the domestic job market in India. *The Economist*, among others, has noted the important roles of outsourced information technology (IT) and business process outsourcing (BPO) in general, and the software services industry in particular, in the globalization of the Indian economy. The IT and BPO sectors have contributed to an increase in the number of skilled professionals working in India for both domestic and foreign companies and the emergence of a rising new Indian middle class with wealth that has attracted the interest of international companies putting down roots in India to sell their products and services.[69] At the same time, Indian companies have grown more confident in their ability to compete globally and have gradually begun expanding their operations outside of India.[70]

India has famously enjoyed strong economic growth throughout the 2000s using a variety of measures including GDP growth rate, exports, the contribution of services to GDP and levels of inbound foreign direct investment. At the same time there has been growing recognition of the potential of India's consumer base and India offers large markets for telecommunications services, automobiles, entertainment and retailing. However, in spite of the overall improvements in wealth and lifestyle enjoyed by those associated with the IT and BPO sectors in India globalization has highlighted several acute problems that must be addressed including an increasing gap between the wealth and the poor, a lack of progress in improving living conditions for the large numbers of people still living in rural areas, diminished ethical responsibility of businesses, high levels of unemployment, diversion of large numbers of young people away from college-level studies to relatively low-skilled work in call centers that offer easy money, political conflicts and corruption and inflationary pressures on prices of daily usable commodities.[71]

Oswal relied on case studies of three large Indian companies that had achieved notable success in their efforts to internationalize—ICI Bank, a large international financial institution; Infosys, a major global player in information technology; and Suzlon, one of the world's largest wind energy companies—and information collected from surveys of a group of larger Indian firms drawn from a pool of the 1,000 largest internationalizing companies in the country (as evidenced by the amount of their foreign income).[72] The responses that Oswal received provided an interesting picture of the how Indian companies had approached the internationalization process in terms of organizational design and their overall strategic goals and objectives in getting involved with international markets. Specific findings included the following[73]:

- The respondents had increased their international presence significantly over the five years prior to the survey in terms of both the absolute level of foreign sales and the

[69] Globalization in India, The Economist Magazine (October 14, 2010), http://www.economywatch.com/economy-articles/globalization-in-india.html.
[70] B. Nayar, "India's Globalization: Evaluating the Economic Consequences", Policy Studies, 22 (2006), 78.
[71] S. Chatterjee, Globalization in India: Effects and Consequences, http://www.daldrup.org/University/International%20Management/Globalization%20in%20India.pdf
[72] P. Oswal, The Internationalization of Indian Firms: Strategic Issues, Organizational Transformation and Performance (2010).
[73] Id. at 176-178.

proportion of foreign sales to total sales and clearly and emphatically believed that international markets were very important to their future success.

- With respect to the competitive drivers thought to be keys to achieving internationalization success the respondents cited superior “world class” product and service quality and organizational skills (i.e., technological and operational competence) as more important than any advantages they might have with respect to lower costs of production.
- Respondents generally believed that the “Made in India” label was an asset rather than a liability in facilitating the international market entry of Indian companies.
- Respondents had ambitious plans for internationalization over the next five years: the mean value of the responses was an aspired foreign-to-total sales ratio of 55.79% against a ratio of 37.70% at the time of the survey.
- The most popular method for organizing international operations, used by 37.31% of the surveyed companies, was the international division. Other organizational strategies included global geographic structure (16.41%), global product structure (16.42%) and mixed structures (29.85%). Respondents noted the importance of “efficient organization” to success with internationalization.
- Exporting was the most favored mode of internationalization followed by joint venturing. Interestingly, licensing and foreign direct investment were not terribly popular among the surveyed companies as international market entry strategies.
- Asia was ranked as the most important area of current market focus for the Indian companies followed by Europe, North America and Australia.
- Two-thirds of the respondents felt that their organizational transformation toward greater internationalization had been primarily planned and implemented by their headquarters while the remaining respondents believed that changes had been initiated at decentralized levels based on local responses to internationalization needs. Many respondents confirmed the importance of “vision and stretch-goals provided by top leadership to drive international operations”.

All in all, Oswal concluded that there had been a significant organizational transformation among the respondents in the five years leading up to the survey and that the transformation had occurred simultaneously in a wide range of organizational variables with the overall focus being on identifying and implementing more efficient forms of organization for internationalization activities.[74] Transformation in “process” and “human resources” variables were found to have the greatest impact on organizational performance and the most significant changes in these areas were the increased use of information technology system to integrate international activities and share information worldwide and increased training of employees in international management skills. Transformation in “structure” and “culture” variable were actually found to have weakly negative consequences on performance and the most common actions in these areas included increased use of cross-functional/divisional/geographical teams and collaboration and increased confidence of employees in being able to compete successfully with the best in the world. Oswal noted that the successful Indian firms had been able to shed bureaucratic practices and improve the skills and level of international

[74] Id. at 179-181.

experience among their top management teams and boards of directors to the point where they more closely resembled their counterparts from the developed world.

While India has been slow to develop products suitable for foreign markets, it is clear that globalization has played a major role in its export-led growth, leading to the enlargement of the job market in India.[75] Outsourced information technology and business process outsourcing in general, and the software services industry in particular, have been major sources of globalization for India and more and more domestic and foreign companies have employed skilled professionals in India to service their customers all around the world. The advantages of using human resources from India are well documented: reduced labor costs coupled with the advantages of having an educated English-speaking workforce. Improvements in global communications technologies have also been instrumental in the development of India's services sector. At the same time, the rise of a new middle class in India due to wealth created by participating in the services sector has attracted international consumer products companies to set up shop in India to take advantage of a promising domestic market. Assessing the impact of globalization on India, Nayar noted that Indian companies were gaining more confidence and beginning to expand their operations outside India and that globalization seemed to be having a positive impact in India and delivering India from global stagnation and recurring economic crises, while reducing poverty.[76]

§1:12 Indonesia

Globalization based on foreign trading activities in Indonesia is complicated by the often conflicting goals and actions of the central government on the one hand and local governments on the other. At the national level the central government is committed to integrating Indonesia with the global economy and liberalizing foreign trade in accordance with the standards established by the WTO and making sure that the Indonesian economy is closely aligned with the other members of the Association of Southeast Asian Nations (ASEAN) economic community.[77] At the same time, however, local governments, anxious to increase their revenues from taxes and levies, have often introduced tariff and non-tariff barriers, particularly with respect to agricultural and forestry commodities, and have sought to protect their markets from cheap imports. While changes have been made in foreign investment laws over the years some business sectors remain closed to foreign investment and others are subject to various restrictions and conditions.[78]

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[75] Globalization in India, The Economist Magazine (October 14, 2010), http://www.economywatch.com/economy-articles/globalization-in-india.html [Accessed September 15, 2012].

[76] B. Nayar, "India's Globalization: Evaluating the Economic Consequences", Policy Studies, 22 (2006), 78-82.

[77] Bertelsmann Stiftung, BTI 2012—Indonesia Country Report (2012).

[78] Indonesia, Background Notes, US Department of State, http://www.state.gov/outofdate/bgn/indonesia/195233.htm. See also Presidential Regulation No. 36 of 2010, dated May 25, 2010.

As an archipelagic country, Indonesia occupies a very strategic location amidst global activity and has long been a destination for foreigners interested in using the country for trade and access to raw materials, natural resources and plentiful supplies of labor. Indonesian political leaders have promoted globalization as a necessary process throughout recent decades and have cautioned that steps need to be taken to ensure that Indonesia benefits from the process. While Indonesia has expanded rapidly through a combination of domestic consumption and productivity growth globalization has brought difficulties including a large migration of workers to other Asian countries and the Middle East and a series of financial crises including the major problems in the late 1990s that spread to other parts of Asia. In addition, many segments of Indonesian society are ambivalent, if not outright hostile, to the impact of Western consumerism.

At the beginning of the 2000s Soesastro noted that while Indonesia had, at that point, made important steps over the prior two decades in deregulating and liberalizing its economy the "task [was] far from complete" and "[g]lobalization [provided] the government a strong justification for undertaking market-oriented reforms that can help maintain high and sustainable rates of exports necessary for strong economic growth".[79] Soesastro acknowledged that Indonesia has actively participated in a variety of regional cooperation schemes, such as the ASEAN Free Trade Area and the Asia-Pacific Economic Cooperation, as an important part of its globalization policy and pointed out that such schemes were particularly appropriate for Indonesian and other developing countries who sought globalization but over a longer period that allowed them to adjust to the often wrenching changes associated with the reforms thought necessary to support industrialization and other development initiatives. However, Soesastro argued that several additional and admittedly difficult steps needed to be taken included dismantling the protective restrictions found in a number of privileged sectors, a move that would require overturning long-standing cronyism and corruption; reducing the government's excessive control over the business community, thus not cutting down on corruption but also allowing independent businesses to launch and prosper; implementing and enforcing transparent rules for competition; and moving away from government activism in the form of industrial policy toward a system in which the marketplace would lead economic development and the government's role would shift to regulating the marketplace to ensure that it functions competitively and efficiently. Soesastro also cautioned that globalization must be undertaken in a way that was mindful of the need to address and reduce substantial disparities of income and access to economic opportunities between different groups in Indonesian society.

§1:13 Korea

For several decades beginning in the 1960s Korea enjoyed notable early success in its efforts to modernize and industrialize its economy; however, by the 1990s there were concerns about whether or not Korea was sufficiently equipped to handle the projected challenges of accelerated globalization. In 1994 the Kim Young Sam government formally announced a new initiative to reform Korea's political economy that included the formation of Globalization Promotion Committee (*segyehwa ch'ujin wiwônhoe*), or

[79] H. Soesastro, "Globalization: Challenges for Indonesia", Economic Reform Today (1)(2000), 51.

GPC, which was headed by the prime minister and consisted of a set of committees on policy planning, administrative reform, educational reform, and science and technology.[80] At the time Kim argued that his *segyehwa* policy was necessary "if Korea is to survive and thrive in this age of increasingly fierce borderless global competition."[81] The policies touched on a variety of areas including economic liberalization, social reforms and efforts to revitalize Korean culture and identity. Unfortunately Korea was not successful in attaining its self-defined globalization goals and instead found itself drawn into compliance with the requirements established by the international economic and financial community as conditions to assistance in overcoming the pain caused by the Asian Financial Crisis that occurred in the late 1990s. For example, Korea was forced to acknowledge that the effective absence of prudential supervision in the financial services industry, nonexistent principles of corporate governance and transparency and other such framework policies contributed prominently to the social and economic problems that Korea experienced.[82]

Many of the steps that Korea took to escape the Asian Financial Crisis were quite dramatic and disruptive to the regular order that had prevailed in the country. Among other things Korea's industrial and financial structures had to be redesigned to fit the models preferred and used in the US and Europe and the large Korean conglomerates—the chaebols—were tasked with adapting to a more market oriented social and political environment. Labor markets were transformed as many workers, many of whom had believed they would enjoy lifetime employment with the chaebols and banks, found themselves unemployed as a result of industrial restructuring and the inadequacies of Korea's social safety nets became apparent as the number of households living in poverty grew dramatically.[83] In the political arena it is generally conceded that the reforms initiated at the end of the 1990s have improved the functionality of Korea's democratic systems and that there is improved transparency among public sector actors and more earnest effort by politicians to respond positively to the public's demands for improved and vigilant governance. Foreign investment in Korea has developed and grown substantially since the Asian Financial Crisis and with the passage of the Foreign Investment Promotion Act in 1998 and accompanying new regulations and streamlined procedures, the Korean economy became more hospitable to various forms of foreign investment in virtually all sectors including manufacturing as well as financial service industries. Improved access to foreign capital was invaluable to the recovery and strengthening of the Korean economy during the early 2000s.

[80] B. Gills and D. Gills, "Globalization and Strategic Choice in South Korea: Economic Reform and Labor", in S. Kim (Ed.), Korea's Globalization (2000), 29.
[81] Young Sam Kim, Korea's Reform and Globalization (1996), 15.
[82] S. Harris, **"**Korea and the Asian Crisis: The Impact of the Democratic Deficit and OECD Accession", in G. Underhill and X. Zhang (Ed.), Global Economic Disorder and Policies for a New International Financial Architecture (2003).
[83] Organisation for Economic Cooperation and Development (OECD), Pushing Ahead with Reform in Korea: Labor Market and Social Safety-Net Policies (2000), xx; B. Soonil, Social Safety Nets in the Republic of Korea: Analysis and Prospects, in Strengthening Policies and Programmes on Social Safety Nets: Issues, Recommendations and Selected Studies (2009), 111.

Globalization among Korea's technology-based SMEs has taken a variety of forms including R&D partnerships with global companies from other countries, relationships with foreign customers and inbound investments from venture capitalists headquartered in the US, Europe or other parts of Asia. Lim commented that most Korean entrepreneurs remain too focused on their local market and that Korean startups that have tried to expand globally have struggled with scaling their operations to the point where they can effectively penetrate markets outside of Korea.[84] One of the problems that Koreans encounter when pursuing opportunities in foreign markets is relatively poor foreign language skills, an issue that policymakers overseeing the Korean educational system are attempting to address.

Choi et al. detailed several challenges that technology-based Korean SMEs have had to overcome in order to achieve success.[85] First, Korean firms are not alone in Asia with respect to aspirations for global success and Korean companies have had to contend with intense competition, typically with respect to price, from firms based in neighboring countries such as China, India and Vietnam. Second, although the downsizing of the large conglomerates has freed a large number of educated and experienced managers, there is still not enough of them to support all of the promising entrepreneurial ventures that have been launched in Korea and this lack of managerial talent often adversely impacts the ability of companies to grow and secure additional funding from outside investors. Choi et al. echoed the findings of others that the large conglomerates continue to be strong competitors for the best and brightest university graduates through their ability to offer higher salaries, status and perceived job security. Third, while many Korean SMEs have attained notable levels of technological prowess, they typically lack the experience and competence in the marketing area that is needed in order to understand foreign markets and develop and execute successful marketing strategies outside of Korea. Fourth, Koreans have been slow to embrace the importance of foreign language proficiency and this has hampered their efforts to engage with investors, customers and suppliers outside of Korea. Fifth, Choi et al. argued that a number of Korean entrepreneurs and managers have been slow to appreciate the concept of fiduciary responsibility and the value that investors and other business partners in foreign countries such as the US place on high standards of moral and ethical conduct in business dealings. Finally, Korean entrepreneurs have been reluctant to recruit executives and senior managers from the US and Europe and adopt business practices from those areas and Choi et al. argued that while having to deal with different cultures at the highest levels of the organization may be inconvenient and difficult for Korean entrepreneurs it is necessary in order for their firms to forge ahead with their globalization aspirations.

Local entrepreneurs interviewed by Gamper noted that governmental efforts with respect to entrepreneurship has shifted from simply encouraging the launch of new startups to

[84] J. Lim, Korean Start-Ups: Starting the New Wave, Tech Node (August 1, 2011), http://technode.com/2011/08/01/korean-start-ups-starting-the-new-wave/ (accessed June 14, 2014).

[85] D. Choi, S. Elkinawy and S. Wang, The Changing Face of Korean Small and Medium-Sized Enterprises, in C. Rowley and Y. Paik, The Changing Face of Korean Management 143 (2008) (citing Ku-Hyun Jung, An Upsurge of Entrepreneurship in Korea and Its Possible Reasons (2002), http://www.mansfieldfdn.org/backup/programs/program_pdfs/ent_korea.pdf (accessed June 18, 2014)).

more focused initiatives that have called on young Korean companies to take greater risks and strive to build business models that would eventually be successful in bigger markets outside of Korea alone.[86] As part of this effort, Korean entrepreneurs are being given opportunities to visit other innovation clusters around the world, including Silicon Valley, to learn from experts, mentors and venture capitalists living and working in locations with more developed entrepreneurial ecosystems. Prospective Korean entrepreneurs are also beginning to appreciate the value of improving their English-speaking skills and proactively seeking out information regarding cultural and business trends in foreign markets. The shift toward globalization is a significant departure from past practices in Korea; however, proponents argue that it makes sense in light of the increased confidence among Korean entrepreneurs and the reality that many domestic market sectors, particularly in the technology arena, are already overcrowded.

One Israeli-American investor and business consultant counseled Korean startups to become "small multinational companies on their own" by coupling their domestic R&D activities, which allows them to tap into the talent pool available in Korea, with a physical presence in Silicon Valley where they can complete the development of their technology and products, interact with US venture capitalists and engage in marketing activities to understand the potential global market and sign contracts with key initial customers.[87]

Gamper reported that a powerful network of influential Koreans has developed in Silicon Valley and some believe that they will eventually play an important role in assisting Korean startups in their efforts to achieve global competitiveness.[88] In the mid-1990s Park interviewed 25 Korean entrepreneurs then living and working in Silicon Valley to learn about just who they were and how they were linked to industrial and technology development in their Korean homeland.[89] Park developed a "typical portrait" of a Korean entrepreneur as someone who was highly educated, male in his early 40s with engineering expertise, and who had first come to the US as an overseas student or immigrant or expatriate without partners or patrons. Once in Silicon Valley, these entrepreneurs relieved heavily on their personal networks in order to finance and operate their businesses and exhibited intense "workaholic" tendencies that surpassed their American colleagues. The entrepreneurs maintained close relationships with Korea and they themselves often served as bridges for the transfer of technology and products back and forth between Korea and the US.

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[86] M. Gamper, "The World's Largest Startup"—Can Korea's New Culture of Business Creativity Rival Silicon Valley?, Venture Village (December 24, 2013), http://venturevillage.eu/korea-startup (accessed June 12, 2014).

[87] Korean Startups should become 'small multinational companies' (July 17, 2013) http://english.donga.com/srv/service.php3?biid=2013071756668 (accessed June 16, 2014).

[88] M. Gamper, "The World's Largest Startup"—Can Korea's New Culture of Business Creativity Rival Silicon Valley?, Venture Village (December 24, 2013), http://venturevillage.eu/korea-startup (accessed June 12, 2014).

[89] S. Park, Korean Entrepreneurship in Silicon Valley, International Policy Studies (1996), http://www.stanford.edu/dept/HPS/TimLenoir/SiliconValley99/RegionalAdvantage/ShinookPark.html#conclusion (accessed June 19, 2014).

§1:14 Mexico

Commentators have noted that while Mexico appears to enjoy numerous potential competitive advantages, including its geographic proximity to the US economy and significant oil resources, it has nonetheless failed to achieve projected levels of performance in the global economy and have argued that disappointing results can be traced to a variety of reasons such as the lack of economic institutions and infrastructure, political instability, retained state control over key industries rather than facilitation of private sector competition, cronyism that allowed oligarchs to build and consolidate their wealth by purchasing preferred assets from the state during the privatization process, dependence on natural resource wealth, lack of investment in physical infrastructure and human resources, migration due to lack of work and training opportunities in Mexico, crime and corruption and ambivalence about foreign investment.[90] Among other things, while Mexico has participated in multilateral trade initiatives, including participation in the North American Free Trade Agreement and implementation of macroeconomic and structural adjustment reforms demanded by the US and the International Monetary Fund, it has been far less successful in building the institutions that are key to facilitating the activities of free and open markets including banks, economic regulations, contract laws, training and technology, education, mechanisms that allow for collaboration and efficiencies and coherent tax policies. Nominally, the Mexican government promotes exports through a number of programs supporting foreign trade companies and highly exporting companies and by creating duty-free zones that can be used by qualified industrial enterprises to assemble, transform or manufacture foreign inputs and export the finished products.

Vargas-Hernández and Noruzi studied and analyzed the different internationalization strategies followed by three Mexican companies with a global presence: Grupo Modelo, Grupo Bimb and Cemex.[91] The authors noted that each of the companies embarked on internationalization in the midst of a national context of liberalization that was occurring in Mexico following its accession to various multilateral trade arrangements and that while each of them used acquisitions and alliances with foreign partners it was possible to identify differences among them with regard to their strategies based on their specific characteristics and the industries in which they operated. For example, Cemex was able to take advantage of the oligopolistic power that it had in an industry—cement—that had relatively few competitors and which required specialized technology in order to launch business activities. Cemex also gained advantages from internationalization from its internal capabilities that allowed it to effectively integrate the resources and knowledge available from the companies it acquired in foreign markets and the authors specifically noted how well Cemex used information technology to coordinate the operation of all of its businesses worldwide. In contrast, the good produced by Grupo Modelo, beer, allowed it to pursue what was primarily an export-based strategy for internationalization

[90] The discussion in this paragraph is adapted from "Why Has Mexico Been Unable to Reap the Rewards of Globalization?", World Savvy Monitor: Mexico, 10 (August 2009).
[91] J. Vargas-Hernández and M. Noruzi, "Internationalization Strategies followed by Three Mexican Pioneer Companies—Grupo Modelo, Grupo Bimb and Cemex—Issues and Challenges", International Journal of Business and Commerce, 1(1) (September 2011), 32.

since it was not necessary to install plants in each foreign market. As such, Grupo Modelo's global expansion focused on establishing offices in foreign markets that were charged with marketing and distribution of its products and proper positioning of the products in the local market. Finally, Grupo Bimbo, one of the largest bakery companies in the world, grew internationally through acquisitions of, or alliances with, local companies in foreign markets that offered opportunities to efficiently replicate Grupo Bimbo's intangible advantages with respect to distribution and ability to quickly and efficiently meet the demands of a large number of consumers. Similar to Cemex, Grupo Bimbo relied heavily on technology to support its business processes, particularly with respect to coordination of production among plants and tracking customer preferences to generate ideas for new growth opportunities and product innovation.

§1:15 Russia

Russia is a member of the World Trade Organization and a party to various other bilateral trade agreements.[92] While, in principle, these agreements have liberalized Russia's foreign trade the reality is that a number of significant regulatory exceptions have remained in place including various restrictions on certain types of imports and exports. As a result, Russia has been continuously involved in trade disputes, often with the neighboring European Union. Other problems have arisen when Russia has new protective import tariffs, as it did on some agricultural products and on cars in 2008 as part of its response to the then-current global economic crisis. While, in general, foreign companies and citizens have the same rights and obligations as Russian companies and individuals under Russian law, certain federal laws, such as the Law on Foreign Investment in Strategic Companies, restrict foreign investment activity in areas involving national security issues.[93] Special economic zones have been established to provide incentives, generally tax preferences, for certain types of investment and Russia has famously undertaken high profile projects such as the Sochi 2014 Olympic Games as a means for garnering acceptance in the international community.

The record is clear that the Russian economy suffered immensely in the years following the collapse of the Soviet Union and that the country's principal state institutions were dramatically discredited and adrift regarding the role they should play and the future that they should pursue. Russia lost international prestige and status as the country's economy spiraled downward and standards of living for its citizens declined. In fact, the collapse was monumental, as economists estimated that "[b}etween 1992 and 1995, Russia's GDP fell 42% and industrial production fell 46%—far worse than the contraction of the US economy during the Great Depression" and that "[b]y the mid to late nineties, more than forty-four million of Russia's 148 million people were living in poverty".[94] As all of this was going on, other nations were taking advantage of Western-led globalization to spread

[92] The discussion in this paragraph is adapted from Bertelsmann Stiftung, BTI 2012 — Russia Country Report (2012).
[93] Practical Law Company, Doing Business in the Russian Federation, http://us.practicallaw.com/9-517-9366?q=russian+federation#a604038.
[94] N. Holmstrom and R. Smith, "The Necessity of Gangster Capitalism: Primitive Accumulation in Russia and China", Monthly Review, 51(9) (2000), 5.

their products, brands and lifestyle preferences, much of which found its way into Russia, while "Russia's own money, brand names, values, lifestyles and opinions were driven to the verge of extinction".[95]

The events following the breakup of the Soviet Union hardly supported the prediction of some, both in Russia and in the West, that Russia would be able to take "a big leap forward to the radiant capitalist future".[96] Nonetheless, Molchanov cited several reasons why Russia's globalization will continue and increase including its location in Europe and membership in the family of European nations, a geopolitical fact that inevitably ties Russia to the European Union and its individual members; its position as a natural bridge between Europe and Asia generally and the European Union and China in particular; its possession of large and strategically-placed energy reserves which will make it a major player in the Central Asian-Caspian energy market for decades to come; and its ability to play an important role in supporting Western efforts to combat terrorism.[97] In fact, recent evidence points to Russia being on track to once again become a major factor in world economic affairs with significant increases in oil production and exports and by 2012, for example, Russia's exports of US$2.02 trillion exceeded its imports of US$1.78 trillion by US$250 billion and its total trade with the European Union was close to €78 billion.[98]

Various researchers have analyzed different aspects of internationalization among Russian companies, both inward and outward. Several have noted key reasons why Russian firms are interested in engaging with companies from developed countries including gaining access to Western brands, which are preferred by Russian customers[99], securing and strengthen contacts with potential Western customers[100], and obtaining financial supports for development of their own innovative ideas.[101] Russian companies seem to prefer alliance with European partners, given the short geographical distance and perceived cultural similarities. Hagedoorn and Sedaitis noted that research-intensive alliances between Russian companies and foreign partners usually take the contractual form, while manufacturing-oriented alliances usually are operated as an equity joint venture.[102] Karhunen and Kosonen analyzed the determinants of Western-Russian production alliances by looking at Finnish-Russian production subcontracting relationships in the metal industry and found that their success had been modest due to different perceptions of the alliance and expected contribution by the partners.[103] Others

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[95] M. Molchanov, "Russia and Globalization", in R. Day and J. Masciulli (Eds.), Globalization and Political Ethics (2005), 147, 151-152.
[96] Id.
[97] Id.
[98] The European Union, EU-Russia Trade (http://europa.eu.int/comm/external_relations/russia/intro/trade.htm).
[99] J. Hagedoorn and J. Sedaitis, "Partnerships in Transition Economies: International Strategic Technology Alliances in Russia", Research Policy, 27(2) (1998), 177.
[100] I. Dezhina and L. Graham, "Russia Taking First Steps toward Commercial Culture for Technology", Research Technology Management, 44(2) (2001), 6.
[101] Finpro, Innovation Centre in Russia (2006).
[102] J. Hagedoorn and J. Sedaitis, "Partnerships in Transition Economies: International Strategic Technology Alliances in Russia", Research Policy, 27(2) (1998), 177.
[103] P. Karhunen and R. Kosonen, Determinants of Western-Russian Production Alliances—The Case of Finnish Metal Industry SMEs' Subcontracting in Russia (2002).

have expressed skepticism regarding the viability of cross-border alliances based on production in Russia since the motivation for such alliances is usually lower production costs and/or gaining access to markets and the relatively high labor costs in Russia do not offer foreign partners to the same cost saving opportunities they would find in other emerging markets.[104] As with other developing or emerging markets, Russia has growing group of SMEs; however, internationalization through cooperation with foreign partners by Russian SMEs has been relatively slow and the Russian companies that have been successful in those alliances have tended to be newer and thus relatively unencumbered by the extensive financial and institutional commitments, and bureaucracy and formalism, that were in place before the collapse of communism.[105]

§1:16 South Africa

Globalization, particularly negotiation of trade agreement with other countries, has been a central feature of the economic development strategies of the South African government as it attempts to accelerate growth and industrial development as a means for creating employment in the country. Participation in the global trade environment by South Africa is led by the International Trade and Economic Development Division within the Department of Trade and Industry and negotiators have successfully navigated the country's entry into a variety of bilateral and multilateral trade arrangements including the Southern African Customs Union ("SACU"), the Trade Protocol of the Southern African Development Community, the Common Monetary Area Trade, Development and Cooperation Agreement between South Africa and the European Union and a free trade agreement between the SACU and the European Free Trade Association.[106] South Africa has also liberalized its foreign investment laws and regulations in an effort to encourage foreign investment in all sectors of the economy; however, certain ownership and control restrictions still apply and specific authorizations can be required in regulated sectors such as broadcasting, telecommunications, banking, insurance, defense and mining.[107]

With respect to the liberalization and internationalization of the South African telecommunications sector Taka reported, in a paper issued in 2001, that there had been large inflows of foreign capital, consistent with the popularity of the telecommunications sector throughout Africa as a destination for foreign direct investment, and that investment had facilitated the introduction of new technologies that provided better services at lower prices and had also created new jobs and improved the managerial and

[104] D. A. Dyker, "Technology Exchange and the Foreign Business Sector in Russia", Research Policy, 30(5) (2001), 851; H. Yashiro, Knowledge Identification, Utilization and Transfer in Offshore R&D: The Case of Russia and Japan, 2 Proceedings of Engineering Management Conference, IEEE International (2005), 725.

[105] Finpro, Innovation Centre in Russia (2006); J. Hagedoorn and J. Sedaitis, "Partnerships in Transition Economies: International Strategic Technology Alliances in Russia", Research Policy, 27(2) (1998), 177; and J. Sedaitis, "Waking the Sleeping Giants: Commercializing State R&D in the United States and Russia", Technological Forecasting and Social Change, 53(3) (1996), 293.

[106] The discussion in this paragraph is adapted from South Africa: Investor's Handbook 2011/2012, Department of Trade and Industry, http://www.deloitte.com/assets/Dcom-SouthAfrica/Local%20Assets/Documents/Investing%20in%20SA%202012.pdf.

[107] Practical Law Company, Doing Business in South Africa http://us.practicallaw.com/1-500-3762?source=relatedcontent#a299558

technical skills among local companies.[108] Taka cautioned, however, that the type of foreign investment made a big difference and that some foreign investors, particularly those who seek major shareholding positions, are interested in maximizing returns while other foreign investors willing to participate via licensing arrangements generally provide better opportunities for South Africans to gain from international experience and use those skills for internal development. In 2002 Gelb authored a report on the entry, performance and impact of foreign companies in South Africa and found that a substantial proportion of the entries were accomplished through full and partial acquisitions; there appeared to be strong complementarities between foreign entrants and local partners in providing essential resources for the post-entry phase, with the foreign parties focusing on providing technology and branding and the South African parties contributing their management and distribution capacities, but Gelb noted that the value of local management was problematic given that the skills of managers were often perceived as poor or inadequate by the foreign investors; and investors seemed to be mostly interested in accessing a new market as opposed to using South African partners as a means for becoming more efficient.[109] Luiz and Ruplal found that security of tenure, political stability and the availability of infrastructure were the three most important factors influencing the internationalization of South African mining firms [110] Finally, Calof et al. studied the export behaviors of South African SMEs and found that, in general, they exhibited similar export behavior to that of firms in more developed countries but that barriers to exporting confronting South African SMEs were likely inhibiting their ability to export aggressively.[111]

§1:17 Turkey

Turkey was praised for its efforts to establish a free market economy and open up its domestic market to international competition during the 1980s and 1990s using an export-oriented development strategy. Ercel pointed out, however, that "as a result of high inflation and political uncertainties, together with capital account liberalization in 1989, the Turkish economy experienced imbalances and severe financial crises in the years of 1994, 2000 and 2001, and because of that it never fully benefited from globalization".[112] Perhaps the most compelling, and often tumultuous, piece of the story for Turkey with respect to globalization has been the discussions relating to Turkey's candidacy for membership in the European Union (EU). Turkey first applied for full membership into what was then called the European Economic Community in 1987 and formal accession negotiations between representatives of the EU and Turkey were opened in October 2005 and have been ongoing since that time as the parties attempted to establish progress by Turkey in a variety of areas including political reforms, foreign policy, mobility and migration, trade, energy, counter-terrorism and Turkey's willingness and ability to accept and achieve specific requirements relating to its judiciary, the rule of

[108] M. Taka, The Internationalization of the South African Telecommunications Sector (2001).
[109] S. Gelb, Foreign Companies in South Africa: Entry, Performance and Impact: An Overview (2002).
[110] J. Luiz and M. Ruplal, Foreign Direct Investment and the Internationalization of South African Mining Companies into Africa (2010).
[111] J. Calof, J. Kroon, W. Viviers and J. Van Zyl Toyota, Internationalization of Small and Medium Sized South African Enterprises (2004).
[112] G. Ercel, Globalization and The Turkish Economy (November 2006).

law and respect for fundamental human rights of its citizens, particular protection of minorities. While talks broke down in 2010 it was announced in late 2013 that discussions would start once again.[113]

Turkey is one of the developing countries that has deliberately identified globalization as a key part of the country's long-term strategy for economic development and, in fact, the Ministry of Industry and Trade has pushed for making Turkey "the production base of Eurasia in medium and high-tech products" and "increasing the competitiveness and efficiency of Turkish Industry and expediting the transformation to an industry structure which has more share in world exports, where mainly high-tech products with high added value are produced, which has qualified labor and which at the same time is sensitive to the environment and the society".[114] Among the specific steps that have been undertaken to assist Turkish industries in competing globally are improving the institutional and legal infrastructure, reducing bureaucratic barriers at the central government and local administration levels, adopting regulatory impact assessment and improving competition laws; attracting foreign direct investments that provide high added value and create positive externalities for local companies; eliminating obstacles to investments and rigidities in the labor force market; developing alternative financing options and financial tools for small- and medium-sized enterprises; improving the technological infrastructure; improving logistics inputs including transportation systems and reducing the costs of inputs such as electricity; increasing environmental awareness and supporting and encouraging regional development.[115]

Erdila noted that Turkey had moved to create an open market and export-oriented economy in the early 1980s and that the country had seen significant internationalization of the activities of its firms during the 1990s and 2000s in terms of greater participation in international trade, increasing levels of outbound foreign direct investment and expanding cross-border merger and acquisition activities.[116] Erdila reported that Turkish companies got their earliest experience with exporting during the early 1980s when the government implementing export incentive regulations that allowed domestic companies to begin expanding their activities to foreign markets in relatively close proximity including countries in the EU, the Middle East and North Africa. Increased participation in multilateral free trade agreements, as well as improved industrial production capabilities, led to a transition in the internationalization activities of Turkish companies in the early 1990s toward greater use of joint ventures and strategic alliances in neighboring countries, thus allowing those companies to build distribution channels in large European markets such as Germany, the Netherlands and the United Kingdom. In

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[113] For full discussion of the current state of negotiations and the issues under discussion between the EU and Turkey see European Commission Staff Working Document on Turkey 2013 Progress Report (2013), http://ec.europa.eu/enlargement/pdf/key_documents/2013/package/tr_rapport_2013.pdf

[114] Republic of Turkey, Ministry of Industry and Trade, Turkish Industrial Strategy Document 2011-2014 (2010), http://www.sanayi.gov.tr/Files/Documents/TurkiyeSanayiStratejisiIngilizce.pdf.

[115] Republic of Turkey, Ministry of Industry and Trade, Turkish Industrial Strategy Document 2011-2014 (2010), http://www.sanayi.gov.tr/Files/Documents/TurkiyeSanayiStratejisiIngilizce.pdf.

[116] The discussion in this paragraph is adapted from T. Erdila, "An Analysis of Internationalisation Behavior of Firms Through Activities and the Case of Turkish firms", Procedia—Social and Behavioral Sciences, 58 (2012), 1247.

the 2000s Turkish companies shifted once again and became more active in their use of acquisitions and direct investments (i.e., opening new branches and subsidiaries) in foreign countries to seek and achieve quicker and deeper market penetration. Erdila summarized the results of various surveys regarding the reasons for internationalization by Turkish companies and the advantages those companies derived from their strategies and noted that the increased interest in outbound investment among Turkish firms was being driven by financial availability, proximity and a desire for diversification, reduction in labor costs, overcoming tariff barriers and reducing the costs of other inputs.

§1:18 Vietnam

As a member of the World Trade Organization, Vietnam is committed to adhering to international standards relating to regulation of import and export activities, including permitting access to the Vietnamese market by foreign individuals and enterprises. Vietnam has been gradually liberalizing its policies regarding foreign investment as part of the country's overall long-term development strategy and most of the foreign investment projects have been launched in or near the largest cities of Hanoi and Ho Chi Minh City, which have more developed infrastructure, higher purchasing power and a more skilled labor force.[117]

Commentators have noted both the positive and negative influences of globalization on Vietnamese culture.[118] On the positive side it is clear that the significant increase in international exchanges through trade and tourism has increased the awareness of the Vietnamese people regarding capitalism and caused them to question the legitimacy of the Marxist-Leninist ideals that have prevailed in the country for decades. Globalization has also allowed certain segments of the Vietnamese population to gain access to goods and services that provide greater convenience, comfort and quality and the entry of foreign companies into the local marketplace has stimulated competition and choice. Improvements in telecommunications have also given the Vietnamese people access to news and other information from outside the country that has contributed to making them feel more connected to the world. Concerns about negative influences of globalization begin with dismay about pictures of Vietnamese children losing touch with their traditions and language as they are "eating KFC-style chicken, drinking Coca-Cola and watching the Disney Channel".[119] The "open-door" policies that were adopted to facilitate globalization, including actions intended to increase inbound foreign investment, have caused dramatic upheavals in income distribution and class relationships in Vietnam and a large and continuously widening gap has opened up between the richest and poorest members of Vietnamese society.

[117] Foreign Investment in Vietnam, http://www.indembassy.com.vn/tabid/241/default.aspx

[118] The discussion in this paragraph is based in part on H. Bui, Decode that Sociological Stuff: Globalization and Its Effect on Vietnamese Culture, http://sociologyiu09.wordpress.com/2009/12/30/globalization-and-its-effect-on-vietnamese-culture-2/

[119] H. Bui, Decode that Sociological Stuff: Globalization and Its Effect on Vietnamese Culture, http://sociologyiu09.wordpress.com/2009/12/30/globalization-and-its-effect-on-vietnamese-culture-2/

Tran et al. reported that as of the mid-2000s direct export activities among Vietnamese small- and medium-sized enterprises (SMEs) were still limited and that the probability of exporting was positively related to the size of the enterprise.[120] While the export activities of smaller SMEs typically covered less than 10% of their total sales, on average larger enterprises derived more than 60% of their sales revenues from exporting. The exporters among Vietnamese SMEs generally had a relatively small number of regular foreign customers (i.e., five) and a large majority of the Vietnamese firms remained heavily dependent on foreign trading partners for product specification, designs, materials and technology. Tran et al. noted that the general belief was that Vietnamese SMEs lacked knowledge and expertise regarding the international legal requirements that come into play during export activities and commented that in spite of this only a third of the firms that they surveyed sought out legal advice as they negotiated direct export contracts.

Pham studied the competencies and internationalization strategies of companies from both high- and low-tech industries in Vietnam and Thailand.[121] While much of her analysis focused on comparisons between the two countries, such as discovering that the Thai firms in the study group generally had more experience in foreign markets than their Vietnamese counterparts, Pham was able to identify and describe several key characteristics with respect to the internationalization processes followed by Vietnamese companies. For example, Pham found that most of the surveyed companies invested a significant amount of time in understanding the needs of their target customers in foreign markets and that just under 60% of those customers were wholesalers. Exporting was the most popular mode of internationalization, a practiced followed by three-quarters of the respondents; however, the Vietnamese companies also relied on a combination of exporting and joint venturing in many instances. The major export destinations for Vietnam's low-tech products—textiles and garments—were the US, Europe and Japan; however, the most popular foreign destinations for Vietnam's high-tech products—electronics and computer parts—were Indochina, including Cambodia and Laos, Europe and the ASEAN countries. Pham's data confirmed the importance of exporting to the Vietnamese companies producing low-tech goods—export turnover occupied more than 90% of the combined total revenue for those companies and more than 40% of the companies derived more than 90% of their total revenue from exports; however, the export turnover rate of the Vietnamese high-tech companies was significantly less than their counterparts in Thailand and only 4.2% of the Vietnamese high-tech companies had a sales turnover of 60% or more in foreign markets. Pham noted that the differences between Vietnam's high- and low-tech companies with respect to reliance on exporting might be explained in part by the higher managerial competencies among the low-tech companies, which often had a history of working with foreign owners, and the longer experience that the Vietnamese low-tech companies had with internationalization.

[120] J. Rand and F. Tarp, "Characteristics of the Vietnamese business environment: evidence from a SME survey in 2005", Component 5 – Business Sector Research, Business sector program Support, CIEM, DoE, ILSSA (March 2007) (as cited in T. C. Tran, X. S. Le and K. Nguyen, "Vietnam's Small and Medium Sized Enterprises Development: Characteristics, Constraints and Policy Recommendations", in H. Lim (Ed.), SME in Asia and Globalization, ERIA Research Project Report 2007-5, 323, 342).
[121] T. Pham, Strategies for Internationalization: A Comparative Study of Thai and Vietnamese Companies in Two Industries (2008), 133-137.

Thai noted that Vietnamese SMEs had become increasingly active in international markets as Vietnam began developing and implementing liberalization policies to strengthen its integration with the global economy and conducted an intensive study of 35 Vietnamese SMEs to gain a better understanding of the nature of the internationalization process of those firms as a business strategy.[122] Thai pointed out at the outset that internationalization is only one of many strategies used by Vietnamese SMEs to pursue and achieve their goals and that most of the surveyed companies were actually engaged in multiple industries, many of which were not even related, and it was possible for those firms to internationalize in one of their industries while remaining fully or primarily domestic in others. Thai then argued that the results of the survey appeared to indicate that "[t]he decision of a Vietnamese SME to internationalize or not to internationalize is a function of whether the firm and its managers want to internationalize, whether it perceives the industry's opportunity and/or pressure as great enough, and whether it has the ability to do so".[123]

Thai characterized firms that wanted to internationalize as having the requisite "desire" and explained that this may occur in a variety of situations such as when a firm is assigned by the government to promote export or is delegated by the government to import materials for certain industries; it wants to collaborate with foreigners in one or all of its business lines to learn how they do business as a way to build its competitive edge; it wants to diversify risk; its manager wants to satisfy his/her personal goal of proving he/she is capable of managing an international firm; and/or its manager wants to live abroad. As for opportunity and/or pressure to internationalize Thai explained that "opportunity" was tied to the possibility of profits while "pressure" emanated from concerns about hardships the firm might encounter from failing to act and embark on internationalization. For example, internationalization may be called for when the industry is in the maturity and/or decline stage or the degree of internationalization in the industry is high; demand and price are higher abroad than in Vietnam; and/or demand in Vietnam is too low because of consumer preference and/or income. Thai clearly reminded that opportunities and pressures are often based on the perceptions of managers, as opposed to the actual situation in the industry, and that the quality and accuracy of these perceptions depends greatly on the information available to the managers and their international management capabilities. Finally, the "ability" to internationalize is driven by access to the required resources which include not only capital but also bridges with potential partners and customers which may be provided and supported by government action in Vietnam.[124]

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[122] Mai Thi Thanh Thai, The Internationalization of Vietnamese Small and Medium-Sized Enterprises (2008). Data for the analysis was collected from a combination of interviews, documentation and archival records.
[123] The discussion in this paragraph is adapted from Mai Thi Thanh Thai, The Internationalization of Vietnamese Small and Medium-Sized Enterprises (2008), 127.
[124] Id. at 130.

Based on responses received from the survey group Thai was able to develop an interesting series of propositions regarding internationalization among Vietnamese SMEs that included the following[125]:

- The choice of international market entry time by Vietnamese SMEs is determined by the key decision makers' and/or the firm's desire and activated by the firm's ability to internationalize.
- Vietnamese SMEs do not internationalize with a predetermined range of products/services; rather, the choice of internationalized products/services exhibits an intermittent pattern of adoption, abandon, and re-adoption contingent on the products/services' potential to yield profits.
- The international operation of Vietnamese SMEs does not follow a predetermined pattern; rather, it exhibits an intermittent pattern of progress, pause, and retreat or continuity contingent on their situation at a given point in time.
- The market choice of Vietnamese SMEs is determined by price factors and made possible only under favorable political conditions in the country and a favorable governmental policy.
- Vietnamese SMEs do not follow any predetermined international development path since their internationalization strategies are built contingent on internal and external factors and change over time, causing internationalization to follow sporadic patterns.
- The planning needed by Vietnamese SMEs is related to the volatility in their business environment. The more volatile the business environment is, the shorter-term the plans made by Vietnamese SMEs become. It is also related to the size and type of their business. The bigger their firm size is, the longer-term their plans become. Trading companies are able to change faster than producers; thus, their plans are for shorter terms. The international marketing management of Vietnamese SMEs is shaped by the managers' international knowledge and governmental policy and bound by the firm's financial ability.
- Vietnamese SME information management is influenced by government control and the quality of the education system.
- The management of human resources for international activities at Vietnamese SMEs is affected by the quality of business education in Vietnam.
- Vietnamese SME financial management is technically unsophisticated and bound by the financial system of Vietnam and the government's foreign exchange policy.
- Vietnamese SMEs do not have a formal approach to risk management, but rather, they rely on luck because of their limited international knowledge and experience as well as a result of weak protection from the government.

Fannin researched startup activities in several Asian countries, including China, India and Vietnam, to prepare her book "Startup Asia" that was released in October 2011. In a December 2011 article in the Saigon Times Daily, it was reported that Fannin had found that most of the Vietnamese startups that she had studied were tightly focused on tailoring their products and services for the local market and that few of them were

[125] Id. at 142-152.

seriously looking at expansion, at least in the near-term, outside of Vietnam.[126] Fannin attributed this, at least in part, to the newness of startup activity to Vietnam and characterized the country as a "frontier market" with primarily local entrepreneurs who have yet to aggressively seek out management talent from outside of the country. Fannin suggested that there might be several impediments to globalization by Vietnamese startups including a language barrier, difficulties obtaining the financing necessary to scale beyond Vietnam to create a global business and, perhaps most significantly, the need to develop products and services that would be considered innovative in overseas markets and offer overseas customers some sort of cost or service advantage. Globalization would also require a willingness and ability to assemble sophisticated managerial teams, including executives and senior managers from outside of Vietnam, with the skills and experience to expand a company's beyond Vietnam's borders.

[126] N. Tran, Startups in Vietnam are only micro-innovations, Saigon Times Daily (December 14, 2011), http://english.thesaigontimes.vn/20876/Startups-in-Vietnam-are-only-micro-innovations.html (accessed July 11, 2014).