

Singapore Management University

Institutional Knowledge at Singapore Management University

Research Collection Lee Kong Chian School Of
Business

Lee Kong Chian School of Business

4-2021

Cohesion, COVID-19 and contemporary challenges to globalization

Andrew DELIOS

National University of Singapore

Gordon PERCHTHOLD

Singapore Management University, gordonrp@smu.edu.sg

Alex CAPRI

National University of Singapore

Follow this and additional works at: https://ink.library.smu.edu.sg/lkcsb_research



Part of the [Public Health Commons](#), and the [Strategic Management Policy Commons](#)

Citation

DELIOS, Andrew; PERCHTHOLD, Gordon; and CAPRI, Alex. Cohesion, COVID-19 and contemporary challenges to globalization. (2021). *Journal of World Business*. 56, (3),. Research Collection Lee Kong Chian School Of Business.

Available at: https://ink.library.smu.edu.sg/lkcsb_research/6661

This Journal Article is brought to you for free and open access by the Lee Kong Chian School of Business at Institutional Knowledge at Singapore Management University. It has been accepted for inclusion in Research Collection Lee Kong Chian School Of Business by an authorized administrator of Institutional Knowledge at Singapore Management University. For more information, please email cherylds@smu.edu.sg.

Cohesion, COVID-19 and contemporary challenges to globalization

Andrew Delios

Department of Strategy and Policy, NUS Business School, National University of Singapore, 117592, Singapore

Gordon Perchthold

Lee Kong Chian School of Business, Singapore Management University, 188065, Singapore

Alex Capri

Department of Analytics and Operations, NUS Business School, 117592, Singapore

Published in Journal of World Business, 2021 April, 56 (3), 101197

<https://doi.org/10.1016/j.jwb.2021.101197>

Abstract

In the years preceding the COVID-19 pandemic, the decades-long, pan-continental globalization consensus was being questioned. In our view, the pandemic has accelerated the rate at which the globalization consensus is being defied. To better understand the implications of this defiance, we turn to research on people, organizations and international competition to see whether this defiance weakens the cohesion needed to keep globalization moving apace. People and organizations create cohesive forces that can link and constrain the differences that are encountered when people and organizations move across international borders. Meanwhile, the nature of international competition, particularly as connected to the level of active involvement by state actors, can lead to fractures that reduce cohesion across polities and societies.

Keywords

Social pressures, Identity, Strategy, Organizational structure, Techno-nationalism, Immigration

1. Introduction

There is no question that the COVID-19 pandemic has created a unique set of pressures for the conduct of international business and the pursuit of globalization. The question is not whether there will be an impact; instead, it is a matter of asking how much the pandemic has accelerated the changes that had already been in motion in recent years. Our perspective is that we need to understand the underlay of people, organizations and international competition to understand if the pandemic will lead to greater fractures across various elements of societies, or whether people, organizations and competition can strengthen the cohesive forces that are critical to cementing gaps and close the distances that are exposed during the process of globalization.

We focus on intertwining three topics – people, organizations, and competition – to the pandemic to understand better what consequences this accelerant has for international business and the advance of globalization. Our central theme to tie the three is the concept of cohesion. Cohesion is an important concept because it is fundamental to the globalization process. Globalization brings together people, organizations and nation states that vary in values, behaviours and beliefs. It is critical to build bridges across these differences to not let them repel the pace of globalization. To the extent that people and

organizations can serve as agents of cohesion, and to the extent that nation states can agree on broad guidelines on international competition, there is a greater chance to prevent the fractures that can drive back the globalization process.

Our starting point for this perspective is that the globalization consensus has indeed been under pressure in recent years. This starting point has its roots in three common refrains in contemporary writings on globalization: (1) deglobalization, (2) heightened regionalization, and (3) value chain reconfiguration. As connected to these points, there has been much discussion of how trade tensions, supply chain disruptions, and nationalism have led to political positions that defy the globalization consensus (Devinney & Hartwell, 2020; Enderwick & Buckley, 2020), and challenge a nation's political institutions (Hitt, Holmes, & Arregle, 2020).

Rather than continuing to traverse these well-trodden paths, we wander in a different direction to discuss how people, organizations, and new perspectives on international competition influence overarching political, societal and competitive pressures that in turn can lead to dysfunctionalities in the globalization process (Witt, 2019). These pressures clearly have consequences for whether we will see bridges built across the differences that well up when diversity in people, organizations and political-economies collide. Our contention is that under certain circumstances, people and organizations can be important forces of cohesion, even in a world where interstate rivalries complicate the nature of internationalization and global competition.

We develop our ideas on cohesion in the time of the pandemic by looking at three ways in which research can be developed. First, we look at cohesion across people through a focused literature review on globalization and people. Second, we look at cohesion in multinational corporations (MNCs) by highlighting how specific research approaches can inform our understandings of which MNCs will be resilient in times of international uncertainty. Third, we look at the emergent era in international competition through a rich depiction of the phenomenon of techno-nationalism. By highlighting three modalities – literature, method and phenomenon – of inspiring research, we seek to not only raise perceptions on promising research questions, but also rouse curiosities on how such consequent investigations could be motivated and structured.

2. People

The globalization process involves a growing connectedness and interdependence of economies, organizations, people, and societies. Cross-border flows of goods and services, capital, technology, people, and information yield a more globalized world (Ghemawat, 2003).

Within the current debate about globalization, especially as connected to the pandemic, the fractures that have emerged in politics and economics have received a substantial emphasis. This emphasis is not surprising given the rhetoric and realities that are being played out amongst national leaders and business leaders (The Economist, 2019). Yet, within this milieu, we should not overlook the important role that people play in providing cohesion across diverse societies that increasingly meet as a consequence of the globalization process.

Flows of people across borders can occur in any number of ways – by moving as economic migrants from one economy to another, by working as expatriate labor, by the process of family reunification, or by studying at an institution in a country other than their home country. The relocation of people across borders and the corresponding disruptions and adjustments immigrants must make in their lives has had no shortage of research.

Countries that receive immigrants often proudly evoke an image of multiculturalism. But the path to multiculturalism is far from smooth from a societal perspective and an individual perspective.

Immigrants can often be seen as posing threats to incumbent populations (Esses, Dovidio, Jackson, & Armstrong, 2001). When seen as threats, clashes in value systems emerge as cultures and values across groups seek dominance.

An immigrant's exposure to a new environment yields pressures to acculturate to the new environment. Acculturating individuals need to manage their motivations and abilities to maintain their own culture while also maintaining their motivations and abilities to connect to the host country culture (Berry, Phinney, Sam, & Vedder, 2006; Chen, Benet-Martínez, & Bond, 2008). Where there is balance in this process, we have a bicultural individual. This process of bi-culturation is vital as negative attitudes towards immigrants increase when there is an awareness of a clash of cultural homogeneities instead of the growth of respect for cultural heterogeneity. Negative attitudes can be demonstrated as aggressively adverse sentiments and actions during times of economic or political stress (Sides & Citrin, 2007), such as what has been occurring during the pandemic.

Since the onset of the pandemic, the popular press has no shortage of reports of ill-motivated aggressions against seemingly Asian people in the United States (Kambhampaty, 2020), Australia (Zhou, 2020), and Europe (The Economist, 2020), or in Asia with respect to minority groups in their societies. In this sense, the pandemic amplifies a common prejudice to immigrants in terms of aggressions by the in-groups against out-groups of newly arrived people to a country (Stephan, Ybarra, & Bachman, 1999). Social aggregates and ethnocentrism work hand-in-hand to influence the degree of prejudice faced by immigrants (Hainmueller & Hopkins, 2014).

Increased aggression and a lesser acceptance of specific ethnicities of immigrants have been an unfortunate consequence of the pandemic, but beyond this initial outcome, there are reverberations for international business. This second layer of effects connects to international business through the concept of identity and then through the critical role that immigrants play in providing cohesion to business communities spread across cultures.

Immigrants are faced with the prospects of adapting to their new country while also maintaining a connection and sense of attachment to the country from which they emigrated. This tension leads to the aforementioned issues with identity and attachment. With the emergence of the pandemic, there are fewer reasons for an immigrant to attach to the country where they face visible animosity. The social cohesion and linkages that support globalization from an individual level weaken, which aggravates already weakened political ties and communications between nations.

The consequence is not only a decreased force of globalization, but typical immigrant-related benefits to international business are further endangered. It is well-known that immigrants link business communities, such as how diasporas help bridge institutional divides (Riddle, Hrivnak, & Nielsen, 2010) or how diasporas foster FDI flows back to the countries from which they emigrated (Gillespie, Riddle, Sayre, & Sturges, 1999).

Yet, the cohesion-related gains from immigrants and diasporas are not uniform, there will be variances, and some diasporas will draw investment more effectively than other diasporas (Li, Hernandez, & Gwon, 2019). Immigrant communities can hence be important bridges between home and host nations (Rangan & Sengul, 2009), but if there is a weakening of this association, then the effectiveness of the FDI process can be placed at risk. This risk emerges because of the crucial role that immigrants can play in linking cross-national communities, given how their common country bonds provide unique knowledge flows that facilitate the conduct of international business (Hernandez, 2014).

Even with this clear evidence on the critical role that immigrants and diasporas have for the conduct of international business and the process of globalization (Lin, Zheng, Lu, Liu, & Wright, 2019), it is easy to overlook how the pandemic and increased aggression and decreased acceptance of immigrant groups, particularly in the context of protecting jobs and businesses of local nationals, can have

profound consequences. Aggression can reduce identification with the country of immigration. With this reduction, the potential for the social tightening and mutual understanding that emerges with millions of people studying, working, and establishing new lives living overseas, will be reduced. The underlying cohesive social structures that are necessary to support long-term business connections across countries will be weakened (Crane & Hartwell, 2019). How international business and the international business community respond to these changes in people will be a non-trivial question to be addressed by our scholarly community (Cuervo-Cazurra, Doz, & Gaur, 2020; Zahra, 2020).

3. Organizations

Organizations can be a form of cohesion that can quell ruptures in the globalization landscape. Alternatively, when organizations divorce themselves from international markets, they can be wedges that help widen these ruptures. Whether an organization acts as a cohesive force or as a wedge depends in part on how it has historically embraced internationalization, as represented in its structures, systems, processes, and people.

We illustrate these ideas by drawing on the research reported in Perchthold (2016). We highlight this research as it provides an example of how qualitative research creates new opportunities for theory generation (Welch, Piekkari, Plakoyiannaki, & Paavilainen-Mantymaki, 2011). Perchthold (2016) used a qualitative approach in which 86 senior leaders of numerous financial services institutions were interviewed to explore questions related to company-specific histories of internationalization. The interviews were complemented and supplemented by reference to information in company reports, industry reports, and media.

Perchthold (2016) found that only 3 of the 12 financial services institutions (FSIs) profiled in the research had a sustained commitment to internationalization throughout their history. The other 9 FSIs had periods of increasing commitment to international markets and periods of decreasing commitment to international markets, which Perchthold (2016) identified as vacillating commitment.

This research is relevant to a world facing a pandemic because the pandemic has arisen at a time where globalization was already being questioned, and very real questions exist as to whether MNCs can withstand pressures to reduce international market exposure. The pandemic clearly places an additional strain on the globalization thesis. Yet, will all organizations react similarly to retract from global markets to re-shore activities or shift activities to other international locales? Moreover, will we be able to identify the characteristics of organizations that can be linked systematically to the types of responses we will see to the emerging environmental imperatives that demarcate new boundaries in the globalization arena?

We turn to the research of Perchthold (2016) because it provides illustrations of both research ideas and methods as related to these two questions. Perchthold (2016) is situated in the rich literature on the importance of strategy and structure for multinational firms (Bartlett & Ghoshal, 1989; Ghoshal & Bartlett, 1990; Gupta & Govindarajan, 2000).

Building from this research tradition, Perchthold (2016) identified three strategy and structural approaches to internationalization in the 12 FSIs studied. Across these three types of FSIs – foundational, strategic, and opportunistic – were the aforementioned different levels of commitment to the internationalization process, which would provide varying levels of cohesion across international markets.

Table 1. Levels of Commitment by FSI MNCs by Internationalization Events in Asia.

FSI MNC	Engaged commitment	Passive commitment	Partial de-commitment	Full de-commitment
Citigroup	1915 Acquisition of IBC	Commitment Remained Consistent Since Foundation		
HSBC	1865 Founded operations in multiple host markets in Asia and London	Commitment Remained Consistent Since Foundation		
AIG/AIA	1919 Founded operations in multiple host markets in Asia and New York	Commitment Remained Consistent Since Foundation		
Prudential plc.	1994 Strategic mandate to build in Asia. Chief of Staff to Group CEO appointed Asia CEO and made member of corporate board	In the Second Wave of Internationalization Prudential's Commitment to Internationalization Became Strategic		
Bank of Montreal		1995 Hong Kong handover to China caused immaterial investment to build financial conduit between HK/China and Canada/US		
ANZ Bank	1984 acquisition of Grindlays Bank (an organization half the size of ANZ Bank)	1984- Grindlays absorbed with difficulty in integrating acquisition	1993 divest Africa operations	2000 divests UK, Europe, Middle east, South Asia Grindlays
New York Life	1892 aggressive establishment of operations in Asia and Europe	1989 half century after previous de-commitment, begins cautious investment in Hong Kong	2006 has operations across Asia, but declines award of license to enter Vietnam	2010 to 2013 divested all 7 insurance host market operations across Asia
AMP Limited		1992 established operations in Hong Kong and Indonesia		1996 divests operations in Hong Kong and Indonesia
Sun Life	1891 establishes 68 insurance operations throughout Asia and worldwide	1986 After years of divesting all but two foreign market operations, Group CEO initiates entry into Indonesia.	1997 Successor Group CEO constrains financial resources invested in China, India and elsewhere in Asia	1930s to 1969 divested all but a couple of its previous 68 host markets
Metlife	2005–2010 increasing investment culminating in acquisition of AIG's ALICO Asia/Global operations (Japan largest business outside the US)	1987/88 immaterial investments made in four countries in Asia	1989–1995 Asia de-emphasized in favor of home market. Asia thereafter, managed as a "hobby"	
Commonwealth Bank of Australia (CBA)	1983 Colonial establishes insurance operations in 7 host markets in Asia	2005 CBA quietly begins establishing bank joint ventures in China, Indonesia, Vietnam, India		2000 CBA acquires Colonial and divests from 5 host markets in Asia (retains small presence in China, Indonesia)
Manulife	2008 post-GFC after Hong Kong financed corporate cash needs, Manulife changes Board, Regional CEO with emphasis on Asia	1985 relocated mid-level manager to establish JV in Indonesia following distributor request		1945 failed to rebuild operations across Asia although Hong Kong and Philippines left to operate on their own

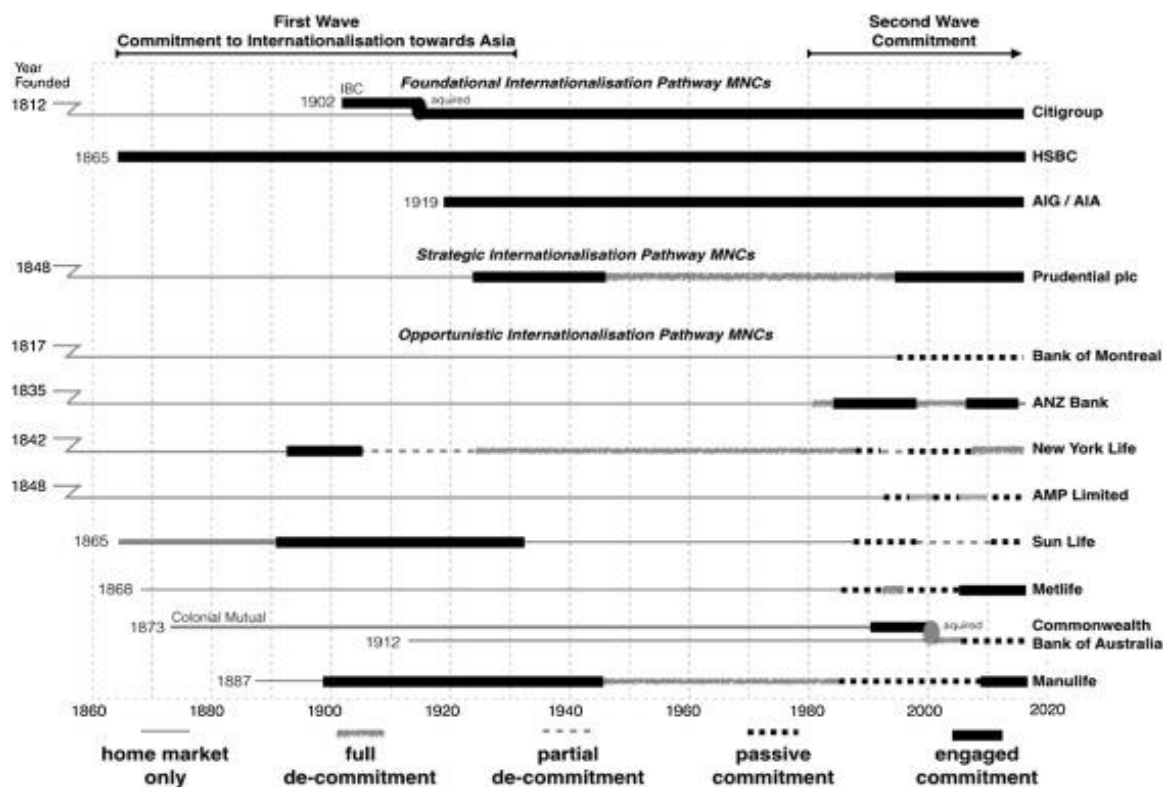
To provide detail on what these commitment categories mean in terms of internationalization events, we created Table 1. In this Table, we list in the first column each of the 12 FSI MNCs. We note that

for the first four MNCs in the Table – Citigroup, HSBC, AIG/AIA, and eventually Prudential plc (after an initial period of vacillating commitment) – they maintained a continuous commitment to internationalization. However, the other eight FSI MNCs vacillated in their level of commitment to internationalization. That is, they had periods in which their internationalization had an engaged commitment or a passive commitment, alternating with periods in which commitments were reduced in partial or full.

The examples presented in Table 1 are summarized in Fig. 1 as historical events in the international pathways of the 12 FSI MNCs. As mentioned earlier, the pathways included the direction and the extent of internationalization in terms of commitment and de-commitment and the comparative intensity of the two general directions.

Turning back to the three pathways, the first pathway is populated by Foundational MNCs. These three MNCs are AIG, Citibank, and HSBC. Foundational MNCs established operations across multiple countries shortly after being incorporated. In these cases, the expansions were made throughout Asia, as well as in global financial centers. These MNCs developed a multi-country conceptualization of how to conduct business. The structures and processes found in their organization influenced the amount, duration, and type of investment in the management and financial resources they applied to their internationalized administrative structure. Ultimately, through this application of resources, they could stay at a continuous level of engaged commitment to internationalization throughout their history of international operations. It is important to note that foundational MNCs have the structures that are most likely to provide cohesion during times of pressure to the globalization thesis.

Fig. 1. Commitment patterns towards Asia by Financial Services MNCs.



The second pathway, Strategic MNCs, is represented by one case in the sample, namely Prudential plc. This company began its internationalization process with engaged commitment, yet it subsequently fully withdrew from international markets for multiple decades. Later, from the 1990s onwards, it was strategically-driven by an increasingly less hospitable home regulatory environment to internationalize.

The third pathway, which we called Opportunistic MNCs, was represented by eight companies. Opportunistic MNCs were incorporated and operated within their home market for many decades, prior to undertaking their initial internationalization steps into Asia. These companies often had periods of engaged or passive commitment to international markets. However, their pathways were also marked by notable internationalization events that reduced their level of commitment to international markets either via a partial de-commitment or by a full de-commitment. Notably, within their organization, the MNCs perpetuated an ethnocentric conceptualization (Perlmutter, 1969) of how to conduct international business. Opportunistic MNCs are the organizations most at risk to reduce international exposure during unusual times such as the pandemic.

The important point that connects to research on multinational firms' responses in terms of creating cohesion across globally dispersed activities is that these three archetypes have within-group similarities in their organizational structures, and systems. As an example, opportunistic MNCs are represented well by ANZ Bank.

ANZ Bank leapt into internationalization in the 1980s with its acquisition of Grindlays Bank. Subsequently, in the mid-1990s, it divested its Grindlays Bank's operations in Africa while not deepening its investment in operations in East Asia. Next, in the late 1990s and early 2000s, it divested Grindlays Bank's European, Middle-Eastern, and South Asian operations. After a brief recommitment to a supra-regional strategy in South and East Asia, the company once again divested its international operations, except for its institutional banking business in East Asia.

Notably, when we dive into the administrative structures of ANZ, we see an MNC that seems to lack diversity. For example, when we look at the company's CEOs, we see an apparent homogeneity in the five CEOs who led the bank from 1980 until 2020. All were male, with an Anglo-Saxon heritage. Diversity at the CEO level by these two demographic measures was lacking (Table 2).

Table 2. Summary of ANZ Bank Internationalization Patterns Eras by CEO.

Time Period	CEO	Commitment/De-Commitment Pattern
1980–1992	John Milne/Will Bailey	Big Bang Acquisition of Grindlays Bank (GB)
1992–1997	Don Mercer	Divest GB Africa; Limited investment in branches in East Asia
1998–2007	John MacFarlane	Divest GB Europe, Middle-east, South Asia; Limited investment in Joint Venture in East Asia
2007–2015	Mike Smith	Super-regional Strategy of wholly-owned acquisitions and Greenfield subsidiaries in East Asia
2016–current	Shayne Elliot	Divestment of MacFarlane and Smith investments excepting Institutional Banking in East Asia

Moreover, when we turn to the bank's organizational systems and structures, as depicted in Fig. 2, we find that the bank has institutionalized an administrative structure in which the International Division sat separate from other divisions. Those involved in decisions on international functions were often excluded from broader decision making processes in HQ. The organization was bifurcated below the Office of the CEO between historical home country nationals and those having international experience comprising mixed-nationalities. Leadership development was not inclusive, which led to a predominantly ethnocentric orientation in headquarters. Further, the company had a strong corporate hierarchy and an explicit formalization for communications and decision-making.

Fig. 2. Strategy, Structures and Processes in Financial Services MNCs.

	Absorptive Capacity of HQ wrt Experiential Knowledge of Asia	Bounded Rationality of HQ wrt Understanding Asia	Uncertainty in Timing for Return on Capital Employed	Pressure on HQ from Bounded Rational External Stakeholders	Board of Director Role wrt Internationalization	Conformist Group CEO Directive wrt Internationalization
PATHWAY 1 Foundational	High	Low	Low	Proactively Educates Regulators	Reverts to & Defers to Conformist Group CEO	Sustains Commitment
PATHWAY 2 Strategic	Moderate	Moderate	Moderate	Proactively Educates Shareholders & Regulators	Reverts to & Defers to Conformist Group CEO	Sustains Commitment
PATHWAY 3 Opportunistic	Low	High	High	Resorts to Appease Shareholders; & Regulators	Reverts to & Defers to Conformist Group CEO	Abandoned Too Soon; History Removed

If we compare administrative structures more generally across foundational, strategic, and opportunistic FSI MNCs, we can clearly see the differences. The foundational MNCs – Citibank, HSBC, and AIG/AIA – had a matrix organization. They engaged in training processes that inculcated a mindset and culture of ‘international’ throughout the company. Their approach to leadership development was geocentric and inclusive. Their business practices reflected dense modes of communication across multiple nodes, resembling a networked organization.

At the other end were opportunistic MNCs, which tended to vacillate in their level of commitment to internationalization. These organizations isolated the internationalization function and did not engage in specific leadership development initiatives that fostered skills suited to multiple markets or a culture of international inclusiveness. These organizations remained rooted in a home country ethos in a veritable archetype of an ethnocentric organization. The level of hierarchy and formalization in business practices helped perpetuate the organization's home country biases and culture.

The contrast in structures, organizational cultures, and systems created divergences in outcomes when an MNC was faced with questions and oppositions from external stakeholders, such as shareholders, analysts, regulators, and media, about their international markets. The leaders of the MNCs must manage external stakeholders regarding their commitment levels to internationalization. When faced with the uncertainties from international markets that could come from disquieting news and performance shortfalls, corporate boards of the MNCs with an opportunistic orientation were more likely to move to appease stakeholders by de-committing from foreign markets (Pedersen, Soda, & Stea, 2019). With a robust global structure and a cultivated team of diverse and internationally-oriented managers, Foundational MNCs were more able to be a cohesive force as they withstood calls from boundedly-rational stakeholders to withdraw from foreign markets.

The situations and challenges highlighted herein are magnified during the pandemic. Domestic markets are uncertain. Foreign markets are even more uncertain, with returns from international operations more variable than in non-pandemic periods. These trends coalesce actors in domestic

markets to emphasize nationalistic concerns. Without question, it is as propitious a time as any to understand how organizational structures and systems, how relationships between subsidiaries and parent firms, and how even the most elementary conceptions of how an MNC approaches its international markets along ethnocentric, polycentric, and geocentric dimensions flavor its responses to the pandemic (Perlmutter, 1969).

The responsibility of the IB scholarly community in this area should be to develop data that speak clearly and unambiguously to the question of how and why multinational firms respond differently during the pandemic to external forces, to either provide cohesion or to be a wedge. Forces such as rising nationalism, legitimized populism, and changes in perspectives on the value of efficiency versus resilience are creating the potential for a more atomized world (Rodrik, 2018). There will be scales of responses across MNCs, which is incumbent in our scholarly community to address, especially given a chance for even greater changes post-pandemic in how organizations and nations compete in a neoteric era of globalization.

4. Competition

Contemporary conversations on international affairs and geo-politics highlight the positions being staked internationally by the world's largest economies (Biden, 2020; Goldstein, 2020). As nation's fight for positions of prominence on the world stage, competition spills over into technological space where nations and firms alike compete for leadership (Segal, 2020).

Within this competitive space, there are multiple national models including one that can be identified as state capitalism, as we define below. We argue that within this sphere of nation and firm competitive convergence, but heightened inter-state divergence, the pandemic has been acting as a propellant. National ideologies about the nature of competition and the appropriate level of interaction between the state and private enterprise are emerging as a more vibrant area of debate because of the pandemic.

In this section, we extend these ideas and depict current phenomena to illustrate how a deep dive into phenomena can be a catalyst to research on the pandemic. We do this by casting a conception of a world where we define the emergence of a phenomenon we call techno-nationalism.¹ Techno-nationalism refers to the mercantilist-like behavior that links technological innovation and private enterprise together. The goals of techno-nationalism extend beyond those typically associated with private enterprise, including national security, economic prosperity, and social stability.

The outcomes and implications of techno-nationalism are only recently being realized, as the shockwaves from this new style of international competition by Chinese competitors are experienced by more and more firms. The reality is that global businesses have been shocked at the rapid speed of ascent of China's enterprises. The emergence of competitively strong, managerially sophisticated, and technologically progressive Chinese enterprises has taken China from its position of being a massive net recipient of FDI in the early 2000s to being a country with FDI outflows that exceeded inflows by 2016 (UNCTAD, 2020).

Any failure to recognize this emergent reality in global competition will also lead to a failure to rethink approaches to competition and innovation in response to the success of China's enviable brand of state capitalism. Although this recognition was in-progress, the economic slowdown created by the pandemic and then the microscope under which China has been placed as global value chains began to fracture, hastened acceptance of these new competitive truths.

Haste continues to be required as global competitors and governments need to rethink whether a laissez-faire economic model can continue to have primacy in a world where a few winners can take all in global markets and where the scale of investment required to compete continues to escalate.

A few select numbers and quotes illustrate these points well. From 2013–2019, Google saw its R&D spending increase nearly fourfold from USD 7 billion in 2013 to USD 26 billion in 2019 (Statista, 2020). The near impossibility of a single firm being able to engage in such massive R&D expenditures continuously was reflected in a comment by Eric Schmidt (Schmidt, 2020), Executive Chairman of Alphabet, who wrote, “Silicon Valley leaders have put too much faith in the private sector...the government needs to get back in the game in a serious way.”

Schmidt is not alone in his views. Leaders in Microsoft, Facebook and Apple have similarly compelled the US Government to be more active in R&D. This call aligns with data from Capri (2020), who showed that the near 50/50 split that existed between US federal government spending and private sector spending on R&D in the mid-1950s, became 70 % by private firms and 20 % by the Federal government by 2018.

As China’s aggregate annual R&D spending approaches that of the US, public expenditures on R&D in China continue to grow by about 18 % per year, while public expenditures in the US show a downturn. Further, China’s innovation mercantilism is marked by very large scale projects such as Made in China 2025, the China Standards 2035, the US\$1.4 trillion Digital Belt and Road Initiative and the Thousand Talents Program. This new era of competition creates a race for national leadership in AI, Quantum Computing, Robotics, Energy Storage, New Energy Vehicles, and Semiconductors.

Critically, as the funding challenge for R&D and innovation moves back into public sector space, there is a deliberate need for national-level strategic innovation systems to emerge. These changes will be marked by public-private partnerships, as governments become a closer partner in the innovation process. The public-private partnership model can be an alternative to China’s centralized model of techno-nationalism.

The consequence for multinational firms is that they become unwitting players in this rise of techno-nationalism. Multinational firms have historically been considered to be the drivers and distributors of innovation in world markets. Yet, with the rise of public-private partnerships, the private good outcome of research can become a public good, as governments lead a scale of innovation that an individual firm cannot. What will such a change mean for traditional theories of international business, as a key firm-specific asset of a multinational firm potentially becomes a public good (Buckley & Casson, 1976; Caves, 1982; Dunning, 1988).

Moreover, as we move into the realm of stakeholder management and the growth of firms, it is clear that China’s newly emergent multinational firms have been put on their back foot as governments in multiple markets direct sanctions and other actions against Chinese multinational firms in a form of negative reciprocity. This negative reciprocity is a reaction to the perceived mercantilist practices that run counter to the fair and free trade rules meant to guide global competition.

At the same time, firms will have to amplify efforts to manage their relationships with foreign governments to ensure they are not perceived to be hostile actors. In their home market, firms could become favored partners to the government, creating opportunities for favorable funding or other resource supplementation activities that eventually aid these firms in competition in other markets. Heightened strength and support can further distort markets and stifle open, vibrant international competition. Hence, multinational firms in the post-pandemic world must develop their stakeholder management capabilities to foster relationships at home and to combat negative sentiments abroad (Henisz, 2014).

4.1. Global Value Chains

Global value chains (GVCs) exemplify how the pandemic has accelerated changes in the structure of global competition. Since 2018, trade disputes have led multinational firms to decouple from China, in a process that has been called a China+1 strategy. The pandemic further revealed with little doubt the structural differences between the US and China. With China's economy accounting for 20 % of global GDP, the acuity brought to these issues by the pandemic has turned a chase into a race.

The consequence for GVCs in competition characterized by techno-nationalism and embedded in a world suffering a pandemic is that a new set of outcomes will emerge as policymakers and business leaders finally understand how profound is the commercial challenge presented by emerging multinationals from China.

The most obvious response, and the one stated earlier, is that GVCs will continue to decouple, restructure, and have increased diversity in the countries that host the various parts of the GVCs (McWilliam, Kim, Mudambi, & Nielsen, 2020). Re-shoring, ring-fencing, and strategic localization will continue. This means, for example, that MNCs will devise an "In-China-for-China" or an "In-America-for-America" supply ecosystem even if it results in redundancies and higher costs throughout GVCs in general.

Multinational firms will make difficult choices about whether to re-locate back to the home country or move to alternative countries like Vietnam, India, Indonesia or Mexico. The desire to relocate to the home country will increase as the location-specific advantages of the home country are heightened as the US, the EU, and other political actors gradually implement their own techno-nationalistic schemes.

As for managers within multinational firms, they will have to adopt business models that deal more strategically with competition in China, instead of approaching the market opportunistically and with a circumspect evaluation of the competitive risks. Managing GVCs, where resilience begins to battle for efficiency and effectiveness as the dominant objective, will become a more complex task. The era of GVC dispersion and fine-slicing is over, which creates boundless opportunities for scholars to reconfigure our understanding of international business.

4.2. Semiconductors

One of the industrial battlegrounds that will see these issues of techno-nationalism come to the forefront is semi-conductors. In the late 2010s, global sales of semiconductor technology approached half a trillion USD. China was the largest importer, with imports of semiconductor products exceeding that of imports of oil. The importance of semiconductors connects to the crucial role they play in the industries of the future: AI, data analytics, robotics and surveillance technology.

Given this set of facts, it is not surprising that China has embarked on an ambitious strategy to fund growth in critical technologies with the government committing \$300 billion over a ten-year period to the Made in China plan. Beyond this plan is funding assistance provided to technology funds, such as Tsinghua Holdings, which has been tasked with aiding the development of China's semiconductor industry.

Meanwhile, in a true techno-nationalistic effort, the US has responded by heightening non-tariff measures such as sanctions, export controls, contesting and blocking M&As, and creating more strict licensing requirements. Hence, as concerns the aforementioned prospects for research on the new pandemic-shaped landscape of international business, the semiconductor industry will be a living lab for those seeking to understand techno-nationalism, the new mercantilist world and the resultant implications for global business.

4.3. Techno-diplomacy

Our final piece in this puzzle is the concept of techno-diplomacy, which has been manifest most prominently in the Huawei battle between the US and China. Techno-diplomacy is the process by which a techno-nationalist agenda is advanced. Partnerships, concessions, enticements and other typical tools of a foreign policy agenda play out in international forums, across institutions and on social media platforms and other types of digital media.

Why techno-diplomacy is important to international business scholars is that it connects to several themes prominent in IB research. For example, techno-diplomacy is central to debates about digital democracy versus techno-authoritarianism, which in turn connects to issues related to coupling and decoupling, and fragmentation and realignment in the global economy. Public opinion and policy agendas supporting or combating globalization versus nationalism will be affected by techno-diplomacy.

Techno-diplomacy likewise influences the pursuit of international technology partnerships and alliances, both of which are core international business activities (Dunning, 1993). As the magnitude of the task of defining the scopes of AI ethics, cybersecurity, and R&D and innovation increase, we will see more public-private partnerships and cross-national collaborations, which was the *raison d'être* of IB research in the 1990s.

Importantly and as connected to Hitt et al. (2020), the rise of techno-diplomacy will have to be matched by a redefinition of the rules frameworks for international trade and exchange as well as the multilateral institutions that govern such relationships. These changes can invigorate an already vibrant area of research on institutions; but in real-time, we can observe and analyze changes as they happen in the mandates and legitimacy of old multilateral organizations such as the World Trade Organization (WTO), and new ones such as the Comprehensive and Progressive Agreement for Trans-Pacific Partnership (CPTPP).

5. Conclusion

The nature of global competition has changed and is continuing to change. There is little question that with the intensification of tensions between the US and China, amidst other burgeoning trade disputes, that the COVID-19 pandemic has placed new stresses on the foundations of international relationships. With greater stress, with more aggressive rhetoric on the international stage, and with the emergence of variable models to business and government cooperation in major economies in the world, the pressures that the pandemic creates have the potential to substantially, and potentially dangerously, deepen the fractures that have appeared. Importantly, recall how the Great Depression led to nationalistic and isolationist pressures that culminated in World War II.

Yet, even though we believe that the fractures between nations are both magnifying and deepening because of heightened tensions, we also believe that people and organizations can act as cohesive forces that limit the extent to which globalization forces are slowed or repelled. As such, we encourage scholars to focus on understanding how individuals are affected by the pandemic in terms of their inclinations towards globalization. We further suggested that scholars should also look to see how organizations are reacting and to explore how their structures and strategy influence these reactions. These two sets of arguments emerged from our view that scholars can contribute to research by either the traditional means of designing studies as principally informed by prior literature, or by focusing on leveraging methodologies that can provide unique and deep conceptual insights into organizations and their processes.

Fundamentally, we believe strongly that scholars must develop an understanding of the ‘why’ of how people and organizations are reacting to this transformed international environment. People are part of the grand unknown in this transformation. Cross-border flows of people who travel for work, study, leisure and other reasons have been impeded. More worrisome is that people new to a country and citizens of the host country both have become less open, less understanding and less tolerant. When this happens, it not only creates social strains in a heightening of an us-versus-them mentality, it also leads to reductions in the inter-cultural, social support system needed for the conduct of international business.

For organizations, we have some evidence that structures, systems, and processes in multinational firms can either compel managers to succumb to pressures to retract from international markets and reconfigure GVCs, or that structures, systems, and processes in a firm can provide cohesion by emboldening managers to take advantages of the changed world that exists around them. Put in more research-friendly terms; we can seek to understand more fully how heterogeneity in multinational firm strategy and structure influences varied sets of responses to the challenges and opportunities that are emerging in the pandemic.

Yet, we can only gain this understanding through the implementation of methodologies appropriate to the context. The COVID-19 pandemic creates this opportunity because it provides an external context in which intellectually curious and emboldened scholars can understand in real-time the formative processes to the key decisions and strategies that multinational firms are adopting in response to newly-forming pressures (Delios, 2017). More so than documenting what has happened, we can understand why it has happened – which is a much more gripping story to write.

At the same time, there is an opportunity to recast our theories of multinational enterprise based on the emergence of techno-nationalism. We detailed this world of techno-nationalism as a phenomenological based motivation for exploring the implications of the pandemic on the world of international business. We encourage scholars to address the question: “If the state becomes more influential in fostering the technological prowess of domestic companies, if the state continues to organize competition with a visible hand, and if the world returns to competition predicated on mercantilist philosophies, what does it mean for theories of multinational enterprise founded on notions of the independence of the state and commerce, and the independent generation of firm-specific advantages?” Already, we have had challenges to the conceptual underlays of the international expansion process through the global emergence of firms from East and South East Asia (Makino, Lau, & Yeh, 2002); we now have a new lab blossoming on a global scale, in which we can reimagine what are the precursors to international expansion and what are the foundations to long term success in international markets.

At the end of the day, these opportunities will only be realized if the research community embraces the pandemic-generated uncertainty to leverage it via pathbreaking investigations into newly-emergent phenomena, using methods that speak to the real-time accumulation of data that also connect to processes and structures that drive decisions and outcomes. This statement in itself carries no new information, but what it does do is alert us to the tremendous possibilities that exist to broaden our understanding of international business and multinational firms, as created by the accelerant nature of the COVID-19 pandemic in the globalizing world in which we are all embedded.

Acknowledgments

We thank Pasha Mahmood and Kulwant Singh for conversations that led to some of the ideas presented herein. We also thank Tao Wu and Zhaowei Chen for their research assistance. All views presented in this paper are those of the authors and are not representative of the institutions to which they are affiliated.

References

- Bartlett, C.A., S. Ghoshal S. (1989). *Managing across borders*. Harvard Business School Press, Boston.
- Berry, J.W., Phinney, J.S., Sam, D.L., & Vedder, P. (2006). Immigrant youth: Acculturation, identity, and adaptation. *Applied Psychology: An International Review*, 55 (3), pp. 303-332
- Biden, J.R.J. (2020). Why America must lead again. *Foreign Affairs*, 99 (2) (2020), pp. 64-76.
- Buckley, P.J., & Casson, M.C. (1976). *The future of the multinational enterprise*. Homes and Meier Press, London.
- Capri, A. (2020). *Techno-nationalism: The US-China tech innovation race*. Hinrich Foundation.
- Capri, A. (2020b). *Strategic US-China decoupling in the tech sector*. Hinrich Foundation.
- Capri, A. (2020c). *Semiconductors at the heart of the US-China tech war*. Hinrich Foundation
- Capri, A. (2020d). *Techno-nationalism and diplomacy*. Hinrich Foundation.
- Caves, R. (1982). *Multinational enterprise and economic analysis*. Cambridge University Press, Cambridge.
- Chen, S.X., Benet-Martínez, V., & Bond, M.H. (2008). Bicultural identity, bilingualism, and psychological adjustment in multicultural societies: Immigration-based and globalization-based acculturation. *Journal of Personality*, 76 (4) (2008), pp. 803-838
- Crane, B. & Hartwell, C.J. (2019). Global talent management: A life cycle view of the interaction between human and social capital. *Journal of World Business*, 54 (2019), pp. 82-92
- Cuervo-Cazurra, A., Doz, Y., & Gaur, A. (2020). Skepticism of globalization and global strategy: Increasing regulations and countervailing strategies. *Global Strategy Journal*, 10 (1) (2020), pp. 1-14
- Delios, A. (2017). The death and rebirth (?) of international business research. *Journal of Management Studies*, 54 (3), pp. 391-397
- Devinney, T.M., & Hartwell, C.A. (2020). Varieties of populism. *Global Strategy Journal*, 10 (1), pp. 32-66.
- Dunning, J.H. (1988). The eclectic paradigm of international production: A restatement and some possible extensions. *Journal of International Business Studies*, 19, pp. 1-31.
- Dunning, J.H. (1993). *Multinational enterprises and the global economy*. Addison-Wesley, Harlow
- Enderwick, P., & Buckley, P.J. (2020). Rising regionalization: Will the post-COVID-19 world see a retreat from globalization? *Transnational Corporations*, 27 (2).
- Esses, V., Dovidio, J., Jackson, L., & Armstrong, T. (2001). The immigration dilemma: The role of perceived group competition, ethnic prejudice, and national identity. *The Journal of Social Issues*, 57 (3), pp. 389-412
- Ghemawat, P. (2003). Semi-globalization and international business strategy. *Journal of International Business Studies*, 34 (2), pp. 138-152.
- Ghoshal, S., & Bartlett, C.A. (1990). The multinational corporation as an interorganizational network. *The Academy of Management Review*, 15 (4), pp. 603-626

- Gillespie, K., Riddle, L., Sayre, E., & Sturges, D. (1999). Diaspora interest in homeland investment. *Journal of International Business Studies*, 30 (3), pp. 623-634.
- Goldstein, A. (2020). China's grand strategy under Xi Jinping: Reassurance, reform, and resistance. *International Security*, 45 (1), pp. 164-201.
- Gupta, A.K., & Govindarajan, V. (2000). Knowledge flows within multinational corporations. *Strategic Management Journal*, 21 (4), pp. 473-496
- Hainmueller, J., & Hopkins, D.J. (2014). Public attitudes toward immigration. *Annual Review of Political Science*, 17, pp. 225-249.
- Henisz, W.J. (2014). *Corporate diplomacy: Building reputations and relationships with external stakeholders*. Greenleaf Publishing, Sheffield.
- Hernandez, E. (2014). Finding a home away from home: Effects of immigrants on firms' foreign location choice and performance. *Administrative Science Quarterly*, 59 (1), pp. 73-108
- Hitt, M.A., Holmes, R.M., & Arregle, J.L. (2020). The pandemic and the new world (Dis)order. *Journal of World Business*, Forthcoming
- Kambhampaty, A.P. (2020). 'I will not stand silent.' 10 Asian Americans reflect on racism during the pandemic and the need for equality. *Time*, 25th June. Available at: <https://time.com/5858649/racism-coronavirus/> (Accessed: 18 October 2020)
- Li, Y., Hernandez, E. & Gwon, S. (2019). When do ethnic communities affect foreign location choice? Dual entry strategies of Korean banks in China. *The Academy of Management Journal*, 62 (1), pp. 172-195.
- Lin, D., Zheng, W., Lu, J., Liu, X., & Wright, M. (2019). Forgotten or not? Home country embeddedness and returnee entrepreneurship. *Journal of World Business*, 54 (1), pp. 1-13
- Makino, S., Lau, C.M., & Yeh, R.S. (2002). Asset-exploitation versus asset-seeking: Implications for location choice of foreign direct investment from newly industrialized economies. *Journal of International Business Studies*, 33, pp. 403-421.
- McWilliam, S.E., Kim, J.K., Mudambi, R., & Nielsen, B.B. (2020). Global value chain governance: Intersections with international business. *Journal of World Business*, 10.1016/j.jwb.2019.101067
- Pedersen, T., Soda, G., & Stea, D. (2019). Globally networked: Intraorganizational boundary spanning in the global organization. *Journal of World Business*, 54 (3), pp. 169-180.
- Perchthold, G.R. (2016). *Western financial services multinationals differential pathways to commitment to internationalisation in Asia: The impact of administrative structures on reverse knowledge transfer and absorptive capacity*. PhD Thesis. University of Sydney, Sydney.
- Perlmutter, H.V. (1969). The tortuous evolution of the multinational corporation. *The Columbia Journal of World Business*, 4, pp. 9-18.
- Rangan, S., & Sengul, M. (2009). The influence of macro structure on the foreign market performance of transnational firms: The value of IGO connections, export dependence, and immigration links. *Administrative Science Quarterly*, 54 (2), pp. 229-267.
- Riddle, L., Hrivnak, G., & Nielsen, T.M. (2010). Transnational diaspora entrepreneurship in emerging markets: Bridging institutional divides. *Journal of International Management*, 16 (4), pp. 398-411
- Rodrik, D. (2018). Populism and the economics of globalization. *Journal of International Business Policy*, 1 (1-2), pp. 12-33.

- Schmidt, E. (2020). I used to run Google. Silicon Valley could lose to China. *The New York Times*, February 27. <https://www-nytimes-com.libproxy.smu.edu.sg/2020/02/27/opinion/eric-schmidt-ai-china.html>. (Accessed: 30 October 2020)
- Segal, A. (2020). The coming tech cold war with China. *Foreign Affairs*, 99, Sept. 9
- Sides, J., & Citrin, J. (2007). European opinion about immigration: The role of identities, interests and information. *British Journal of Political Science*, 37 (3), pp. 477-504.
- Statista. (2020). Annual research and development expenditures of Alphabet from 2013–2019. (Accessed: 30 October 2020) <https://www-statista-com.libproxy.smu.edu.sg/statistics/507858/alphabet-google-rd-costs/>
- Stephan, W.G., Ybarra, O., & Bachman, G. (1999). Prejudice toward immigrants. *Journal of Applied Social Psychology*, 29 (11), pp. 2221-2237
- The Economist. (2019). Globalisation has faltered. (Accessed: 23 October 2020). <https://www-economist-com.libproxy.smu.edu.sg/briefing/2019/01/24/globalisation-has-faltered>
- The Economist. (2020). The coronavirus spreads racism against—and among—Ethnic Chinese. 17 Feb. <https://www-economist-com.libproxy.smu.edu.sg/china/2020/02/17/the-coronavirus-spreads-racism-against-and-among-ethnic-chinese> (Accessed: 18 October 2020)
- UNCTAD. (2020). *World investment report 2020: International production beyond the pandemic*. United Nations.
- Welch, C., Piekkari, R., Plakoyiannaki, E., Paavilainen-Mantymaki, E. (2011). Theorising from case studies: Towards a pluralist future for international business research. *Journal of International Business Studies*, 42, pp. 740-762.
- Witt, M.A. (2019). De-globalization: Theories, predictions, and opportunities for international business research. *Journal of International Business Studies*, 50 (7), pp. 1053-1077.
- Zahra, A.S. (2020). International entrepreneurship in the post COVID world. *Journal of World Business* (2020), 10.1016/j.jwb.2020.101143 In press
- Zhou, N. (2020). Asian Australians threatened and spat on in racist incidents amid coronavirus. *The Guardian*, 24th June. <https://www.theguardian.com/australia-news/2020/jul/24/asian-australians-threatened-and-spat-on-in-racist-incident-amid-coronavirus> (Accessed: 18 October 2020)