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SPECIAL ISSUE ARTICLE

The future of global strategy

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Abstract

Research Summary: Global strategy, that is, the analysis of strategy in an international context, has co-evolved with the dramatic changes in the global economy in the 21st century. Research advances have enabled a more sophisticated understanding of how firms develop strategies in an increasingly turbulent global environment in which societal expectations, technological advances, and political decisions are all in a state of continuous change. In this article, we reflect and provide suggestions for how the field may evolve on five key themes of global strategy: cooperation, coordination, governance, politics, and innovation. We also outline suggestions for future research on global issues that are gaining increasing centrality in business decisions: climate change, artificial intelligence, and geopolitics.

Managerial Summary: The study of how the context affects firms' strategies has changed with the transformation of the world in the 21st century. Research has provided a better understanding of how managers

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create and implement strategies in response to changes in societal expectations, technological advances, and political decisions. In this article, we reflect and provide suggestions for future studies on five key themes of global strategy: cooperation, coordination, governance, politics, and innovation in multinationals. We also outline suggestions for analyzing the increasingly important grand challenges that affect business decisions: climate change, artificial intelligence, and geopolitics.

KEYWORDS

cooperation, coordination, global strategy, governance, innovation, politics

1 | INTRODUCTION

The field of global strategy has made much progress in helping understand how companies can be better managed to address the challenges and opportunities created by the diversity of international settings or contexts in which they operate. One of the advantages of global strategy as a field is that it is subject to continuous changes in the international context that bring forth new opportunities for understanding how to manage under novel conditions, opening opportunities for generating insights on topics and developing sophisticated theoretical advances. However, these same contextual changes raise questions about established arguments and ideas influencing much of the global strategy literature. This is especially the case today since many models explaining multinationals' behavior were established in the 1970s, and some of their core assumptions have remained wedded to the contextual conditions at the time. This does not mean that there has been no progress in explaining how multinationals behave, but that some of the recent arguments recycle old ideas with new names, limiting advances in our understanding of lively and important issues. For example, the increasing skepticism of globalization (Cuervo-Cazurra et al., 2020), geopolitical tensions, the reemergence of nationalism, and demands for firms to address their environmental, social, and governance impacts add new contextual conditions that global strategy research needs to clarify.

In this article, therefore, we reflect on the field of global strategy and provide suggestions for breaking new ground on how we conceptualize strategy in context, that is, strategy that is explicitly linked to the environmental conditions at the time and place that it is enacted. The field of global strategy covers a large set of topics, for which Tallman and Cuervo-Cazurra (2021) provide a recent comprehensive review. Instead of looking back on what has been accomplished, we focus on the future and reflect on five key themes of global strategy to provide suggestions for how the field may evolve. These themes are coordination, cooperation, governance, politics, and innovation, representing an inward-to-outward view of global strategy and highlighting a variety of theoretical drivers. The first theme is coordination, in which we explain how managers coordinate multinational organizations and their operations, making decisions regarding differentiation, integration, and knowledge creation and transfer. This section brings forth the knowledge-based view as the driver of the existence of multinationals.

The second theme is collaboration, in which we provide suggestions on how firms collaborate with others to help them achieve their goals. The analysis of collaboration reveals the importance of the integration of transaction cost economics and the resource-based view as the theoretical drivers of collaborations. The third section studies governance and the owners' role in the global strategy of multinationals. This section builds bridges between internally and externally focused issues of control. It highlights agency theory as the theoretical explanation for internal governance. The fourth theme is politics and the government's role in firms' global strategy. This includes both the government's indirect influence through institutions in facilitating business relations, and its direct support of the global strategy of selected companies. The main theoretical driver of this topic is institutional theory. The final issue we analyze is innovation, and its role in supporting the competitive advantage of multinationals, building bridges between internal innovation processes and the external systems of innovation and global value chains (McWilliam, Kim, Mudambi, & Nielsen, 2020). Here, we take the knowledge-based view and extend it to connect to institutional theory.

We conclude this overview of the future of global strategy by reflecting on a few global issues that are gaining increasing centrality in business decisions but that have not yet been fully integrated within the field of global strategy: climate change, artificial intelligence, and geopolitics. These are topics that can be considered grand challenges because they have a global impact and require global solutions.

Global Strategy Journal in its first decade of existence has accomplished much, but there is still much to do to understand well how managers' decisions regarding their companies' strategy respond to and influence their context of operation. This article contributes to a better understanding of global strategy by setting an ambitious future agenda. It complements ideas provided by the articles contained in the two *Global Strategy Journal* Decade Special Issues. Each article presents new insights and suggestions that will drive the field in the future. They all build on the importance of establishing connections with the context of operation and reflect on how theory can be modified to account for the changes.

2 | MAIN TRENDS IN GLOBAL STRATEGY RESEARCH: COORDINATION, COOPERATION, GOVERNANCE, POLITICS, AND INNOVATION

Global strategy is strategy in an international context. It studies "cross-border activities of economic agents or the strategies and governance of firms engaged in such activity" (Tallman & Pedersen, 2015: 273) with an eye toward economic success. As such, it integrates insights from two fields: strategic management and its study of how firms succeed in competition, and international business and its study of the flows of goods, capital, people, and knowledge across national borders. Although there are various ways in which global strategy can be organized, a recent and comprehensive mapping appears in Tallman and Cuervo-Cazurra (2021), which Figure 1 summarizes. In it, we conceptualize global strategy in terms of the decisions made by managers running multinationals, that is, companies with value-added activities in multiple countries. These decisions are, first, the expansion of their firms across borders, answering the question, why do multinationals exist? This involves deciding whether their firms should internationalize and, if so, how to select the countries in which they will expand and the entry modes that help achieve effectiveness in their goals. The second set of issues revolves around how to manage multinationals' advantages, providing an answer to the issue, how do

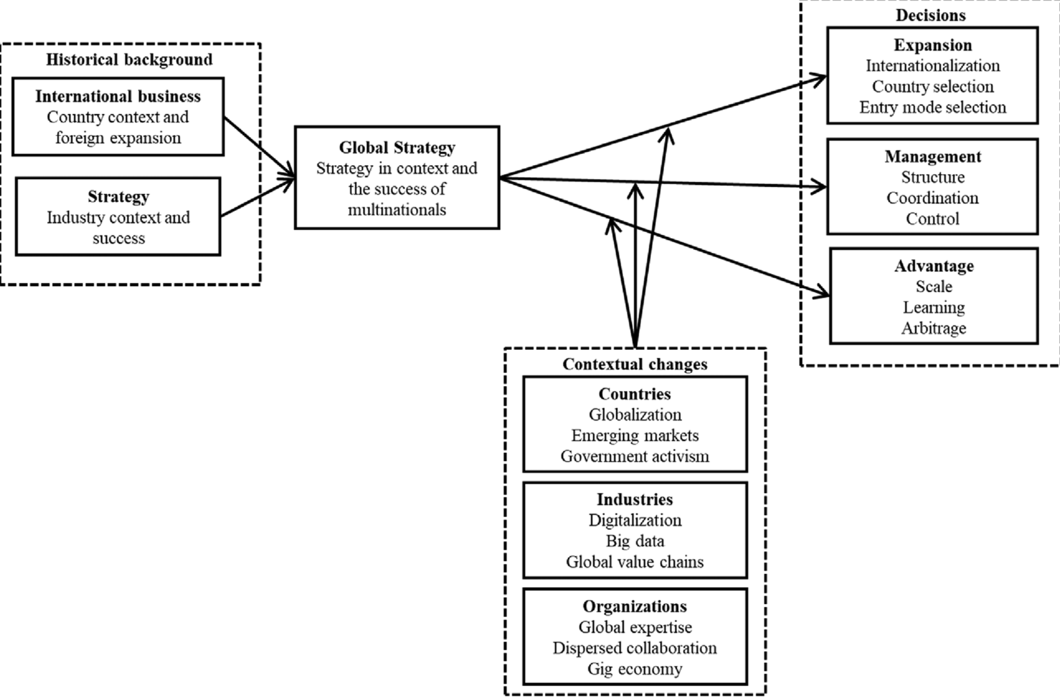

FIGURE 1 The past and future of global strategy research. *Source*: Tallman and Cuervo-Cazurra (2021)

multinationals succeed? The decisions here are related to succeeding through creating advantage thanks to the scale of operations, learning, or arbitrage of differences across locations. The third decision is the management of multinationals, providing solutions to the question, how are multinationals run? This involves transforming domestic firms into multinationals, and then structuring, coordinating, and controlling their variety of operations dispersed in multiple geographies. The objective of this decision is to achieve efficiency in operations.

These three decisions are altered by dynamics in the context of operation. We highlighted three that seem to be driving much research: countries, industries, and organizations. One is changes in countries and the resulting dynamics in cross-border activities from the changing attitudes toward globalization, the rapid transformation of emerging markets, and the increasing activism by governments. Another is industries and how multinationals reorganize their relationships due to the growing expansion of digitalization, the emergence of big data, and the transformation of global value chains. The final one is how changes in organizations and the nature of work are modified by the distribution of expertise globally, the emergence of dispersed collaboration, and the expansion of the gig economy.

We now outline five areas in which we consider that the field of global strategy can make significant progress. The combined experience of the authors allows for a well-grounded identification of key themes. The five of us have acted as coeditors of *Global Strategy Journal* and thus have been exposed to many topics and themes in our work in the journal. In analyzing submissions, we learned to understand the importance of going deeper into the analysis and connecting firms to the context in which they operate.

We organize these five topics in an inside-outside process, moving from inside the firm and heading increasingly toward its external environment. However, all the topics focus on how the

strategy of a firm reflects its context and how such strategy might also affect the context. We start with a focus on the internal coordination within the company and how managers balance the tensions among differentiation, integration, and the management of knowledge. We continue with this internal focus and start building connections to the outside by studying the collaborations that companies establish between their internal operations and external partners. We follow this with a discussion of governance, and the role that owners have on global strategy as well as the governance of the multinational. From there, we move on to the external relationships and the role that politics plays on the multinational in terms of the government providing a supportive institutional environment and direct help for multinationals to improve their competitiveness and foreign expansion. Finally, we discuss the role that technological advances and global value chains have on the innovativeness of firms. These five themes complement other topics discussed in the decade special issues that we review at the end of this article.

2.1 | Coordination: Creating value over geographic space

Multinationals are fundamentally organizations that operate units in multiple national environments. The reason for the existence of such enterprises is that leveraging intangibles over geographic space generates competitive advantages that exceed the potential of firms wholly rooted within a single country (Beugelsdijk & Mudambi, 2013; Mudambi & Puck, 2016). Morck and Yeung (1991) showed empirically that the mere geographic spread of multinational operations created no value; rather, they traced multinational value creation to marketing and research and development intangibles, the two ends of the industries' value chain (Mudambi, 2008). This finding neatly complemented Dunning's original thesis that firms go abroad for two generic reasons—to source inputs (most importantly, knowledge inputs) and to sell output (Dunning, 2000).

Multinationals face a diversity of contexts in terms of economic, political, and legal institutions at both national and sub-national levels. The complexity of operating an organization exposed to a high level of variation in environmental contexts raises several organizational issues (Cuervo-Cazurra, Mudambi, & Pedersen, 2019b, 2019c). What are the best organizational structures and processes to cope with these varied external contexts? How can the organization best mobilize its resources globally? How should decision power be distributed in the multinational? These are fundamental questions of global strategy that every multinational must confront. All these questions must be addressed by developing global strategies balanced along two dimensions—those designed to create and sustain competitive advantage today and those designed to do so in the future. Simply put, the multinational must capture value today from past investments in innovation and create value for the future by investing in current innovation.

Addressing and leveraging the many differences that occur among countries in terms of institutions, culture, customer preferences, and so on, requires organizational differentiation. At the same time, multinationals strive to achieve coordination and collaboration among widespread units and facilitate the transfer of resources and knowledge for global learning (Bathelt, Cantwell, & Mudambi, 2018). The multinational has to adapt its internal organization to its diverse external environments optimally (Westney & Zaheer, 2009). It must recognize that the process is dynamic (Lessard, Teece, & Leih, 2016; Teece, Pisano, & Shuen, 1997) as its external environments are constantly changing both individually and relative to each other. As such, the

TABLE 1 Three challenges facing multinationals

Differentiation	Integration	Knowledge transfer
• Scope for diversification • Global optimization versus local adaptation • Distribution of power • Subsidiary autonomy	• Reap benefits of dispersion/offshoring • Coordination and control • Formalization • Shared organizational values	• Mechanisms for promotion of knowledge transfer • Promoting ability, motivation, and opportunity • Individual behavior and organizational context

key tension in the organization of the multinational is how to balance the need for variation while exploiting common resources among the multinational units (Bartlett & Ghoshal, 1989).

The more specific organizational challenges facing multinationals can be divided into three segments: dealing with the diversity in its external environments, integrating its units to leverage its distributed capabilities, and transferring knowledge across its units. Table 1 summarizes these. In the following sections, we unfold recent literature on these challenges. We cannot cover all aspects of the organization of the multinational and focus on some illustrative and timely topics that illustrate the development in research on the organization of the multinational.

2.1.1 | Differentiation

Multinationals are obliged to develop a structure to operate in numerous countries that differ in economic development, institutions, cultural norms and values, language, and infrastructure. As the multinational's subsidiaries are the operating units that face the challenges of dealing with the diverse external environment, a fundamental question is how to define their role. The earlier literature has pointed out that the multinational's network of subsidiaries is charged with a wide range of roles ranging from some that are "the long arm" of the headquarters to some at the other extreme where subsidiaries exercise considerable autonomy and decision-making power (see Birkinshaw & Pedersen, 2009, Meyer, Li, & Schotter, 2020; Cuervo-Cazurra, Doz, & Gaur, 2020, for comprehensive reviews of the literature). This implies that subsidiaries are at the heart of the action in the multinational, especially concerning issues such as integration and responsiveness, inter-unit coordination, knowledge creation and transfer, and the sourcing of inputs. Today, the multinational is conceptualized as a differentiated network with distributed power, which challenges the view of decision-making and control as parenting functions solely carried out by corporate headquarters (Mudambi & Navarra, 2004; Nell, Kappen, & Laamanen, 2017). This contemporary view calls for decision-making authority to be distributed to the level at which key information resides so that the whole firm benefits from exploiting the opportunities offered by local contexts (Meyer, Mudambi, & Narula, 2011).

Studies view the multinational as a multilayered, nested structure in which some intermediate units take on parental roles over other subsidiaries. Intermediate units are those multinational subsidiaries that "have a particular mandate and a 'greater-than-unit level' contribution" (Hoenen, Nell, & Ambos, 2014, p. 78). Intermediate units might differ in terms of activities, markets, or product scope, but they all have some form of supervisory responsibilities over other multinational units like regional headquarters or springboard subsidiaries. The

distribution of supervisory responsibility to this second layer modifies the power balance among the multinational's units and leads to "cascading agency relationships" (Hoenen & Kostova, 2015, p. 110).

Another interesting area of recent research is around the effect of headquarters' selective intervention on subsidiary decisions. Selective intervention can be understood as the overruling of decisions subsidiaries have made because of their previously granted decision rights (Cuervo-Cazurra et al., 2020; Williamson, 1995, 1996). Selective intervention might have negative effects as it harms the motivation of subsidiaries (Asmussen, Foss, & Nell, 2019) as well as positive effects if it is associated with the diffusion of knowledge and best practice among the multinational units. The flip side of this issue is when subsidiaries successfully reject headquarters initiatives (Schotter & Beamish, 2011) which also has positive and negative effects. The question is when and under what conditions the positive effects exceed the negative effects, especially as headquarters functions are increasingly becoming disaggregated across multiple units within the multinational (Nell et al., 2017).

2.1.2 | Integration

As multinationals become more differentiated, with multiple products, divisions, and subsidiaries scattered across numerous countries, they face tremendous integration challenges. These challenges are particularly salient since the key advantage of multinationals is their ability to exploit resources and knowledge across their global networks (Bartlett & Ghoshal, 1989). Operationalizing these advantages requires coordinating interdependent activities across globally dispersed subsidiaries to optimize organizational performance.

One such case of the tension between dispersion and integration that has been the focus of recent research is the case of extensive offshoring to low-cost countries (Mudambi & Venzin, 2010). Offshoring implies the relocation of originally co-located activities to foreign locations (Mudambi, 2008; Hernández & Pedersen, 2017). When activities are co-located, firms may tend not to see the rationale of formalizing organizational mechanisms for coordination and knowledge transfer through standardized interfaces and clear divisions of labor since day-to-day problems and challenges can more easily be solved in an informal face-to-face manner (Storper & Venables, 2004). However, when distinct organizational activities are relocated to foreign locations, they are often rationalized, reorganized, and modularized. Opportunities for informal coordination are reduced, and project teams may find it more difficult to build collegial social environments and common ground due to less communication and shared context (Bartlett and Ghoshal, 1989). An obvious question is whether the economic gains of offshoring will be at the expense of innovativeness as the global value chain becomes less integrated. There are often hidden costs of offshoring as decision makers' ability to accurately estimate the outlays of implementing activities abroad is compromised by incomplete information and incentives (Larsen, Manning, & Pedersen, 2013).

The recent turbulence in the world following pandemics, natural disasters, and political conflicts has highlighted the concern that global value chains have become too scattered to the point that they weaken the integration of the multinational. This raises new questions on the issue of resilience: Is the organization of global value chains becoming too vulnerable? A system that is efficient in a stable economic environment may lack the necessary slack resources to adapt to disruptive changes (Pananond, Gereffi, & Pedersen, 2020).

2.1.3 | Knowledge creation and transfer

The diversity of the global environment offers opportunities for learning and the development of diverse capabilities. Multinationals' units in each location acquire the skills and knowledge to meet environmental challenges that arise in that particular location. Much of that knowledge, which may be related to product improvements, operational efficiencies, and technological advancements, is relevant across multiple countries, so multinationals need systems that promote knowledge transfer across the whole organization (Bartlett & Ghoshal, 1989; Cantwell & Mudambi, 2005).

The literature has identified a wide array of knowledge management mechanisms to facilitate knowledge transfer across multinational units. These include tools and systems providing better capabilities for knowledge transfer (e.g., collaborative climate, interaction and communication tools, boundary-spanning individuals and protocols), motivation to transfer knowledge (e.g., rewards and compensation, job autonomy, and task identity), and ability to transfer knowledge (e.g., training and development) (Cabrera & Cabrera, 2005; Foss, Minbaeva, Pedersen, & Reinholt, 2009; Mudambi, Piscitello, & Rabbiosi, 2014).

Given the importance of individuals in knowledge transfer processes, researchers have argued for a microfoundations approach. Individuals are the actual carriers of knowledge (Felin, Foss, & Ployhart, 2015), and their interactions determine the success of knowledge transfer. A microfoundations approach implies that the knowledge transfer among multinational units can be reduced to individuals' actions and behavior. Such transfers should be understood as an interaction between individuals and the organizational context (Foss & Pedersen, 2019).

2.2 | Cooperation: Dynamics and collaboration

Although the bulk of global strategy research naturally emphasizes decisions with long-term horizons and ramifications, the contexts within which companies operate are constantly in flux. Hence, dynamics are the order of the day in any realistic depiction of global strategies, whether they involve decisions about where to operate (location), what to use and commit (assets and resources), and how to operate (modes and ways of organizing). As countries and markets change along with a variety of attributes, such as economic (costs, market size, purchasing power), political (risk), institutional (ease of operation, affinity), and resource accessibility, their attractiveness as locations for international business also changes, especially relative to alternative locations. Crucially, as it is the perceived attractiveness of a location that matters for decision-makers, relocation of activities from one location to another may hinge on factors that are beyond the control of actors such as governments and other local officials. For example, corporate decision-makers may over time consider (or discover; see Larsen et al., 2013) the costs of managing at a distance excessive, regardless of whether external factors (risk, cost, etc.) have indeed objectively changed.

Similarly, assets and resources, such as technologies and competencies, face constraints regarding their usability and permanence. Despite continued further investments and upgrading efforts, assets and resources typically decay over time and lose their competitive edge. Changes often come gradually, perhaps due to the advent of new technology. Such changes do not necessarily make an asset or resource obsolete straightaway but may bring about a change in how and where they are used. That the efficiency of a resource varies, among other things, due to location (McCann & Mudambi, 2004) is an established insight in

international business and global strategy that goes all way back to Vernon (1966) as an essential element of his analysis of location dynamics along products' lifecycles. Sometimes changes occur abruptly, because of external events such as political upheaval or a pandemic like Covid-19, which drastically change the feasibility and availability of a resource. For example, the Covid-19 pandemic has led to disruptions in the global production and supply of microchips, which had severe consequences for the automobile industry in terms of reduced production volumes and widespread postponement of the introduction of new car models.

Regarding how to operate, the focus in global strategy has long been on entry modes; that is, the mode chosen by a company as it decides to go into a particular location to pursue some business activity there (Brouthers & Hennart, 2007). Even if the research focus has been on entry modes, changing modes in foreign markets by internationalizing companies is commonplace (Pedersen, Petersen, & Benito, 2002; Putzhammer, Puck, & Lindner, 2020). In fact, mode changes may even be considered the norm for companies engaged in international business, especially bearing in mind that many changes do not entail replacing one mode with another but involve one or more modes being added to the existing entry mode as companies' operations in a country evolve (Benito, Petersen, & Welch, 2009, 2021).

The role of international cooperative ventures—alliances, joint ventures, consortia, and long-term contracts for research and development, component supply, production, distribution, or sales and marketing—has been an increasingly important topic for studies in international business and global strategy since at least the 1980s. Contractor and Lorange (1988) focused academic interest on alliances both in the international and the general strategy fields. Before that, strategy had primarily focused on internalization and competitive interactions, and international cooperative ventures were generally seen as second-best solutions driven by government mandate (Contractor & Reuer, 2019). Subsequent scholarship focused largely on then-dominant equity joint ventures, and most often on international cooperative ventures as a means of foreign market entry. Gatignon and Anderson (1988) offer a typical analysis discriminating between entry via joint venture as opposed to a wholly owned subsidiary. More recently, contractual types of international cooperative ventures have become more common, such that by the early 2000s, as the number of international alliances grew dramatically, especially in technology-focused sectors, the percentage of contractual alliances rose to some 90% of all international cooperative ventures (Frankort & Hagedoorn, 2019). Scholarship has shifted, too, focusing more on the choice of equity joint venture versus contractual alliance (Tallman & Shenkar, 1994). Attention has also shifted somewhat from the downstream market-focused international cooperative venture to upstream supplier contracts and joint ventures within global value chains (Child, Faulkner, Tallman, & Hsieh, 2019).

2.2.1 | Theoretical models and international cooperative ventures

The earliest models of international cooperative ventures focused on equity joint ventures as second-best solutions when contextual conditions made export trade uneconomic and wholly-owned subsidiaries risky, expensive, or impossible (Kogut, 1988). Transaction Cost Economics, introduced into international business by Buckley and Casson (1976), soon dominated the discussion of international cooperative ventures. Cooperation was defined (Buckley & Casson, 1988) as "coordination effected through mutual forbearance," suggesting that the choice of joint ventures over licensing or other market means (and in the absence of whole ownership as a realistic alternative) was driven by fears of partner opportunism. In this view,

equity investments provided “mutual hostages” to good behavior on the part of partners (Hennart, 1991) to avoid misappropriation of assets or income. Later formulations of transaction cost models emphasized the need to coordinate the application of combined assets in addition to avoidance of appropriation risk (Rugman & Verbeke, 2003). This updated transaction costs economics model of international cooperative ventures is compatible with the rise of Resource-Based or Knowledge-Based Views of the firm (Phene & Tallman, 2012), in which the key to cooperative ventures is the need to transfer and recombine joint resources (Khanna 1998), and the advantage of ownership-based joint ventures is the organizational embeddedness that enhances joint development of tacit knowledge resources (Kogut, 1988; Oxley & Wada, 2010). A major concern about international investment in the resource-based view is the possibility that firm assets might be more (or less) effective in foreign markets than at home (Tallman, 1992). Uncertainty about the actual performance of an investment has led to applying real options theory to the study of international cooperative ventures. Kogut (1991) introduced the idea of the international cooperative venture as a real option in a market - providing market experience and insight while offering the opportunity to expand control of successful ventures or to withdraw from an unsuccessful market at a lower cost than a wholly-owned subsidiary. International cooperative ventures as growth options offer reduced uncertainty about potential returns in the host country and also into neighboring markets, such that the growth value may be much greater than the value of immediate returns to an alliance (Tong, Alessandri, Reuer, & Chintakananda, 2008). As the number and complexity of international cooperative ventures have grown in practice, we see that theoretical models of the use of cooperative forms have become more sophisticated and more attuned to both internal and external contextual conditions.

2.2.2 | Cooperative ventures and market entry strategies

Theories of the multinational firm have largely addressed foreign direct investment as an alternative means of entering and managing foreign markets for the products of the firm. Likewise, studies of international cooperative ventures have largely addressed them as alternatives to markets (trade, licensing) and hierarchies (wholly owned subsidiary) as a means of managing operations in multiple horizontal foreign host markets for the firm's products. The partners in an international cooperative venture are envisioned as a multinational firm bringing advanced technology, design, or marketing to the host market and a host country firm that offers relevant knowledge of local institutions, customers, and production (Madhok, 1997; Tallman & Shenkar, 1994). This setting emphasizes concerns for uncertainty relating to the unfamiliar location and opportunism on the part of an unfamiliar partner.

A local partner is assumed to be able, if not impeded, to appropriate the intellectual property of the multinational partner and use it for private benefit in the local market, often with at least tacit acceptance from local legal and regulatory authorities (Brandl, Darendeli, & Mudambi, 2019). Joint equity ownership is considered to offer protection from an opportunistic appropriation of firm-specific assets (Buckley & Casson, 1988), and indeed, Gatignon and Anderson (1988) show that joint ventures are favored over full ownership when multinationals face high levels of country risk and when the value of firm-specific assets put at risk is relatively low. Geringer (1986) and Geringer and Hebert (1991) emphasize that multinational partners often are concerned with protecting and controlling the use of their key technologies and other capabilities, while Hamel (1991) proposes that some partners may be concerned primarily with

the operations of the alliance while others look to appropriate value for the parent firm. Phene and Tallman (2012) find that, at least in biotech international cooperative ventures, contractual alliances are far more common than joint ventures for market entry, and that technological complexity favors contractual international cooperative ventures while strategic complexity favors the use of equity joint ventures. They interpret these findings to suggest that in industries with strong patent protection, international cooperative ventures offer a means to control knowledge sharing, but that joint ownership is driven more by the need for strategic coordination and the sharing and joint development of complex tacit knowledge than the need to protect technology from misappropriation by the partner.

Overall, the literature has evolved to suggest that the need to combine the unique firm-specific assets of the multinational partner with the location-specific assets of the local partner is the driving force behind using cooperative ventures for foreign market entry. The need for strategic and operational coordination between partners in complex, long-term ventures is a stronger force for the use of shared ownership as opposed to contractual ventures. For the future, deeper analyses of the impact of contextual conditions on the choice of international cooperative venture and of the specific form of alliance seem to offer value. The rapid evolution of information technology is important to note, as technology sharing and oversight has become much easier and more comprehensive but also less expensive, while differentiation based on business models and other open-ended decisions has risen in importance. We can also see that the technology-based platform economy offers a variety of approaches to market entry (Stallkamp & Schotter, 2021), with some firms feeling that platforms demand globally consistent entry despite local institutional variation, while others emphasize local partnerships to oversee services provided by local gig workers. Low cost, asset-light, brand and technology-dependent business models seem to offer rapid, relatively low-risk international expansion opportunities, but real-world experiences suggest that the need for local understanding, local connections, and local oversight may make international cooperative ventures, both contractual and equity-based, critical to success across many national markets (Marano, Tallman, & Teegen, 2020).

2.2.3 | Cooperative ventures and global value chains

The previous section focused on downstream, market-focused, horizontal cooperative strategies. Studies of international cooperative ventures have long recognized that alliances also were used in upstream, vertical, or input supply transactions. However, the proliferation of global value chains to supply worldwide markets—the local host, the corporate home, and a multitude of third countries—has focused more recent studies on the use of cooperative ventures in offshore outsourcing of value creation in these networks (Child et al., 2019). Dunning (1995) introduced the idea of Alliance Capitalism as a replacement for the hierarchical vertically integrated multinational firm. He focused on using contracts and alliances to access and control complementary assets for global supply chains addressing worldwide markets. Information Age supply networks involve heavy use of offshore production (Lewin, Massini, & Peeters, 2009), but also recognize that much of this production is being outsourced. While the outsourcing literature has generally applied a market versus hierarchy binary choice model for global value chain governance, there is growing recognition (Gereffi, Humphrey, & Sturgeon, 2005; Mudambi & Tallman, 2010) that outsourcing is done mainly through long-lasting contractual alliances with considerable co-specialization and investment by both partners in maintaining and increasing

the value of the supplier–buyer relationship (Hernández & Pedersen, 2017; Madhok & Tallman, 1998). The development of modular production methods has made possible networks managed through output controls and standardized interfaces (McDermott, Mudambi, & Parente, 2013). We also see that much of the growth in contractual alliances relative to joint ventures is tied to global value chains, whether for manufacturing (Lojacono, Misani, & Tallman, 2017) or innovation in technology-focused sectors (Frankort & Hagedoorn, 2019). Evidence suggests that close partner relationships are conducive to the exchange of tacit knowledge, close coordination, and joint product development (Phene & Tallman, 2012). Earlier studies demonstrated that joint ventures offer the sort of organizational embeddedness that would encourage complex tacit knowledge exchange (Oxley & Wada, 2010), but more recent research suggests while relational governance is clearly beneficial to outsourced supply chain relationships (Mesquita, Anand, & Brush, 2008), close relational governance of global value chains is based on mutual dependency, co-specialized resources, and modular production (Gereffi et al., 2005) rather than joint ownership. Frankort and Hagedoorn (2019) suggest that changing formal and institutional forces to protect intellectual property and build reputations are behind the surge in innovation-related nonequity alliances in technology industries, particularly in industrialized countries. By offering proper incentives for ongoing cooperation, the multinationals that organize these global value chains can establish stable relationships without equity involvement by demonstrating that opportunism will result in second-best solutions that fall well short of the performance benefits to close cooperation and strong relationships within the network (Child et al., 2019; Madhok & Tallman, 1998).

The rapid proliferation and growth of global supply chains in manufacturing, technology, and services industries suggest that this is an aspect of global strategy ripe for increased research. It is also an area where research into cooperation, coordination, and alliances, especially contractual ventures, seems needed. Bringing together the literature on outsourcing and offshoring with our understanding of international cooperative ventures offers a greater understanding of the theoretical and practical drivers of global value chains. Understanding the mechanisms of long-term supply contracts offers the promise of truly novel understandings of organizational uncertainty, partner relations, and the nature of transactions at a time when information technology seems to have made many classic predictions about governance and control obsolete. Shared ownership is supposed to protect from opportunism and deep mutual understanding for better coordination, but the proliferation of outsourcing contracts for key processes and components, in both production and services, is undeniable and suggests that joint ownership is not the only, perhaps not even the best, way to organize value-adding processes for modern industry.

2.3 | Governance: Ownership and global strategy

Firms are core actors in global strategy, a field that specifically studies their decisions and actions related to business opportunities that involve cross-border activities. Firms, of course, come in many different types, sizes, and shapes. Some are very large multinational enterprises with substantial presence across the globe, such as those described in the preceding sections. Others are small firms with more limited international activities, although such activities can be crucial for their performance and survival. Most companies are owned by a variety of private owners, such as individuals, families, and institutional investors. Considerably fewer are owned—partly or fully—by states and public institutions, but their number and significance

are rising (Bruton, Peng, Ahlstrom, Stan, & Xu, 2015; Cuervo-Cazurra, Grosman, & Megginson, 2022).

An important reason why ownership matters is the separation of ownership and control, whereby the rights to represent, make decisions, and manage the operations of a company are delegated by owners to select individuals—managers—who run the company on their behalf. Separation of ownership and control, that is, the actual decision-making and management power, potentially creates a disparity of interests between those who own and those who run a company. Because managers are unlikely to act totally unselfishly—i.e., are motivated and able to set aside their own preferences and opportunities for personal gains—the disparity must be suitably dealt with, either by checks and sanctions imposed by owners on their behavior, or by measures that align the interests of the parties. The former involves overseeing what managers do, such as the monitoring and sanctioning of top management by the board of directors. The latter involves incentivizing managers to act in agreement with owners' interests, for example, by designing appropriate compensation schemes, limiting their scope for action, or by careful selection and development of those entrusted to manage a company. The scope for such agency issues depends crucially on ownership characteristics. It is less in tightly controlled owner-dominated companies, but expectedly higher in companies with dispersed ownership and in companies operating under weaker market discipline, such as state-owned companies.

Major strategic decisions, such as whether to internationalize or not, and which global strategies to follow, entail particular concerns in terms of the risks involved in various courses of action, and in terms of the competencies and capabilities required to carry them out successfully. As such, ownership shapes the global strategies of companies, their implementation (management), as well as their outcomes (performance). In terms of shaping the strategies of companies, ownership is essential for defining companies' goals and norms, as well as their time horizon. Regarding goals, one important distinction between state-owned and privately-owned companies is that the former typically have nonfinancial goals that complement—and sometimes replace—the financial goals typically ascribed to the latter (Cuervo-Cazurra, 2018). In particular, state-owned companies may have industrial policy, socioeconomic, and political goals, which have a bearing on key internationalization decisions such as the degree of internationalization, entry and establishment modes, and location choices (Rygh & Benito, 2021). Regarding time horizon, family-owned companies tend to take a long-time perspective with a focus on survival and subsequent passing on the business to future generations. Hence, family firms are likely to embrace a conservative stance on risk and are cautious about actions that could endanger the survival of the firm. State-owned firms are also often longsighted since they typically also pursue non-financial goals such as political and social goals (Rygh & Benito, 2021), and because they have access to financial resources that secure their survival, they are less opposed to taking on risk. In contrast, listed firms are constantly monitored by equity markets and so tend to be more shortsighted, which affects their risk profile. Consequently, Aguilera, Marano, and Haxhi (2019) argue that compared to listed companies and state-owned companies, family firms are less likely to internationalize, and if they do, their internationalization tends to be more cautious in scale, scope, and pace.

The benefits and costs of internationalization, and hence its relationship to performance, will be related both to the strategic choices made by companies and to their various characteristics, in particular their firm-specific advantages. As noted by Majocchi and Strange (2012), the same level of internationalization may arise from strategies with very different implications for economic performance. The bulk of previous literature has had in mind—typically implicitly—a privately owned company that focuses on value maximization (Grøgaard, Rygh, &

Benito, 2019). However, alternative types of ownership may affect the relationship between internationalization and performance. A key distinction seems to be between listed and non-listed companies. While economic performance is an important goal and a persistently overriding concern for companies whose stock is publicly traded, nonlisted companies have more discretion to pursue other goals, as long as they operate sufficiently well to survive in their business.

Ownership matters above all through its effect on corporate governance. Governance exerts pressure on companies to choose the most profitable internationalization strategies, and hence affects the internationalization-performance relationship (Békés, Benito, Castellani, & Muraközy, 2021). An extensive corporate governance literature based on perspectives such as agency theory has considered the implications of the separation of ownership and control and the resulting imperfect alignment of owner and manager interests (Becht, Bolton, & Röell, 2003). This literature has also considered different types of categories of owners, including "inside" owners such as CEOs, outside owners such as the state, and to a lesser extent, foreign owners.

If companies are somehow insulated from this mechanism due to inadequate corporate governance or soft budget constraints (Kornai, 1979), managers may have more discretion to pursue private benefits such as empire building, rather than maximizing value for the owners. In fact, owners themselves may not be primarily concerned about economic performance, at least in the short term. Hennart (2013) cites the example of managers of Chinese state-owned enterprises who "invest abroad because responding to the government call for internationalization furthers their own careers" (p. 25). Such investments may be unprofitable and result in a negative internationalization-performance relationship.

Recent research has also noted the importance of the home country context. For example, Estrin et al. (2016) report that state-owned multinational companies that originate in a home country with strong corporate governance standards largely emulate their privately-owned counterparts in terms of internationalization level. Similarly, Grøgaard et al. (2019) conclude that state-owned multinational companies "from home countries with well-functioning government institutions and market orientation make choices that are essentially indistinguishable from their POE [privately-owned enterprise] counterparts." (p. 1331).

Taking a top management team perspective, Boone, Lokshin, Guenter, and Belderbos (2019) report that home country characteristics are crucial for companies' innovation performance. Studying companies from 20 countries over a period of 10 years, they found that nationally diverse top management teams tend to engage more in corporate entrepreneurship, which subsequently drives the innovation performance of their companies. However, the positive effect was only found for top management teams in companies from countries characterized by low power distance.

2.4 | Politics: Toward a political global strategy

The evolution of the global strategy literature on the relationship between firms and governments has been moving toward a political global strategy. A political global strategy is a subset of the topic that focuses on understanding how the government influences the global strategy of firms. Such influence is usually done in two main ways: indirectly by altering the context of operations in which managers develop their firms' strategies, and directly by determining the strategies that managers design. It can also be conceptualized in two levels: a local political

strategy in which government decisions impact the operations of a firm in one location, which seemed to be the early view of political global strategy, and a geopolitical strategy in which actions by one government affect the global operations of firms, which seems to be a more recent evolution in the literature.

We propose that the literature on global strategy taking a government approach has evolved through three different strands, which can be distinguished by the increasingly active role of the government in the global strategy of companies: institutional, emerging markets, and political global strategy. Table 2 summarizes their main characteristics. The three strands represent an evolution from an indirect influence of the government on global strategy through the institutional context to a direct influence through support. They also represent the transformation of the political strategies followed by companies from an adaptation to the constraints on internationalization created by the institutional context, to innovations in response to the benefits and liabilities created by the government on internationalization, to direct negotiations with governments to receive support for internationalization.

2.4.1 | From institutional global strategy...

Institutional global strategy refers to companies' decisions as they learn from the institutions in which they operate. Institutions are the norms and rules of behavior that support market

TABLE 2 Toward a political global strategy: Evolution of the literature from institutional global strategy to emerging markets political strategy to political global strategy

	From institutional global strategy...	... to emerging markets political strategy...	... to political global strategy
Definition	Institutions: Norms and rules of behavior that support market transactions (formal as laws and regulations, and informal as culture and customs)	Emerging markets: Countries with lower economic and institutional development	Politics: Management of decision-making in society
Evolution of the literature	From psychic distance to cultural differences to institutional differences	From low-cost locations to growing markets to new competitors, challenging models of the multinational	Bargaining with government to government as a driver of internationalization, especially for state-owned firms
Influence of government on global strategy	Indirect: Context for firm investment	Indirect: Context for firm innovation Direct: Escape	Direct: Support for foreign expansion (subsidies, diplomacy), especially for state-owned firms
Political strategies	Adapt to constraints on internationalization: Country selection and entry mode for adaptation to the conditions of the context and learning from home country	Benefits and liabilities drive competitiveness and international expansion: Access to endowments, low-cost innovation escape internationalization	Government-based advantage for internationalization: Direct influence on political decision making (lobby, finance, pressure); dark side as corruption

transactions (North, 1991). These can take the form of formal institutions, such as laws and regulations, in which there is an explicit statement of the norms of behavior that economic actors must follow, to informal institutions, such as cultural customs, in which the understanding of the norms of behavior is tacit.

Institutional global strategy has emerged as part of the evolution of the literature analyzing how the context of operation in host countries affects the desire and ability of foreign companies to invest. It originates in the Uppsala or incremental internationalization process model (Johanson & Vahlne, 1977), which introduced the concept of psychic distance to represent the differences between countries that constrained the transfer of knowledge. These differences took various forms such as culture, industry, regulations, economic development, technological advances, et cetera, and created challenges for managers to take the knowledge they had developed in the home country and use it in the host country. The concept of psychic distance, which was broad, eventually narrowed down to the analysis of cultural distances (Kogut & Singh, 1988) based on the measurement of cultural attitudes toward work (Hofstede, 1984). This gave rise to the subfield of cross-cultural management (Smith, Peterson, & Thomas, 2008), which pointed to the importance of differences in cultural conditions in countries and the need to build expertise by expatriate managers of foreign companies (Tung, 1987). A later modification of the analysis of psychic distance was the study of institutional distances (Khanna & Palepu, 1997; Kostova, 1999; Meyer, 2001; Peng, 2002) which captures the differences between countries in terms of rules and regulations, aided by the introduction of measurements of formal institutions such as the World Bank's governance indicators and economic freedom measures from the Fraser Institute and Heritage Foundation.

In this institutional approach, the influence of the government on companies' global strategy is indirect by determining the context of operation. Governments establish the rules and regulations in which foreign and domestic companies operate. The quality of such institutions affects how companies organize their global strategies. In countries with high-quality institutions, which are usually associated with advanced economies, companies have a supportive regulatory and judicial system that enables them to focus on their activities and decide how to organize their operations with partners optimally, knowing that any contact disputes can be quickly addressed. In contrast, in countries with low-quality institutions, or the so-called institutional voids (Khanna & Palepu, 1997), it is less clear how firms can organize their contracts with partners, leading them to internalize relationships to avoid being held up (Henisz, 2000).

In the institutional global strategy, companies build political strategies through the adaptation to the constraints established by the context. Firms take the institutional conditions as given and design global strategies that enable them to operate more effectively in the institutional contexts of host countries. This requires managers to use knowledge of the institutional context they have developed in the home country through direct learning (Oliver, 1997; Peng, 2002) and build the new institutional knowledge in host countries to adapt to the new conditions through experiential learning (Johanson & Vahlne, 1977). As a result, managers select countries that are similar to the home country to use most of their knowledge and choose entry modes that facilitate gaining experiential learning of the conditions of the new host country (Johanson & Vahlne, 1977). Companies whose managers are better able to use and develop institutional knowledge valuable in the host countries benefit from an institutional advantage (Martin, 2014), as they can use the institutional knowledge acquired in the home country to outcompete firms without such institutional knowledge (Cuervo-Cazurra & Genc, 2008, 2011).

2.4.2 | ...to emerging markets political strategy...

Emerging market political strategy refers to the decisions that firms take in reaction to the underdeveloped political conditions of emerging markets. Emerging markets are countries considered to be economically underdeveloped but on their path toward development. They are usually contrasted to advanced economies, which are those that have achieved superior levels of socio-economic, technological, and political conditions. They are also contrasted to frontier economies, which are poor countries that have failed to establish a pattern of rapid economic growth (Fujita & Mori, 1998). Although the initial classifications of countries as emerging or developing were based on economic indicators (Serajuddin & Hamadeh, 2021), later categories evolved to include not just economics but also the implementation of market-supporting policies (Hoskisson, Eden, Lau, & Wright, 2000).

Emerging market political strategy has changed from seeing emerging markets as locations for reducing production costs, to growing markets offering opportunities for expansion, to countries from which new competitors emerged. Initially, emerging markets were seen as countries that multinationals ended up serving when the innovations they made in advanced economies to serve the needs of sophisticated and wealthy consumers needed to be produced at a lower cost (Vernon, 1966). However, the growth of emerging markets, thanks to the pro-market reforms of the 1990s in which governments liberalized the economies (Cuervo-Cazurra, Gaur, & Singh, 2019), led to a rethinking of these countries as large and potentially profitable new markets, even if most of the population was poor (Prahalad, 2005). At the same time, their growth enabled the upgrading of the capabilities of domestic companies and their transformation into multinational firms (Ramamurti & Singh, 2009). The appearance of such emerging economy multinationals challenged the dominance of established global companies from advanced economies (Aguiar et al., 2007). This led to a theoretical debate on whether their foreign expansion could be explained with existing models of the multinational, required new models, or could help expand previous models (Cuervo-Cazurra, 2012).

In emerging markets, the influence of the government on the global strategy of companies has a dual effect. It both constrains the ability of local companies to become highly competitive because of the unsupportive institutional context, and also can result in active support of selected local companies to venture abroad. On the one hand, governments in emerging markets have limited capabilities to invest in the creation of supportive institutional contexts that facilitate economic transactions and technological development, constraining the ability of local firms to become internationally competitive (Awate, Larsen, & Mudambi, 2012). On the other hand, governments in emerging markets have a much more proactive view toward facilitating development, leading some to provide select firms with preferential regulations (Ghemawat & Khanna, 1998) and support for their internationalization as national champions (Lazzarini, 2015).

In emerging markets, firms follow two alternative political strategies in response to the countries' underdevelopment: innovation and escape. On the one hand, the underdeveloped institutional and economic conditions of emerging markets induce some companies to make the most out of it and create innovations that benefit from such conditions. Some reverse engineer and imitate the products of advanced economy firms thanks to the lax enforcement of intellectual property rights by the government (Luo, Sun, & Wang, 2011). Others establish alliances with firms from advanced economies thanks to government mandates that facilitate their learning and the improvement of their production processes and innovative capabilities (Luo & Tung, 2007). And yet others may focus on addressing infrastructure deficiencies and satisfying

the needs of low-income consumers, giving rise to innovations for the base of the pyramid (Prahalad, 2005); some of these innovations are later used in advanced economies, becoming reverse innovations (Govindarajan & Ramamurti, 2011). On the other hand, the institutional underdevelopment of emerging economies may lead some firms to avoid these challenging conditions and escape them by investing in countries with more supportive contexts (Witt & Lewin, 2007).

2.4.3 | ...to political global strategy

Political global strategy refers to the analysis of the decisions taken by firms to affect politics. Politics are the management of decision-making in society, which entails the study of how nations select and integrate the desires of citizens into policies that the government implements through laws and regulations. The policy-making process varies across the political system adopted, which determines who has their ideas discussed, selected, and implemented by the government, resulting in the usual range of political systems from democracy to totalitarian systems.

The literature on political global strategy has evolved in terms of how companies interact with the government and the benefits they obtain from such interaction. Early discussions on this approach saw multinationals as being able to bargain with host country governments (Murtha & Lenway, 1994; Vernon, 1971) to obtain benefits from pitting one host country government against others (Stopford & Strange, 1991), as local governments competed to attract foreign investors with a variety of fiscal and financing incentives (Tavares-Lehmann, Toledano, Johnson, & Sachs, 2016). Another branch of the literature focused on understanding how the government became a direct driver of the internationalization of companies by supporting their foreign expansion (Luo, Xue, & Han, 2010; Musacchio & Lazzarini , 2014), especially in the case of state-owned firms (Cuervo-Cazurra, Inkpen, Musacchio, & Ramaswamy, 2014). The government devises industrial policy to support firm's competitiveness (Amsden, 1989; Rodrik, 1995), provides preferential finance to fund foreign investments (Lazzarini, Musacchio, Bandeira-de-Mello, & Marcon, 2015) and offers diplomatic support in negotiations with host country governments (Duanmu, 2014). All this leads to a government-based advantage in internationalization (Aggarwal & Agmon, 1990) and the development of global national champions (Lazzarini, 2015).

In political global strategy, managers use a variety of political strategies to influence government officials to ensure beneficial decision-making. These influence strategies can take the form of the provision of information, funds, or grassroots pressure to induce politicians to make decisions or create regulations and laws that favor the interests of companies (Hillman & Hitt, 1999). They can also take the form of corruption, in which companies provide private benefits to politicians in exchange for favorable decisions (see a review in Cuervo-Cazurra, 2016). Firms can also choose to avoid engaging with the government to avoid drawing attention (de Villa, Rajwani, Lawton, & Mellahi, 2019).

2.5 | Innovation: The geography of innovation

Knowledge is the key source of value in the 21st-century economy (Mudambi, 2008), but no firm, no matter how large, has the resources to finance the exploration of every possible

innovation trajectory within its own organizational boundaries. Global innovation now occurs within global value chains that are composed of large cooperative groups of firms and whose architecture is determined by an orchestrating multinational.

2.5.1 | The characteristics of global value chains

Global value chains have some important characteristics regarding their constituent firms as well as their geography (McWilliam et al., 2020). The constituent firms specialize in specific aspects or components of the final customer value proposition. This specialization means that expenses and other resources required for the research and development for each specific aspect or component can be largely left to specializing constituent firms. This allows the orchestrating multinational to focus its attention on the architecture of the entire customer value proposition. This division of innovation labor requires close cooperation among the firms in the global value chain, involving such operational strategies as concurrent engineering, systems integration to ensure compatibility, and distributed research and development.

Knowledge is deeply rooted in and bounded within local geographies (Hannigan, Cano-Kollmann, & Mudambi, 2015; Jaffe, Trajtenberg, & Henderson, 1993). Orchestrating multinationals tap into these locations—clusters or knowledge hotspots—by locating subsidiaries there as well as drawing local specialist firms into their global value chain innovation networks. Over time, multinational subsidiaries and local environments coevolve so that the subsidiary's activities as well as the location graduate to undertaking and hosting more sophisticated activities (Cano-Kollmann, Cantwell, Hannigan, Mudambi, & Song, 2016).

Multinationals have always woven geographical contexts together, but the manner in which they have straddled geographies has fundamentally changed between the 20th and 21st centuries (see Table 3). In the 20th century, the emphasis was on the mass production of tangible goods. Multinationals put their final customer value propositions together through trade in finished goods, much of which occurred within firm boundaries through internalization (Buckley & Casson, 1976). Most multinational activities occurred within advanced economies (Henderson, Squires, Storeygard, & Weil, 2018). In contrast, the 21st-century emphasis is on customized intangibles based on knowledge and innovation. Multinationals put their final customer value propositions together by orchestrating the activities of specializing firms, most of which produce intermediate goods and services that are ever more finely sliced (Mudambi, 2008). A very high proportion of the activities within the global value chain occurs

TABLE 3 Contrasting foundations of global strategy: The twentieth and 21st century

In the 20th century	In the 21st century
Conducting business over geographic distance was costly	It is nearly costless
Production capabilities were critical	Innovation capabilities are critical
Value was based on mass-produced tangibles	It is based on customized knowledge-based intangibles
International business focused on geopolitical allies; international politics focused on rivals	International business and international politics are inextricably linked

outside of the multinational's firm boundaries (Mudambi & Puck, 2016), and an increasing proportion is carried out within emerging economies (Amsden, 2003).

2.5.2 | Emerging markets in global value chains: The role of connectivity

The weight of global economic activity in the 21st century is shifting toward emerging economies, especially in Asia (Horner & Nadvi, 2018). However, this shift is occurring in a structured and systematic manner, through the participation of emerging market firms in global value chains, still largely orchestrated by multinationals with headquarters in advanced economies (Mudambi, 2008).

Around the world, an increasing set of developing economies have witnessed rapid economic growth over the past few decades, leading them to be labeled emerging economies. Their process of emergence is the most important economic phenomenon since the Industrial Revolution. It has raised billions out of destitution—unarguably the greatest reduction in human poverty in history—and has done so in the heretofore unimaginably short period of a few decades.

Unfortunately, this achievement of the free market global economy is often taken for granted and underappreciated. What is even less recognized is the role of the connectivity of the global economy in this process (Cano-Kollmann et al., 2016). The economies of East Asia emerged in a much shorter timeframe than the economies of Europe and the extent and efficiency of global connectivity rose dramatically in the intervening century. The correlation between the two is strong, and there is considerable evidence to suggest causation as well. South Korea's accelerated emergence occurred through the country's large *chaebols* establishing connectivity with knowledge hotspots in advanced economies (Amsden, 1989). The rise of the Hsinchu cluster in Taiwan and the Bangalore cluster in India, the locomotives of emergence in their respective economies, has been traced to their connectivity with Silicon Valley (Patibandla & Petersen, 2002; Saxenian & Hsu, 2001). The two generic forms of connectivity are in evidence in these examples (Cano-Kollmann, Hannigan, & Mudambi, 2018; Lorenzen & Mudambi, 2013). Centralized organization-based connectivity centered on large emerging economy multinationals was the driver in the case of South Korea, whereas decentralized personal relationships were more important in the case of Taiwan and India. However, both generic forms can be related to the same process of upgrading and catch-up.

These processes must be placed on the canvas of the three categories of countries in the current global economy. The current advanced economies—including those that have become advanced more recently (like South Korea and Taiwan)—are where new industry global value chains arise through radical innovation. Emerging economies like India participate in global value chains through their connectivity with advanced economies, typically undertaking less knowledge-intensive activities with lower levels of value creation (Mudambi, 2008). Finally, the so-called frontier economies are those with limited connectivity to global value chains (Meouloud, Mudambi, & Hill, 2019).

This gives rise to fundamentally different global innovation strategies for advanced economy and emerging economy multinationals. Advanced economy multinationals disperse their innovation efforts over geographic space to take advantage of locally embedded knowledge resources, whereas in contrast, emerging market multinationals do so to catch up with the innovation frontier (Awate, Larsen, & Mudambi, 2015). The strategic interactions of the

advanced economy multinationals and emerging economy multinationals weave together a complex tapestry that underpins both global value chain activities and global value chain dynamics.

3 | CONCLUSIONS: GRAND CHALLENGES AND GLOBAL STRATEGY

The field of global strategy has much to offer to our understanding of companies in international contexts. This includes not only analyzing how firms' operations react to their local and foreign contexts but also, and more importantly, studying how companies can contribute to improving the context in which they act. This dual relationship between firms and the context is manifest in how they respond to and address challenges such as climate change, artificial intelligence, and geopolitics. It is also reflected in how other fields build bridges to global strategy and help identify new issues that, although narrower, have a big impact on both firms' decisions and their context.

3.1 | Grand challenges and global strategy

The field of global strategy has made much progress in the last few decades and has a bright future because of new issues that managers of multinationals have to confront. Although there is already a large set of these, we highlight three issues that seem to have a more promising impact, especially given that they are emerging as issues that affect not only companies but also the world. These are what can be considered Grand Challenges, that is, complex problems that affect all humanity and that do not have an easy resolution. Although there is a variety of issues that can be seen as Grand Challenges, we focus on three that seem to be driving current discussions on the role of multinationals in helping improve the world and not just providing economic benefits to consumers and shareholders.

3.1.1 | Climate change

The first Grand Challenge is climate change, that is, the long-term shift of temperature and weather patterns resulting from the increase in greenhouse gases. Its effects are starting to be evident in extreme weather events, changing ecosystems, and economic disruptions, that require solutions at the global level.

Much of the early discussion on climate change was on establishing whether humans were indeed responsible for it and analyzing the implications a rapidly changing climate would have on nature and humanity. Technological advances and the creation of innovations have helped bring millions out of poverty and enabled more fulfilling lives. At the same time, this economic development has been built to a great extent on the exploitation of natural resources, while not fully appreciating the consequences that such exploitation has on a global level. The actors along the product life cycle, from suppliers, to firms, to distributors, to final users, each focus on their individual actions, considering the sustainability of their activities in the environmental, social, and governance areas, but in many cases ignoring the aggregate and cumulative effect (Montiel, Cuervo-Cazurra, Park, Antolín-López, & Husted, 2021).

Global strategy has contributed to a better understanding of how companies can use resources on a global scale to build more efficient operations and satisfy the needs of globally dispersed customers. It is now high time to refocus attention on the negative externalities that such activities have generated and to study how multinationals are not just the source but can be part of the solution to addressing climate change. This can be done by adopting higher standards of production that reconsider the exploitation of natural resources. They can also take the form of the reconfiguration of global value chains that consider the full lifecycle of products and their consequences on the environment (Benito & Fehlner, 2022). Including externalities within the study of multinationals will force a reconsideration of theories. They typically focus on the benefits of cross-border activities and the global dispersion for increased efficiency for the multinational. However, they need to consider the negative externalities of the activities and how their dispersion requires added transportation and coordination not factored in. Incorporating these externalities could lead to a reconceptualization from global to local value chains.

3.1.2 | Artificial intelligence

The second Grand Challenge is artificial intelligence, or advances in digitalization driven by the generation and analysis of increasing amounts of data (Autio, Mudambi, & Yoo, 2021). The issue has emerged as increasing numbers of sensors enable companies to gather vast amounts of information, leading to questions on how the data would be used. Much of the attention has focused on how artificial intelligence has helped improve the efficiency and effectiveness of companies and their ability to respond to customer desires. However, at the same time, concerns are being raised about the long-term impact of artificial intelligence on human development.

Work on artificial intelligence has been driven partly by the analysis of how companies are integrating digital technologies in their operations. Digitalization includes both digital in situ technologies used to upgrade processes in a geographic location and digital communication technologies that connect geographically dispersed locations (Autio et al., 2021). Digitalization has received considerable attention in information systems, operations, and innovation management. Its effects on improving the efficiency of geographically dispersed processes are straightforward. However, the effects of national borders on the range of innovation processes enabled by digitalization, like virtual teams, work from anywhere, and virtual reality tools, are yet to be fully investigated.

Negative externalities associated with artificial intelligence seem to be ignored. A concern that is increasingly emerging is the issue of individual privacy and how the widespread use of smartphones with increasingly sophisticated sensors as well as the establishment of cameras and sensors in public areas might lead to the dystopia described in the novel *Nineteen Eighty-Four* by George Orwell. Much of the justification for the ability to track every human action is the notion that this is done in exchange for valuable and free services, or that it is needed by the government to prevent misbehavior. However, this raises important ethical questions that seem to be ignored, such as the issue of who monitors the monitors and to what extent it is possible for individuals to conduct their lives without being tracked by others.

3.1.3 | Geopolitics

The third Grand Challenge is geopolitics and the impact that unilateral political decisions have on the world. Globalization has meant not only the spread of economic flows around the world

but also the spread of political influences across borders. What in the past used to be domestic politics has now become part of global politics. This can have a positive sense, such as the establishment of stricter environmental, social, and governance standards in one location driving global environmental improvements, as seen in pollution standards in California or privacy standards in the European Union. It also can have a negative dimension, such as internal or regional conflicts exploding into regional instability and refugee crises, such as the civil war in Syria or the Russian invasion of Ukraine, leading to a reconsideration of migration policies and energy sourcing.

The analysis of geopolitics impacts a variety of dimensions of global strategy and forces researchers to go beyond the study of the baseline development of institutions and institutional differences across countries and go deeper into how political decisions drive global strategy. This can take dimensions such as the decoupling of technological standards and companies into the US and Chinese spheres of influence. Such a move, which is driven by governments' desire to establish influence in their and the global economy, will force multinationals to rethink how to manage their operations and researchers to reconsider issues such as integration and differentiation.

Geopolitics have also altered patterns of migration across borders in terms of willing immigrants that move in search of better economic opportunities but see such moves curtailed by politicians pandering to local, fringe, vocal minorities. They also take the form of unwilling refugees being forced out of their home countries by violent conflicts in places like Syria and Ukraine as well as economic collapse in nations such as Venezuela. A small fraction of international migration is relevant in the context of global innovation strategies, that is, migrants possessing high knowledge and high skills (Kerr, 2018). The strategies of entrepreneurial startups, as well as large multinationals, are strongly affected by these migrant flows. They provide bridges between their countries of origin and countries of settlement and are important conduits for global knowledge flows (Marino, Mudambi, Perri, & Scalera, 2020).

3.2 | Building bridges in global strategy

The themes we have discussed in this article reveal our collective understanding of global strategy. However, we are not and cannot claim to be the only experts on the topic. To celebrate the first decade of *Global Strategy Journal* and set up an agenda for the future, we asked several experts both in the fields of strategy, international business, and the related disciplines, to provide us with their thoughts on the future of global strategy. The two special issues that accompany this article reflect the bridges that global strategy can establish with other areas and how these will affect the development of the field. Asmussen and Foss (2022) argue that both strategizing and economizing aspects need to be recognized in global strategy research. Bathelt and Li (2022) examine the interaction between location and firm strategy, both in terms of locations attracting firms and firms contributing to the development of locations. Beamish and Hasse (2022) highlight the importance of rare events as a phenomenon to study and help advance global strategy research. Birkinshaw (2022) explains how the digital revolution has supported the emergence of born-digital firms and challenged traditional arguments. Buckley (2022) points to the increasing pressures on multinational companies from states, markets, and society at large. Buckley, Strange, Timmer, and de Vries (2022) call for global strategy to pay more attention to intangible assets and rent appropriation in global value chains. Casson (2022) analyzes how to combine analyses of corporate strategy and market entry with analysis of internal

organization. Florida and Adler (2022) discuss how locational strategy offers a perspective for understanding how location decisions fit into broader corporate strategy. Furr, Ozcan, and Eisenhardt (2022) elucidate three key tensions in digital transformation: Products vs. platforms, firms versus ecosystems, and people versus tools. Ganson, He, and Henisz (2022) discuss how multinationals may contribute to social divisions as well as help to address them. Leiblein, Reuer, Larsen, and Pedersen (2022) provide a thoughtful discussion about the domain of global strategy. Meyer and Li (2022) introduce an international relations perspective to study multinationals and subsidiaries in the face of disruption in the global economy. Teece (2022) contends that to analyze the new realities of an increasingly divergent, bifurcated world, global strategy scholars need to adopt wider-aperture, systems-theoretic perspectives. Teodorescu, Choudhury, and Khanna (2022) explain how subsidiaries of multinationals build contextual intelligence in the countries in which they operate. Finally, Verbeke and Yuan (2022) discuss how intrapreneurship unfolds in multinationals. We hope that the insights contained in these articles are a valuable guide for future studies on global strategy.

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