

# 'does country matter' - summary and critique



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1. 'Does Country Matter' - Summary and Critique Because past studies in the area of business performance had focused on diversified businesses, the differences in and between them, and were carried out in single countries, these researchers contended that country differences would have impact on performance. While agreeing with many of the differences highlighted in such studies (e. g. political, social, economic, institutional etc.) they took a broader approach. They examined 'foreign affiliates' these being 'independent units wholly or partially managed or controlled by a foreign firm in a host country', by defining levels of effect on their performance/returns.

a) The question is, how much does country difference actually explain the variations in achievements of foreign affiliates To answer this, the elements they defined were as follows: Country effects, Industry effects, Multinational Corporation (MNC) effects, Affiliates effects and the Years observed, analyzing these to see how they all contributed to the average return or business success achieved by the foreign affiliates. They hypothesized that country had an important role to play and had not been explored fully in earlier research.

b) Methodology The study is described as unique by the researchers because it uses performance of foreign affiliates as the primary unit of analysis, the country effects variables contained in it, and non-U. S. data, only Japanese MNCs. Data was taken from the Trend Survey of Overseas Business Activities (Trend Survey), annually conducted by the Japanese Ministry of Economy, Trade and Industry. The companies used were: either subsidiary (MNC has 10% capital invested), sub-subsidiary (MNC has 50% invested) or where a sub-subsidiary has 50% capital invested in the foreign affiliate company. 12,

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000 total, over 6 years were examined, using 616

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Japanese MNCs, in 159 industries and 79 host countries. The variables applied were those described in the 'effects'.

c) Results and conclusions suggest that country effects are almost as great as industry effects, implying that the host country has great impact when determining performance, with the two effects being combined having greater impact. It was also found that in less developed countries these two had greater impact than corporate effects, but overall, corporate effects were found to be greater than anything. These were found to be greater than figures previously reported in earlier research.

d) Limitations identified- The research did not examine 'why' variations occurred. Further study is needed to examine country-specific factors. The study only focused on MNCs originating in Japan and so findings may not be relevant to other home countries. Recommendation is that studies are carried out simultaneously to include home and host countries. They did not look at 'entry mode', how affiliates became part of MNCs and any further study should control for entry mode in analysis. They suggested too, that aggregation problems might exist on two counts, 1) definition of country and 2) definition of industry. Further studies could examine regional effects for variations as well as country effects.

e) Assessment of General Relevance of Article: After studying the article, I believe that the researchers have succeeded in supporting their original hypothesis and have identified further relevant facts. The presentation is clear and easily comprehended, the tables assisting with interpretation. While the appendices give 'names and numbers' for countries and industries,

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they do not directly contribute to my knowledge of the management of technology. It would have been more helpful and relevant had the names of the MNCs and the industries they control been included, though I accept that this piece of research is directed more towards defining sales and productivity outcomes and not specific to technical or other industries. It was interesting and informative and the further research identified regarding industry definition would be helpful.

#### Works Cited

Makino, S., Isobe, T., & Chan, C. M. Does Country Matter Strategic Management Journal 25 (2004) pp 1027-1043 Published Online in Wiley InterScience  
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