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INTERNATIONAL BUSINESS IN TIMES OF CRISIS

Tribute Volume to Geoffrey Jones

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Honglan Yu, PhD, is a Lecturer in Management at the Huddersfield Business School, University of Huddersfield, UK. His research focuses on organizational learning, re-internationalization, and international failures. He is a recipient of the Lazaridis Institute Best Paper Award for International Entrepreneurship in the 46th European International Business Academy (EIBA) conference, 2020.

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PREFACE

TRIBUTE TO PROFESSOR GEOFFREY G. JONES

Rob van Tulder, Alain Verbeke, Lucia Piscitello and Jonas Puck

It is a privilege to dedicate Volume XVI of the *Progress in International Business Research – PIBR* book series to Professor Geoffrey G. Jones, the Isidor Straus Professor of Business History at the Harvard Business School, and Faculty Chair of the School's Business History Initiative. Professor Jones was educated at Corpus Christi College (University of Cambridge, UK). Prior to his appointment at the Harvard Business School (USA), he was a Professor of International Business History at the Economics Department of the University of Reading (UK).

Professor Jones' reputation as a formidable contributor to the domain of international business is at par with that of the seven other great institution builders in our field who were honoured in earlier *PIBR* volumes, namely Daniel G. Van Den Bulcke, Alan M. Rugman, Louis T. Wells, Rosalie L. Tung, Lorraine Eden, Peter J. Buckley and D. Eleanor Westney.

Professor Jones is the rare scholar who has successfully straddled the interdisciplinary divide between business history and international business. He is the Co-Editor of the renowned *Business History Review*, published by Cambridge University Press. He has published not only in all the leading business history journals, but also in the *Journal of International Business Studies* and other premier management journals such as the *Strategic Management Journal*.

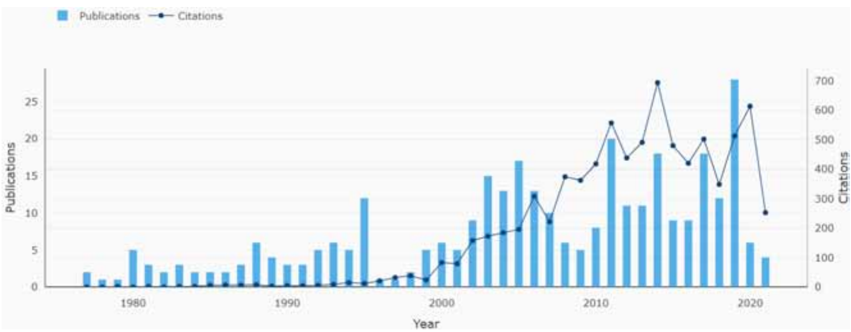
Professor Jones is probably best known for his incisive books on multinational enterprise activity. He has authored 12 books and (co-) edited 28 other volumes. In 1996, he carved out mainstream academic space for the historical perspective of IB in his book *The Evolution of International Business: An Introduction* (published by Routledge). This book is still one of his best cited contributions. His book *Multinationals and Global Capitalism* published by Oxford University Press in 2004 has become the standard textbook on the history of multinational enterprises and it has been adopted at leading universities around the world. It has received over 1,000 citations in academic journals. It is also important to mention Professor Jones' authorship of more than one hundred Harvard Business School teaching cases and notes, which reflect a deep engagement with the practice of strategic and international management.

Professor Jones' long-standing and highly significant contributions to international business studies, drawing on business history methodology, are well recognized in the field. The great strength of Professor Jones' scientific oeuvre is the systematic acknowledgment of the complexities of international business. Throughout Professor Jones' writings, we find a strong emphasis on the need to address multinational enterprise complexity in its many appearances. One recent example includes analysis of the importance of oral histories to understand business trajectories (Jones & Comunale, 2019). A second example is the study of the many difficulties associated with the greening of business and the development of sustainability-related strategies, which cannot simply be imposed by third parties (Jones, 2017, 2018). A third example, and perhaps the most important one, is Professor Jones calling attention to the roles of individual entrepreneurs and firms in the globalization of the world economy. These entrepreneurs and firms have unambiguously demonstrated their almost boundless wealth-creating capabilities but have also contributed, perhaps unintentionally, to considerable wealth disparities (da Silva Lopes, Casson, & Jones, 2019; Jones, 2013).

The Long Haul

Drawing sustained attention to the relevance of a historical (longitudinal) perspective in any academic and societal setting requires vigilance, intellectual flexibility and stamina. The publication and citation record of Geoffrey Jones since 1995 shows leaps and bounds in numbers of publications – some of these publications were obviously triggered by societal crises that demanded a historical perspective as Geoffrey Jones also explains in Chapter 2 of this volume.

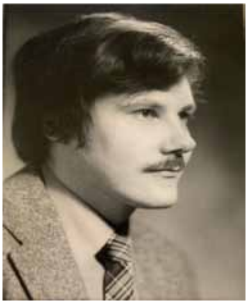
Geoffrey Jones: Publications and citation records over time



From the early publications in the 1980s and 1990s to the turn of the millennium, this has been a struggle for recognition. But since then, influenced by repeated crises and a wave of academic publications, his influence has become constant and growing. From 2007 onwards, not only publications surged, but also citations started to surpass a critical threshold of 200 per year. The financial crisis granted the study of business history extreme relevance. The following era of "globalization under threat" has continued to show the relevance of historical parallels, the importance of longitudinal studies and the importance of understanding the active role played by Multinational Enterprises in shaping the global economy.

Navigating the historical perspective in the IB discourse requires sustained and active attention. Geoffrey Jones has repeatedly reminded us of the relevance of a historical perspective. In 2006 (with Tarun Khnana), he pleaded to "bring history (back) into international business" (Jones & Khanna, 2006). followed by an even stronger argument in 2020 in favor of the historical perspective as a *fundamental precondition* for the societal relevance of the IB profession (Jones, 2021). This volume can be interpreted as the next step in this effort. The contribution of Prof Jones and a number of his direct colleagues in Part I of this volume provides further evidence of the increased relevance of a longitudinal and historical take on IB.

HISTORY MATTERS?

Then ……	…. and now
	
1977: Cambridge – Newly elected Research Fellow of Corpus Christi College	2018: Dubai – warning people about the danger of de-globalization

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INTRODUCTION

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CHAPTER 1

INTERNATIONAL BUSINESS IN TIMES OF CRISIS: WHAT PERSPECTIVE TO TAKE?

Rob van Tulder, Alain Verbeke, Lucia Piscitello and Jonas Puck

ABSTRACT

Crises are often studied in international business (IB) research as the external "context" for business strategies, but firms can also be active participants in the unfolding of crises. The study of crises in IB could benefit greatly from studying the role of multinational enterprises (MNEs) as active participants, rather than as mere passive actors, responding to exogenous events. History shows that IB crises typically unfold partially as exogenous processes, and partly as the result of MNE strategies. A multilevel and longitudinal approach to studying crises in IB is clearly necessary. This chapter considers the extent to which smaller events that preceded the present crisis – since 1989 – point to systemic problems in global governance. It also defines five overlapping lenses through which future IB studies can further create relevant insights on how to deal with crises: historic, macro, meso, micro and exogenous. The chapter finally serves as an introduction to the whole Progress in International Business Research volume by indicating the relevance of all parts and chapters that follow.

Keywords: Crisis; self-inflicted; sectoral; macro-systems; exogenous; triggering events; slow-burning crises

International Business in Times of Crisis
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> Only a Crisis – actual or perceived – produces real change.
> When that crisis occurs, the actions that are taken depend on the ideas that are lying around.
>
> – Milton Friedman

> The Chinese use two brush strokes to write the word "crisis."
> One brush stroke stands for danger, the other for opportunity.
> In a crisis, be aware of the danger – but recognize the opportunity.
>
> – John F. Kennedy

A crisis is "an event that is going (or is expected) to lead to an unstable and dangerous situation affecting an individual, group, community, or whole society. Crises are deemed to be negative changes in the security, economic, political, societal, or environmental affairs, especially when they occur abruptly, with little or no warning. More loosely, it is a term meaning 'a testing time' or an 'emergency event.'"

[Wikipedia]

"Crisis is a process of transformation where the old system can no longer be maintained."

[Venette, 2003]

Crisis management is the process: "by which an organization deals with a disruptive and unexpected event that threatens to harm the organization or its stakeholders. The study of crisis management originated with large-scale industrial and environmental disasters in the 1980s."

[Bundy, Pfarrer, Short, & Coombs, 2017; Shrivastava, Mitroff, Miller, Miclani, 1988]

INTRODUCTION: THE OCCASION

Since early 2020, the world has been facing a global pandemic. "Business as usual" is out of the question as a driver of strategy. Covid-19 has triggered a profound economic crisis, with a decline in global economic activity on a scale not seen since World War II. The Covid-19 pandemic has also revealed a number of systems failures, systemic hazards and fragilities closely related to the organization of global economic, financial political and social systems (World Health Organization & World Bank, 2020). The spread of the Covid-19 virus has confronted the world with fundamental questions regarding the nature of this crisis, its root-causes and the consequences for companies in general and for multinational enterprises (MNEs) in particular.

A long series of consecutive smaller events hints at a systemic problem. Apparent "incidents" can be a sign of underlying systemic weaknesses. An increasing number of authors have convincingly argued that systemic risks are endemic at the present stage of globalization. Systemic issues appear, among others, in supply chains (trade), in health (e.g., pandemics, antibiotic resistance), in finance, (geo)politics, climate, natural ecosystems, digital technologies, energy, employment and critical infrastructures. Goldin and Mariathasan (2014) dubbed the "butterfly defect" – pointing at the widening gap between the systemic risks associated with a "turbo-charged" globalization and effective management approaches. They argue that – unless effectively addressed – these phenomena will "lead to greater protectionism, xenophobia, nationalism, and, inevitably, de-globalization, rising inequality, conflict, and slower growth."

CRISES EPISODES SINCE 1989

What started as the era of "globalization" since the fall of the Berlin Wall in 1989 and the collapse of the Soviet Union in 1991, has been accompanied by a large number of international crises, which at present even threaten to jeopardize the globalization trend itself. Mechanisms underlying the butterfly defect have become particularly apparent in: (1) the financial sector (with repeated smaller banking and currency crises since the turn of the century); (2) the food and health industry (with recurring public health challenges related to intensive livestock farming, diet health – for example, obesity, diabetes, cardiovascular diseases – and systemic food waste problems); whereas (3) the realm of climate change is still in the phase of smaller yet accumulating "events" (temperatures rising, desertification, changes in biodiversity, etc.) that have not (yet) resulted in demonstrable, major calamities within the system as a whole. This feature of "slow-burning," accompanied with high uncertainty about the precise global and localized effects of climate change, isolated from other determinants of weather-related crises, explains why it has generally been easier to create a "sense of urgency" around finance and health, whereas the climate issue appears susceptible to "apocalypse fatigue" (Espen Stoknes, 2015). Once a crisis hits the public realm and jeopardizes the entire system, the "wakeup-call" becomes real. But it has proven difficult to address effectively systemic events without the direct intervention of the state. In both the global financial crisis (2007ff) and the Covid-19 crisis (2020ff), governments had to come "to the rescue" of the system in unprecedented ways.

The macro-economic coverage of global turmoil documents the size and impact of crises along three key variables: global domestic product, trade (exports, imports) and foreign direct investment. Covering the 1989–2021 period for these metrics, results in the following trend analysis (Fig. 1.1):

- The post 1989 period has seen important fluctuations in relative growth and decline. But, overall, the period until 2007 has been a period of constant growth on all accounts. Relative setbacks were present in two periods: (1) 1989–1993, which can be attributed to the ambiguities surrounding the collapse of the Soviet Union and (2) 2001–2003, which was accompanied by ambiguity surrounding the rapid growth of the Information and Communications Technology (ICT) sector (millennium bug and the dotcom boom). Neither of these episodes, however, resulted in negative outcomes: global product, trade and investment kept growing – although at a slower pace.

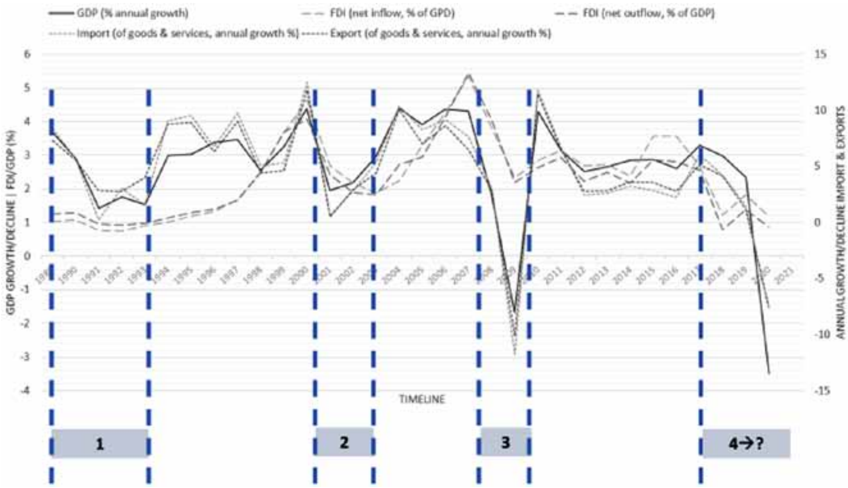

Fig. 1.1. Global Fluctuations (in GDP, Trade and FDI) in the Post 1989 World. *Sources*: World Bank, United Nations Conference on Trade and Development (UNCTAD) and World Trade Organization (WTO).

- This started to change in the third period: the 2007–2008 financial crisis triggered a relatively short, but intense, recession period with negative growth in gross domestic product (GDP) and trade volumes on a global scale. Foreign Direct Investments (FDI) flows slowed down but did not turn negative. After this period, growth rates were re-established, which provided the (perhaps false) impression that the financial crisis was "fixed" and the system saved for the long term. In 2017, however, most indicators started to stagnate again, to turn outright negative following the Covid-19 crisis in 2020. In this period, the impact of the health crisis on FDI flows has been more negative than on global trade. However, extrapolating these trends to predict what may unfold in the years to come, will be challenging for policy makers and business strategists alike and will mostly be done at a disaggregated level (country, region, industry, global value chain, GVC and single firm).

ANTICIPATING A PERFECT STORM

The growing realization that the world economy was facing greater instability and thus required more grounded assessments of potential sources of crisis, had already been initiated one year before the financial crisis hit the world. The World Economic Forum (WEF, 2006) published its first "global risk" report: to identify and mitigate risk, but also to create opportunities. The WEF observed that global risks rarely manifest themselves in isolation:

> the interplay of multiple global risks and their combined ripple effects can create potentially disastrous "perfect storms" – cumulative events which cause damage far in excess of the sum of each individual risk event.

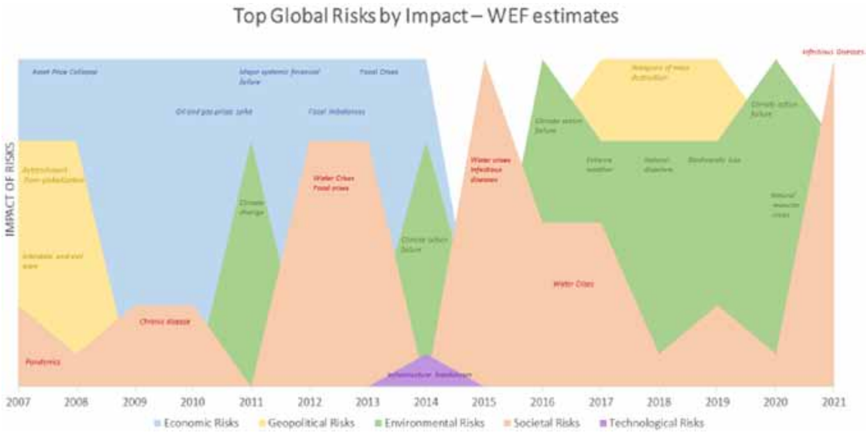

Fig. 1.2. Top Global Risks by Impact.
Sources: WEF Global Risks Reports 2015, 2021.

Five types of risks were identified by WEF and their impact covered in consecutive "global risk" reports since then: economic risks, geopolitical risk, environmental risks, societal risks and technological risks (Fig. 1.2). Stephenson and his co-authors in Chapter 18 of this volume apply the WEF risk dimensions to the challenge of digitalization.

THE PIBR APPROACH: CRITICAL QUESTIONS FOR IB RESEARCH

In the last 10 years, the Progress in International Business Research (PIBR) series has been covering major trends in the economic, political, social and technological spheres that pose a fundamental challenge to the operations of internationally operating companies. This has resulted in coverage of the growing diversity (PIBR#9) and complexity of international institutions (PIBR#15), partly under the influence of powerful new economic actors from emerging economies – in particular BRIC countries (PIBR#11) – or from emerging sectors – in particular digital platforms (PIBR#13). PIBR also covered the consequences of growing uncertainty and complexity on key dimensions of internal MNE management: the pressure on traditional organizational forms (PIBR#10) as well as the management of "distance" (PIBR#12). The VUCA acronym (PIBR#14) was introduced to summarize – in relatively neutral terms – the increased volatility, uncertainty, complexity and ambiguity of the global system.

The appearance of an increasing number of global systems crises since 1989 represents a more urgent, negative and immediate challenge to MNEs than the VUCA phenomenon: how to respond to disruptive events that threaten the organization or its stakeholders. The literature on crisis management suggests that disruptive events are typically "unexpected." But the supposedly "unexpected" nature of many crises that can affect the operation of MNEs has been up for debate. This has led to the following questions about individual crises:

(a) *Could the crisis have been anticipated?* The 2020 Covid-19 crisis was preceded by a large number of semi-pandemics (Sars, Ebola and Mexican Flue) that hinted at fundamental problems in the way the health system at the local and global levels is organized. The "wet-markets" in Wuhan, China (one of two possible sources of the pandemic) as well as "gain-of-function" research in scientific labs (the other possible source of the pandemic)[1] had been identified earlier as entailing significant risks to human health, although the sheer size and rapid spread of the specific Covid-19 virus had largely remained unanticipated. The same reasoning applies to the financial crisis of 2007–2008. Many earlier – smaller financial crises – preceded the global recession. The fragility of the financial system was known, but the timing and the concrete events that would trigger the actual global financial crisis (the sub-prime mortgage system in the USA and the securitization practices of major banks) proved more difficult to anticipate.

(b) *Could the crisis have been prevented?* What lessons were learned from the management of previous events? A long line of academics (as well as corporate and societal opinion leaders) have in earlier phases not only repeatedly pointed at the root-causes of systems fragility but have also came up with concrete advice on how to address these issues and increase "systems preparedness" to disruptive effects. Why were they not taken seriously or what could they have done better?

(c) *Could we learn from the crisis?* This has proven difficult to achieve in practice due to the prevalence of short-term crisis management interventions, with limited time to think about longer-term effects and the substantial influence of moral hazard problems (e.g., the "too big to fail" syndrome). The way the financial crisis of 2008 has been managed (nationalizations, stress tests, limited sanctions on banks and new forms of regulation), has not, according to critical observers of the financial system, lowered the fragility of the system. The systemic nature of the problem was never really addressed at its roots. The result – a "ticking time bomb" (*dixit Forbes*, May 25, 2021) – with a global debt that increased from $180 trillion in 2008 to $255 trillion year by the end of 2019 (over 322% of global GDP and substantially higher than at the onset of the crisis) (Institute of International Finance, global Debt Monitor). At the same time, close-to-zero interest rates have made borrowing money easy, and private debt has increased in many countries.

(d) *Can the crisis be adequately managed?* MNEs must regularly face "triggering events" with considerable impacts. But how to distinguish between a "crisis" and an "incident" or between a "self-created" crisis and a "systems crisis" that affects all companies? Can isolated triggering events that unfold at the level of individual corporations signal, inter alia, deeper root-causes