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Cohesion, COVID-19 and contemporary challenges to globalization

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ABSTRACT

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

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1. Introduction

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

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

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

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

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

2. People

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

Within the current debate about globalization, especially as connected to the pandemic, the fractures that have emerged in politics and economics have received a substantial emphasis. This emphasis is not surprising given the rhetoric and realities that are being played out among national leaders and business leaders (The Economist, 2019).

Yet, within this milieu, we should not overlook the important role that people play in providing cohesion across diverse societies that increasingly meet as a consequence of the globalization process.

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

Countries that receive immigrants often proudly evoke an image of multiculturalism. But the path to multiculturalism is far from smooth from a societal perspective and an individual perspective. Immigrants can often be seen as posing threats to incumbent populations (Esses, Dovidio, Jackson, & Armstrong, 2001). When seen as threats, clashes in value systems emerge as cultures and values across groups seek dominance.

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

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

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

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

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

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

Even with this clear evidence on the critical role that immigrants and diasporas have for the conduct of international business and the process of globalization (Lin, Zheng, Lu, Liu, & Wright, 2019), it is easy to overlook how the pandemic and increased aggression and decreased acceptance of immigrant groups, particularly in the context of protecting jobs and businesses of local nationals, can have profound consequences. Aggression can reduce identification with the country of immigration. With this reduction, the potential for the social tightening and mutual understanding that emerges with millions of people studying, working, and establishing new lives living overseas, will be reduced. The underlying cohesive social structures that are necessary to support long-term business connections across countries will be weakened (Crane & Hartwell, 2019). How international business and the international business community respond to these changes in people will be a non-trivial question to be addressed by our scholarly community (Cuervo-Cazurra, Doz, & Gaur, 2020; Zahra, 2020).

3. Organizations

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

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

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

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

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

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

To provide detail on what these commitment categories mean in terms of internationalization events, we created Table 1. In this Table, we list in the first column each of the 12 FSI MNCs. We note that for the first four MNCs in the Table – Citigroup, HSBC, AIG/AIA, and eventually Prudential plc (after an initial period of vacillating commitment) – they maintained a continuous commitment to internationalization. However, the other eight FSI MNCs vacillated in their level of commitment to internationalization. That is, they had periods in which their internationalization had an engaged commitment or a passive commitment, alternating with periods in which commitments were reduced in partial or full.

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

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

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

The third pathway, which we called Opportunistic MNCs, was represented by eight companies. Opportunistic MNCs were incorporated

| Table 1 |
|---|
| Levels of Commitment by FSI MNCs by Internationalization Events in Asia. |
| FSI MNC | Engaged commitment | Partial de-commitment | Full de-commitment |
| Citigroup | 1915 Acquisition of IBC | Commitment Remained Consistent Since Foundation |
| HSBC | 1865 Founded operations in multiple host markets in Asia and London | Commitment Remained Consistent Since Foundation |
| AIG/AIA | 1919 Founded operations in multiple host markets in Asia and New York | Commitment Remained Consistent Since Foundation |
| Prudential plc. | 1994 Strategic mandate to build in Asia. | In the Second Wave of Internationalization |
| Bank of Montreal | 1995 Hong Kong handover to China caused immaterial investment to build financial conduit between HK/China and Canada/US |
| ANZ Bank | 1984 Acquisition of Grindlays Bank (an organization half the size of ANZ Bank) | 1993 divest Africa operations |
| New York Life | 1892 aggressive establishment of operations in Asia and Europe | 2006 has operations across Asia, but declines award of license to enter Vietnam |
| AMP Limited | 1992 established operations in Hong Kong and Indonesia | 2010 to 2013 divested all 7 insurance host market operations across Asia |
| Sun Life | 1891 establishes 68 insurance operations throughout Asia and worldwide | 1986 After years of divesting all but two foreign market operations, Group CEO initiates entry into Indonesia. |
| Metlife | 2005–2010 increasing investment culminating in acquisition of AIG’s ALICO Asia/Global operations | 1987/88 immaterial investments made in four countries in Asia |

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

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

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

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

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

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

At the other end were opportunistic MNCs, which tended to vacillate in their level of commitment to internationalization. These

| FSI MNC | Engaged commitment | Passive commitment | Partial de-commitment | Full de-commitment |
|---------|--------------------|--------------------|----------------------|-------------------|
| Commonwealth Bank of Australia (CBA) | 1983 Colonial establishes operations in 7 host markets in Asia | 2005 CBA quietly begins ventures in China, Indonesia, Vietnam, India | 2000 CBA acquires Colonial and divests from 5 host markets in Asia (retains small presence in China, Indonesia) | 1945 failed to rebuild operations across Asia although Hong Kong and Philippines left to operate on their own |
| Manulife | 2008 post-GFC after Hong Kong financed corporate cash needs, Manulife changes Board, Regional CEO with emphasis on Asia | 1985 relocated mid-level manager to establish JV in Indonesia following distributor request | 1995 failed to rebuild operations in Asia | 2010 relocated mid-level manager to establish JV in Indonesia following distributor request |

Table 1 (continued)

Fig. 1. Commitment patterns towards Asia by Financial Services MNCs.
commitment levels to internationalization. When faced with the opportunistic orientation were more likely to move to appease stakeholders by de-committing from foreign markets (Pedersen, Soda, & Stea, 2019). With a robust global structure and a cultivated team of diverse and internationally-oriented managers, Foundational MNCs were more able to be a cohesive force as they withstood calls from boundedly-rational stakeholders to withdraw from foreign markets.

The situations and challenges highlighted herein are magnified during the pandemic. Domestic markets are uncertain. Foreign markets are even more uncertain, with returns from international operations more variable than in non-pandemic periods. These trends coalesce actors in domestic markets to emphasize nationalistic concerns. Without question, it is as propitious a time as any to understand how organizations isolated the internationalization function and did not engage in specific leadership development initiatives that fostered skills suited to multiple markets or a culture of international inclusiveness. These organizations remained rooted in a home country ethos in a veritable archetype of an ethnocentric organization. The level of hierarchy and formalization in business practices helped perpetuate the organization’s home country biases and culture.

The contrast in structures, organizational cultures, and systems created divergences in outcomes when an MNC was faced with questions and oppositions from external stakeholders, such as shareholders, analysts, regulators, and media, about their international markets. The leaders of the MNCs must manage external stakeholders regarding their uncertainties from international markets that could come from disquieting news and performance shortfalls, corporate boards of the MNCs with an archetype of an ethnocentric organization. The level of hierarchy and formalization in business practices helped perpetuate the organization’s home country biases and culture.

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

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

Any failure to recognize this emergent reality in global competition will also lead to a failure to rethink approaches to competition and technological space where nations and firms alike compete for leadership (Segal, 2020).

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

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innovation in response to the success of China’s enviable brand of state capitalism. Although this recognition was in-progress, the economic slowdown created by the pandemic and then the microscope under which China has been placed as global value chains began to fracture, hastened acceptance of these new competitive truths.

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

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

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

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

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

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

Moreover, as we move into the realm of stakeholder management and the growth of firms, it is clear that China’s newly emergent multinational firms have been put on their back foot as governments in multiple markets direct sanctions and other actions against Chinese multinational firms in a form of negative reciprocity. This negative reciprocity is a reaction to the perceived mercantilist practices that run counter to the fair and free trade rules meant to guide global competition. At the same time, firms will have to amplify efforts to manage their relationships with foreign governments to ensure they are not perceived to be hostile actors. In their home market, firms could become favored partners to the government, creating opportunities for favorable funding or other resource supplementation activities that eventually aid these firms in competition in other markets. Heightened strength and support can further distort markets and stifle open, vibrant international competition. Hence, multinational firms in the post-pandemic world must develop their stakeholder management capabilities to foster relationships at home and to combat negative sentiments abroad (Henisz, 2014).

4.1. Global Value Chains

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

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

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

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

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

4.2. Semiconductors

One of the industrial battlegrounds that will see these issues of technonationalism come to the forefront is semi-conductors. In the late 2010s, global sales of semiconductor technology approached half a trillion USD. China was the largest importer, with imports of semiconductor technology for 20% of global GDP, the consequence for multinational firms is that they become unwitting players in this rise of techno-nationalism. Multinational firms have historically been considered to be the drivers and distributors of innovation in world markets. Yet, with the rise of public-private partnerships, the private good outcome of research can become a public good, as governments lead a scale of innovation that an individual firm cannot. What will such a change mean for traditional theories of international business, as a key firm-specific asset of a multinational firm potentially becomes a public good (Buckley & Casson, 1976; Caves, 1982; Dunning, 1988).

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

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

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

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

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

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

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

5. Conclusion

The nature of global competition has changed and is continuing to change. There is little question that with the intensification of tensions between the US and China, amidst other burgeoning trade disputes, that the COVID-19 pandemic has placed new stresses on the foundations of international relationships. With greater stress, with more aggressive rhetoric on the international stage, and with the emergence of variable mandates and legitimacy of old multilateral organizations such as the World Trade Organization (WTO), and new ones such as the Comprensive and Progressive Agreement for Trans-Pacific Partnership (CPTPP).

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

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

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

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

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