



International Business Theory in an Age of Change and Challenge

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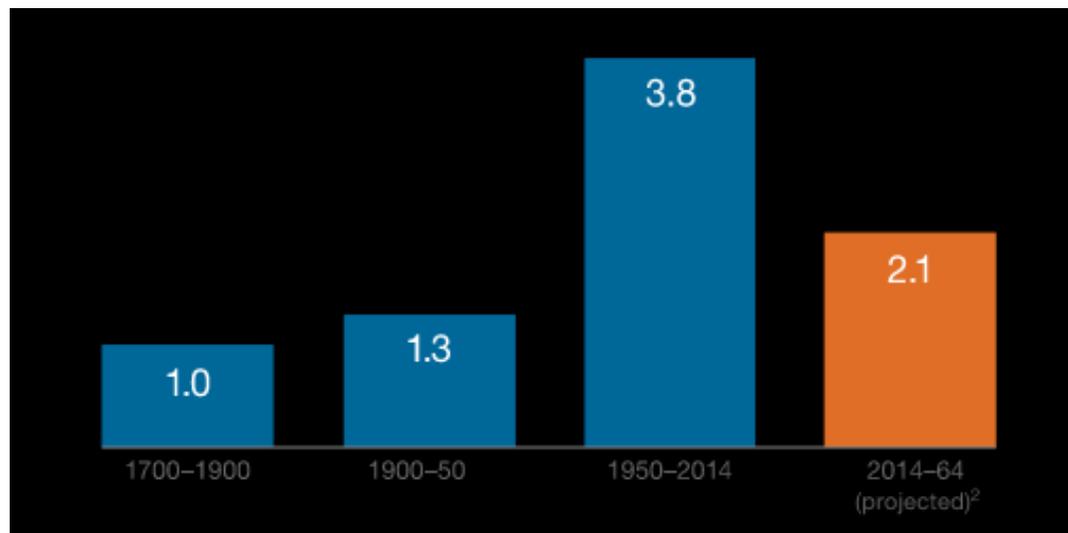
Is the world flat, round or spiky?



Slow global growth expected for decades

Cyclical and structural issues

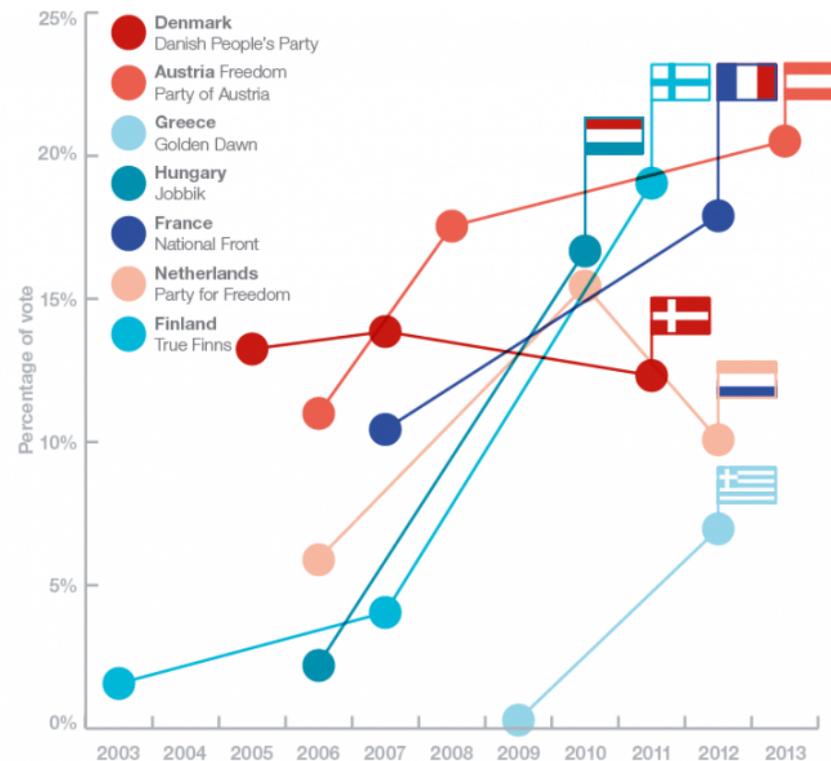
- ▶ Trade in 2016 to grow at slowest pace since financial crisis
 - ▶ Just 1.7%, well below the April forecast of 2.8%
- ▶ Slow growth in all regions (Europe, NA, Latin America) except some parts of Africa and Asia ~3% globally
- ▶ Long term demographic, productivity, and other factors



Worldwide trend toward withdrawal

Impact still being assessed

- ▶ “The cold wind of intolerance, authoritarianism, and nationalism is blowing across America and Europe.”
 - ▶ Trump, anti-immigration, Austrian election, Brexit, Duterte



GDP growth in G7: Slow, slower, slowest

Using nominal GDP (US\$ bn)

Country	CAGR 2007-2011	CAGR 2012-2016*	CAGR 2017-2021*
Canada	4.18%	-2.77%	1.40%
France	1.45%	-1.49%	2.28%
Germany	1.77%	-0.39%	2.49%
Italy	0.65%	-2.10%	1.59%
Japan	6.29%	-6.88%	2.43%
United Kingdom	-2.63%	3.09%	0.86%
United States	1.40%	2.97%	3.09%

(Note: UK figures pre-Brexit)

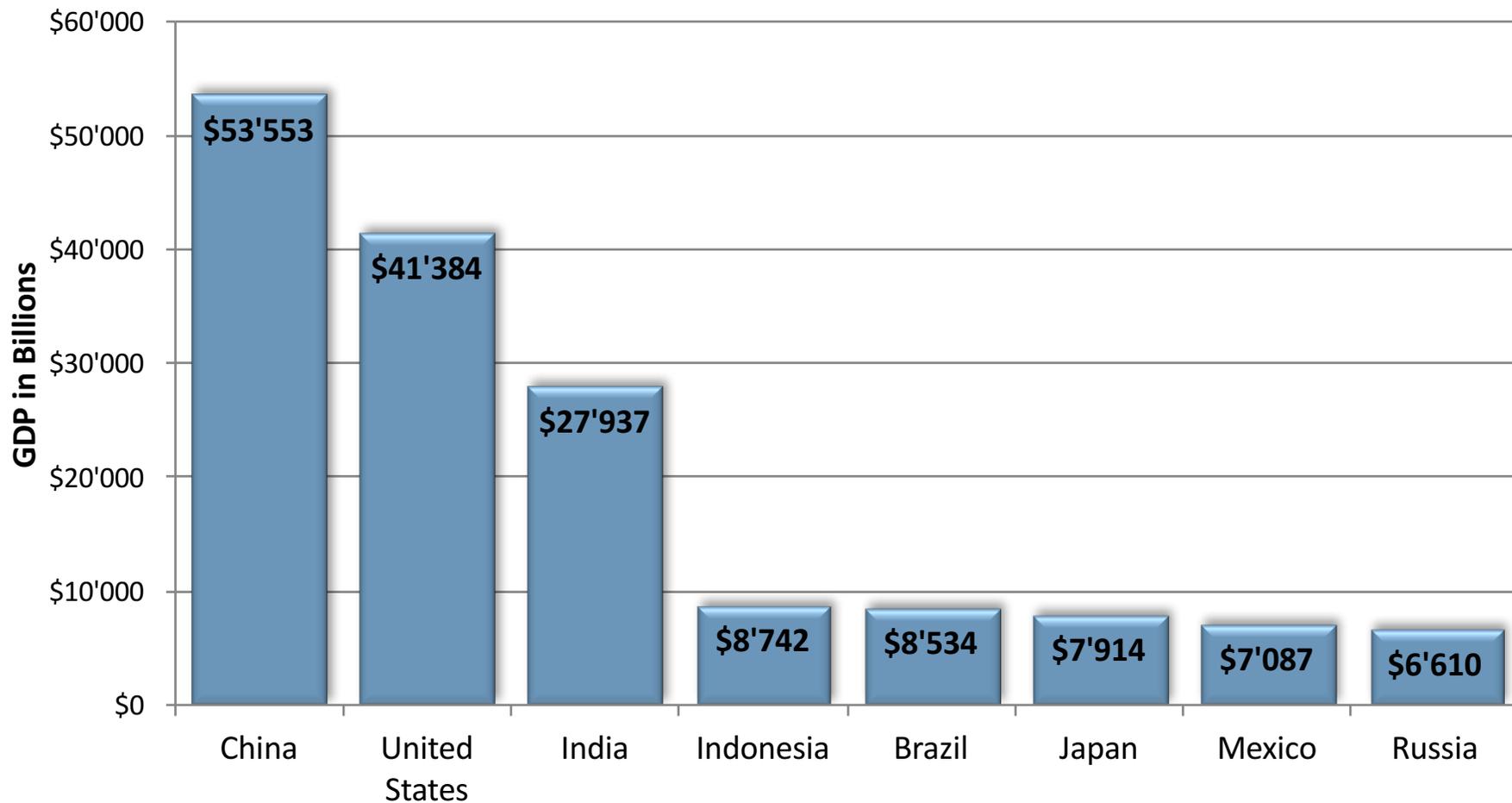
* estimates and/or forecasts



Changing balance of economic power

At MER, by 2050 China usurps U.S. and India ranks third

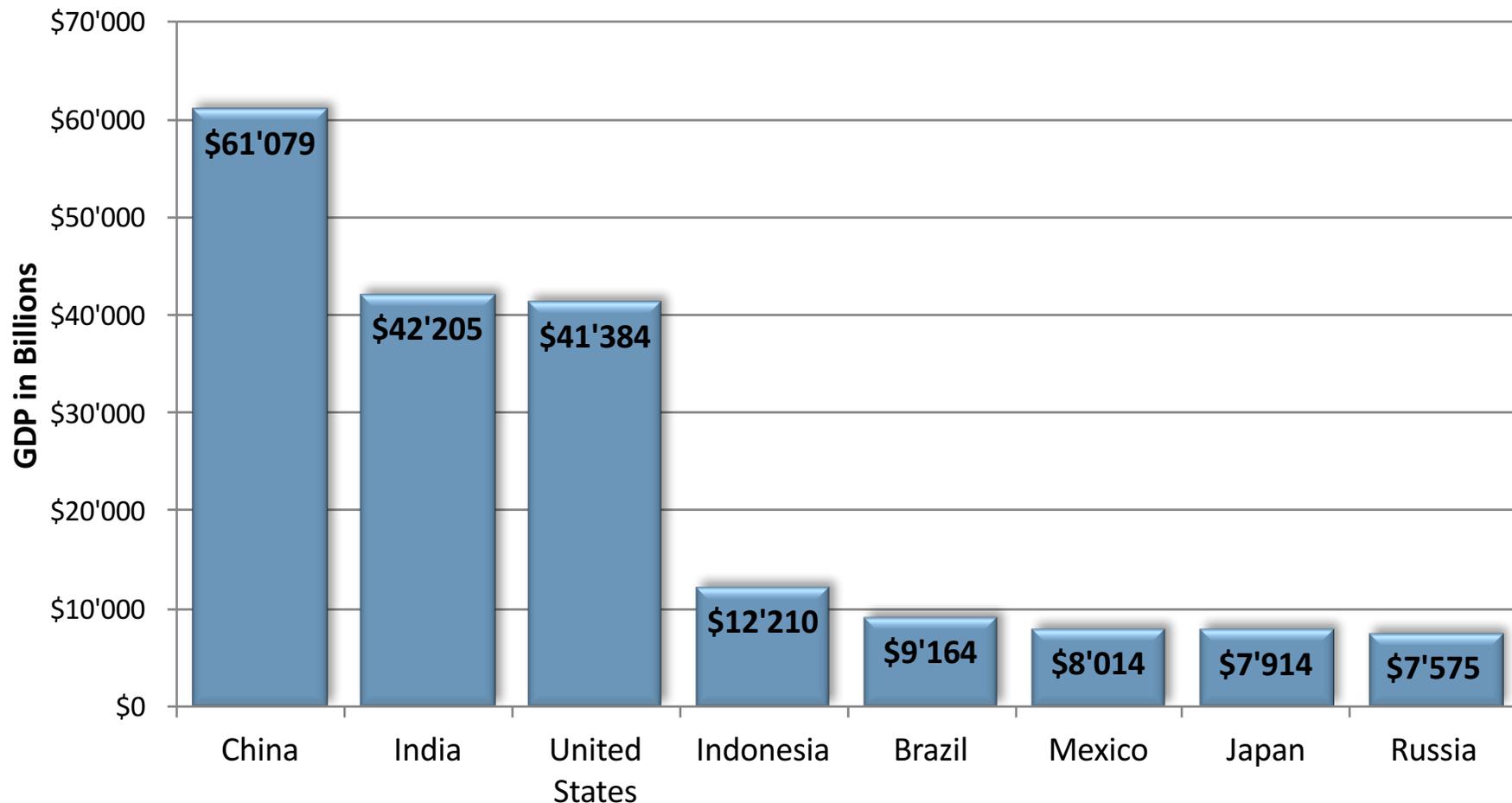
Countries with Highest GDP (MER), 2050



Changing balance of economic power

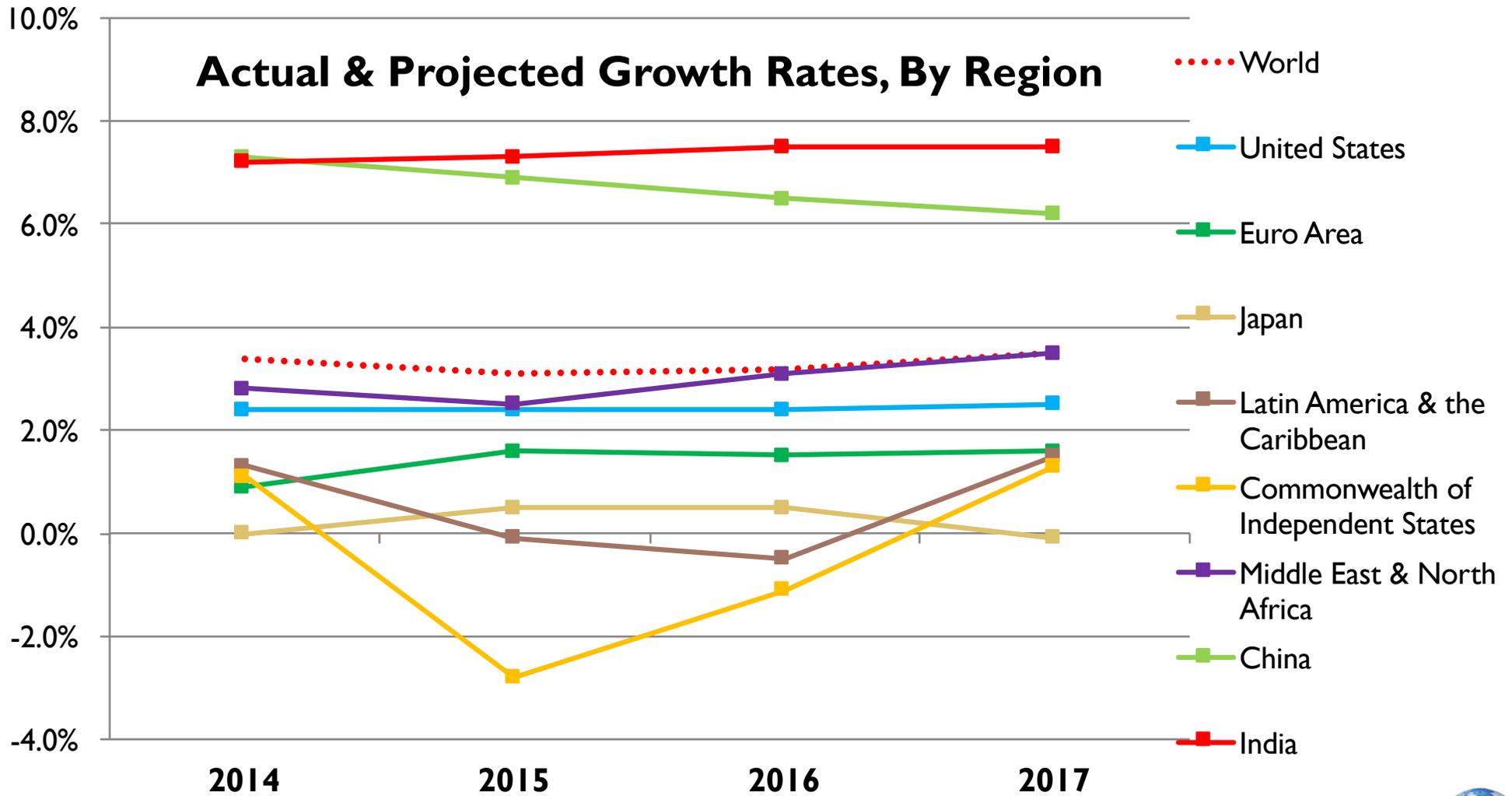
At PPP, China, India both surpass U.S. by 2050; U.S. only DC among top

Countries with Highest GDP (PPP), 2050



China/India have led global growth

Even with slower growth China and India still in the lead



Europe after the Crisis

A difficult time



Growth has been highly correlated in EU

Contraction followed by very slow recovery



Source: World Development Indicators



Continued struggles in Greece, Spain, Italy

GREECE

- ▶ Debt crisis
- ▶ High unemployment
- ▶ Refugee crisis

ITALY

- ▶ Banking issues
- ▶ High debt
- ▶ Minimal growth

SPAIN

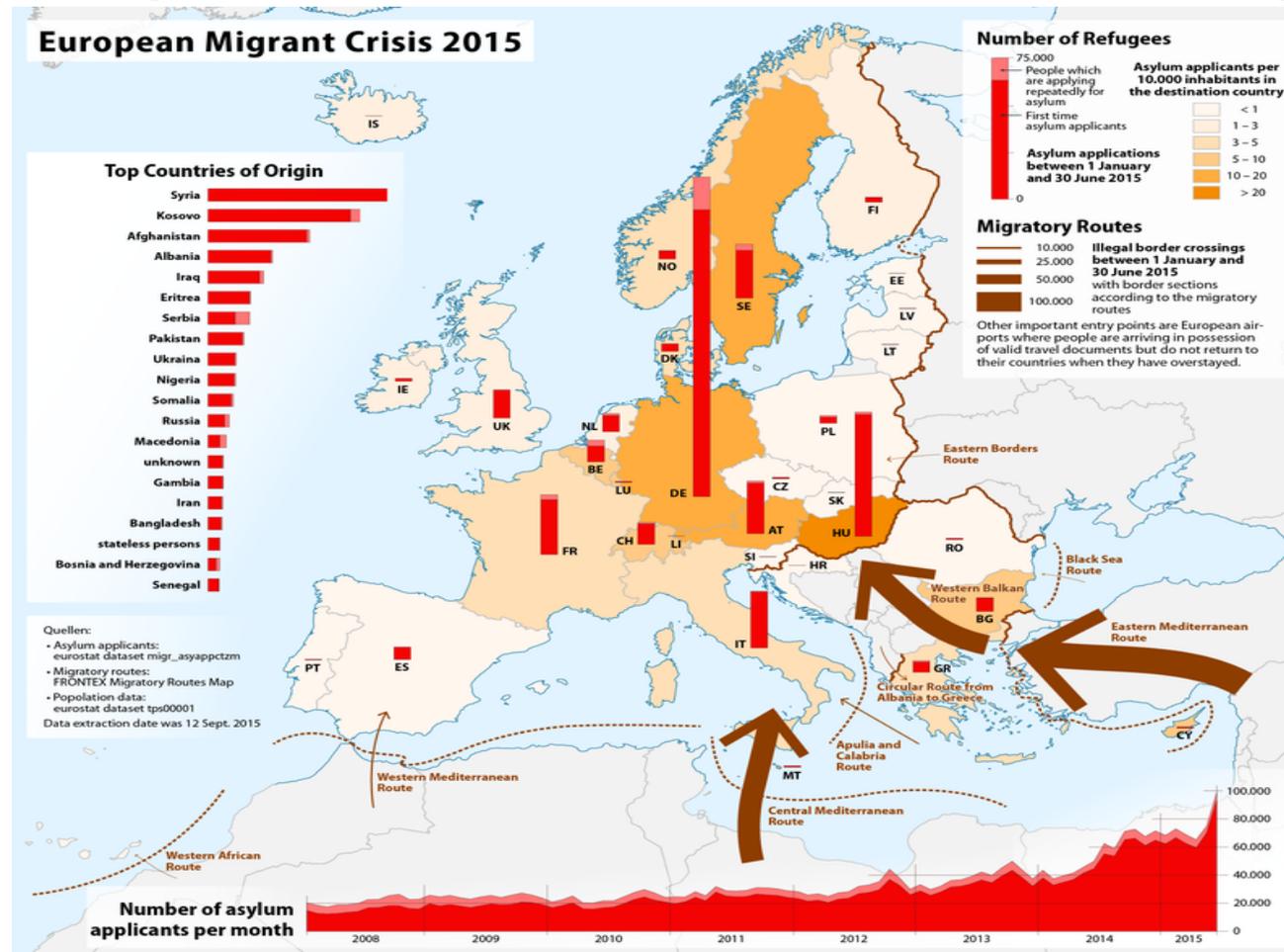
- ▶ Low consumption
- ▶ High debt
- ▶ Emigration
- ▶ Income disparity
- ▶ High unemployment



Migration challenge

Creating economic, political and social fractures

► 1.3 million asylum claims in 2015; 500,00 in Germany



Brexit fallout

Impact still being assessed

- ▶ Impact on the rest of the world
 - ▶ Merkel: “We’re still in charge”
 - ▶ EU “passporting” in question
 - ▶ Trade agreements in question
- ▶ Impact in the UK
 - ▶ Resignation of David Cameron
 - ▶ Drop in the value of the pound (BP down from 66p/USD to 78p/USD)
 - ▶ Increased uncertainty (higher import prices, cost of living increases, and curbed spending)
 - ▶ Property values in flux
 - ▶ UK’s credit rating downgraded to AA
 - ▶ FTSE 100, employment and output strong



Terrorism threats

- ▶ Islamist threat is growing in Europe
- ▶ Nearly 280 people have died from recent attacks
 - ▶ July 14th 2016 – Nice, France
 - ▶ June 13th 2016 – Magnaville, France
 - ▶ March 22, 2016 – Brussels, Belgium
 - ▶ January 7th 2016 – Paris, France
 - ▶ November 13th 2015 – Paris, France
 - ▶ June 26 2015 – Saint-Quentin-Fallavier, France
 - ▶ January 8th 2015 – Paris, France
 - ▶ January 7th 2015 – Paris, France



Economic growth stagnant in Russia

Bad times and not getting better



Putin's Iron Rule



- ▶ Signs law banning Evangelism
- ▶ Intimidation of opponents, NGOs, others
- ▶ Harassment of U.S. diplomats in Moscow
- ▶ Breakdown of Syrian talks
- ▶ Exits Nuclear security pack



Brazil's economy

Fall from grace



Ongoing political scandals in Brazil

- ▶ “Car Wash” Scandal
- ▶ Allegations against da Silva
- ▶ National opinion for former Brazilian President Dilma Rousseff was at all-time low
- ▶ Rousseff impeached
 - ▶ Guilty of moving funds between government budgets
 - ▶ Denied doing anything wrong
- ▶ Lula charged



Economic growth in China

Tapering off



SOURCE: WWW.TRADINGECONOMICS.COM | NATIONAL BUREAU OF STATISTICS OF CHINA



China's forceful domestic policies

- ▶ Harsh crackdown on human rights and civil society
- ▶ Suppression of Chinese spiritual discipline
- ▶ Falun Gong (610 Office)
- ▶ Hong Kong independence



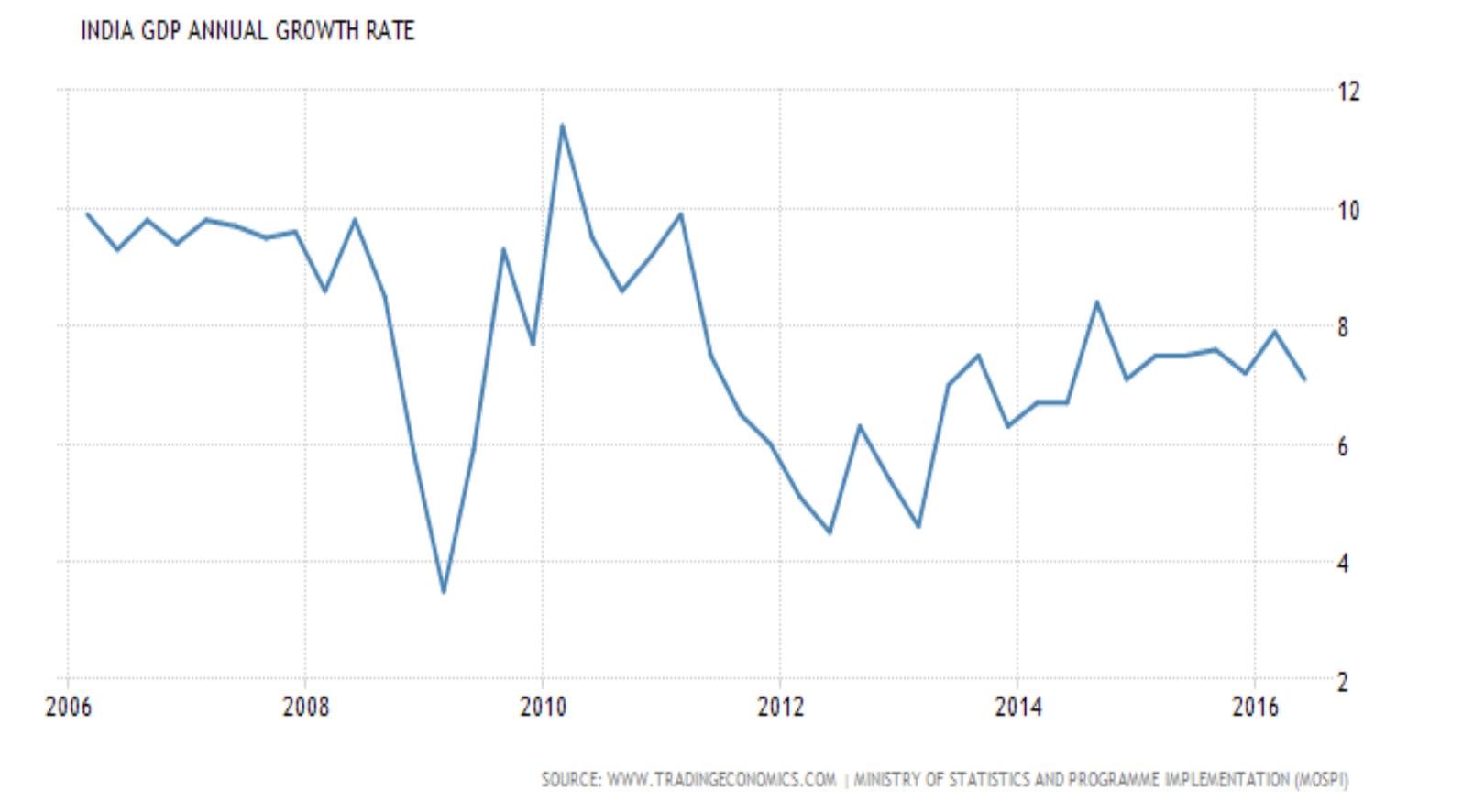
India under Modi

- ▶ Privatization, market liberalization, and opening to FDI
- ▶ Make India “the most open economy in the world for FDI” and provide a “major impetus to employment and job creation”
- ▶ 80-85% approval rating

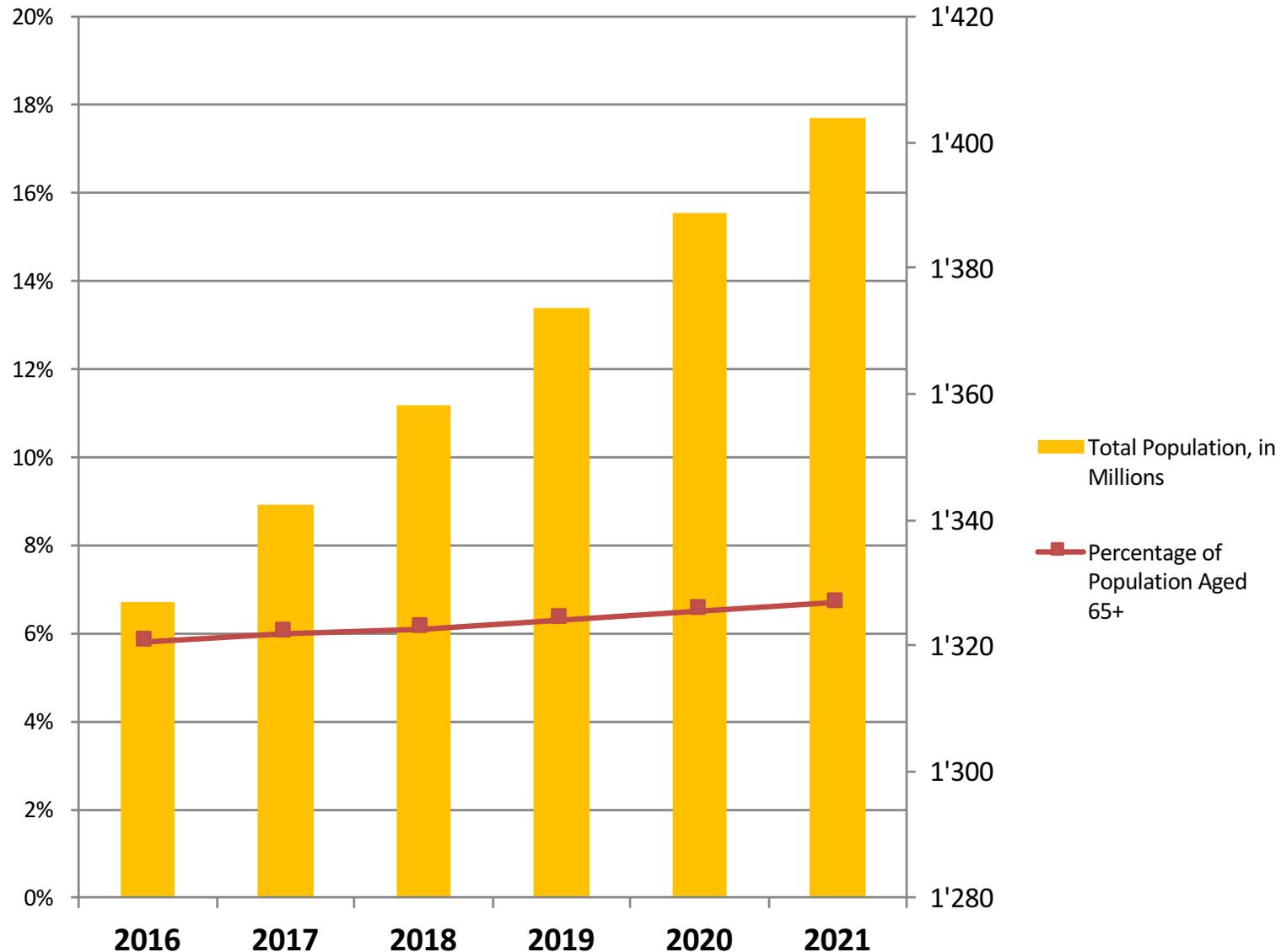


Economic growth in India

Strong but inconsistent

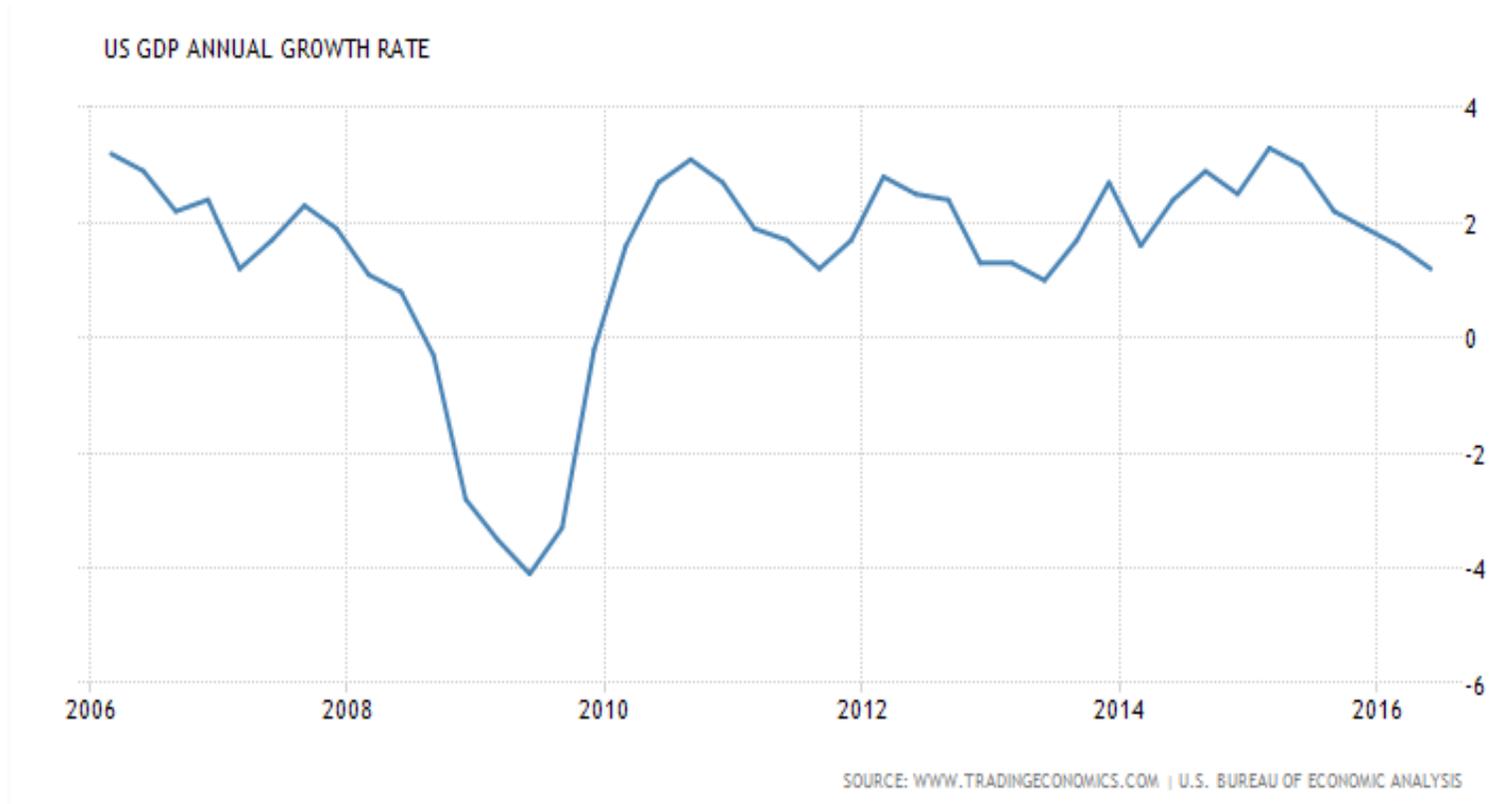


India: young & growing population



Economic growth in the U.S.

Not great but not bad



Candidate Clinton economic priorities



- ▶ Boost overall economic growth
- ▶ Create “fair” growth
- ▶ Support long term growth
- ▶ Estate tax increase
- ▶ Tax cuts for middle class and SMEs
- ▶ College Affordability Plan
- ▶ Foreign relations and defense; robust but no TPP



Transpacific Partnership

Will it be ratified?

- ▶ When can the agreement receive Congressional action?
- ▶ Why can't Congressional approval wait until next year?
- ▶ What are countries doing? A narrow path forward



BRIC rebound?

Using nominal GDP (US\$ bn)

Country	CAGR 2007-2011	CAGR 2012-2016	CAGR 2017-2021*
Russia	7.94%	-10.18%	4.20%
Brazil	13.36%	-7.06%	0.78%
India	8.27%	5.37%	7.02%
China	16.29%	7.69%	6.16%

* estimates and/or forecasts



GDP per capita growth forecast for BRIC

Using nominal GDP per capita (US\$ bn)

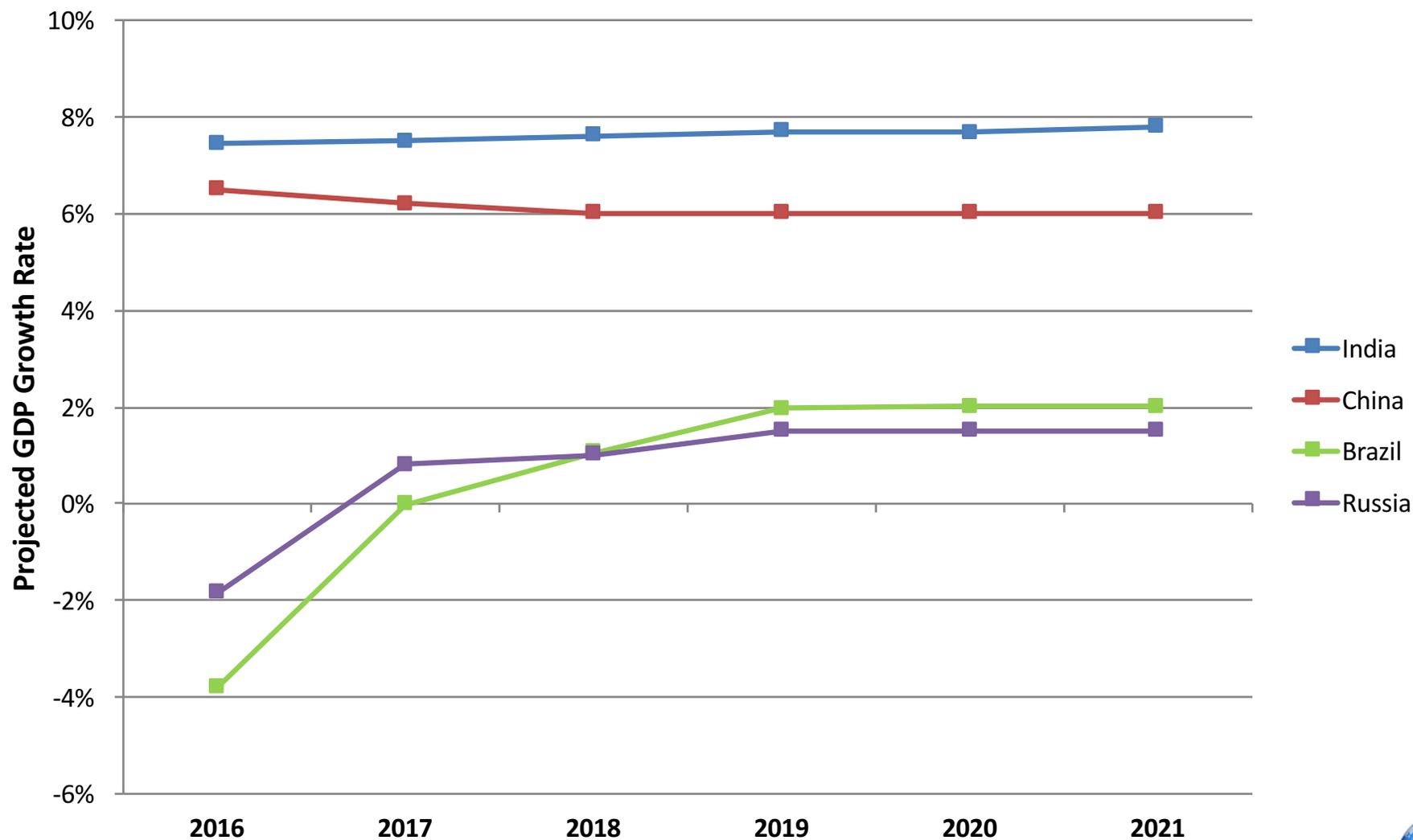
Country	CAGR 2007-2011	CAGR 2012-2016	CAGR 2017-2021*
Russia	7.92%	-10.24%	4.30%
Brazil	12.47%	-7.70%	0.19%
India	7.07%	4.35%	6.07%
China	15.83%	7.27%	5.89%

* estimates and/or forecasts



BRIC GDP growth forecast: 2016-2021

India & China to maintain strong growth; Brazil and Russia to remain slow



NGOs, Globalization and IB Theory

- ▶ Nonprofit nongovernmental organizations (NGOs) have become important actors in the global political, social, economic and business environment
 - ▶ Corporations are increasingly encountering NGOs
 - ▶ Relationships can either be antagonistic or collaborative
 - ▶ Impressive complementarities are often accompanied by differences
 - ▶ Interactions between the two are multidimensional, incorporating elements of conflict and cooperation
- ▶ Most research, to date, is limited to descriptive case studies
 - ▶ Fail to a comprehensive typology and theoretical framework for understanding corporate-NGO engagements
 - ▶ This books aims to systematically examine these emerging relationships and offers straightforward treatment of this important issue in global business and society



The emergence of NGOs – business-societal-government

- ▶ **NGOs constitute an important and influential set of actors within the broad context of business and society**
 - ▶ Have grown in number, power and influence
- ▶ **Internationally, the number of NGOs has grown dramatically**
 - ▶ 15% of total foreign aid is channeled through NGOs
 - ▶ 85% of U.S. resource flows are nongovernmental
- ▶ **NGOs have stepped into fill the gaps of national governments**
 - ▶ Broad implications for corporations operating in a global economy
- ▶ **Three conditions:**
 - ▶ Must be dissatisfaction among a population segment
 - ▶ Understanding that existing processes have failed
 - ▶ An allowing social, economic, political and technological context

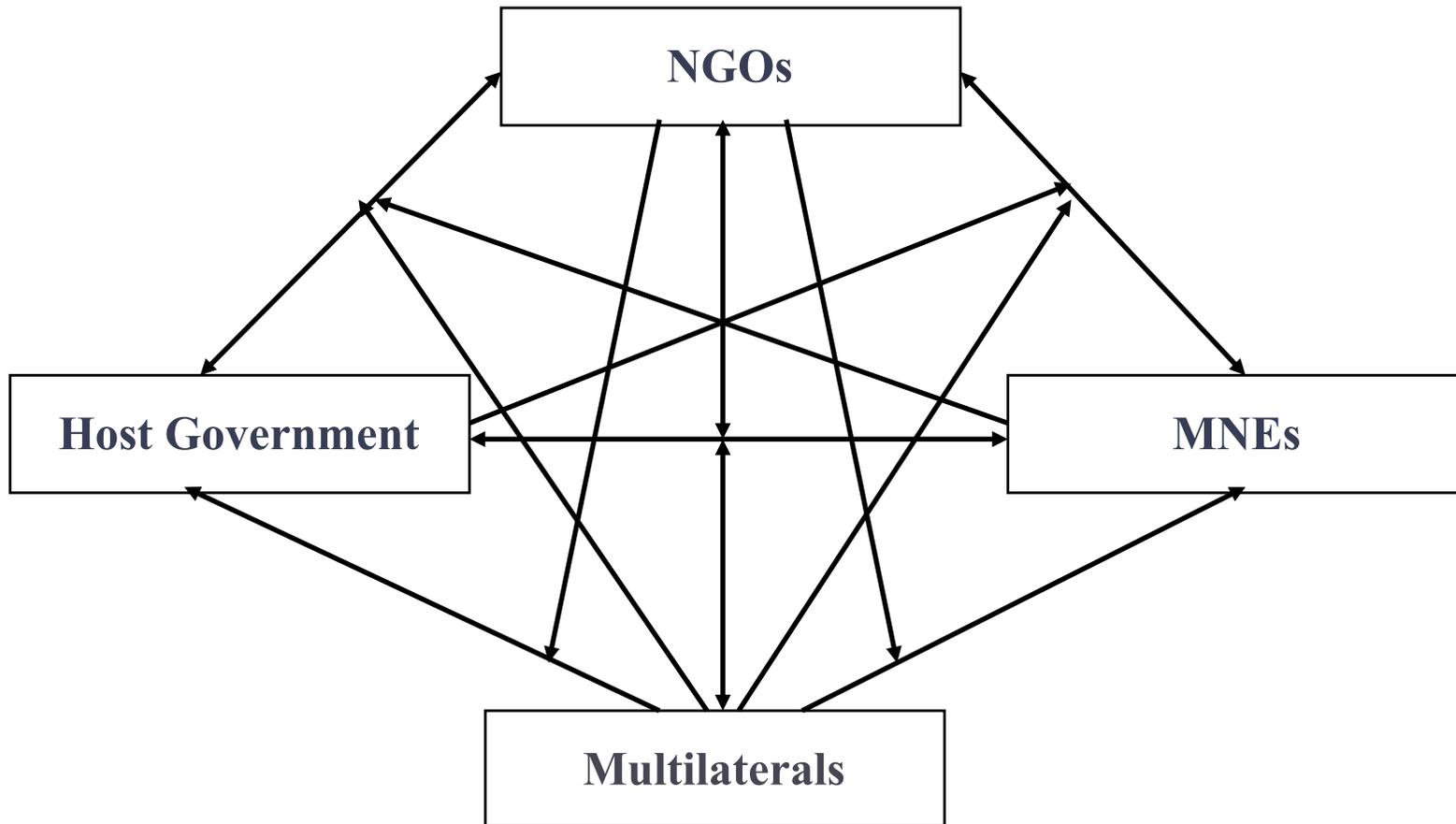


The emergence of NGOs – business-societal-government

- ▶ Three perceived “market failures”:
 - ▶ When the market will not adequately provide all goods and services as it may not be profitable – *social desirability*
 - ▶ When the price of goods and services do not reflect the true costs of producing those goods and services – *externalization*
 - ▶ Most obvious failure concerns environmental issues
 - ▶ More contentious version concerns indirect costs
 - ▶ When market is comprised of monopolies or monopsonies resulting in preferred positions and power – *imperfect competition*
 - ▶ A subset is asymmetry of information or influence
- ▶ When the markets fail the government is responsible to address the failures through regulation and legislation



Business, government, and NGOs



What do these?

Have in common with these?



- ▶ Valuable brands
- ▶ Global reach
- ▶ Tangible impact
- ▶ Sharp employees
- ▶ Owners/supporters



- ▶ Different missions
- ▶ Different metrics
- ▶ Different cultures
- ▶ Different visions
- ▶ Different priorities



Leadership, CSR, sustainability: Cross-sectoral collaboration as application

- ▶ MNEs and NGOs developing collaborative relationships in emerging markets:
 - ▶ Address demand for public/private goods not provided
 - ▶ Accessing both tangible and intangible resources that are vital to implementing these new business frameworks
- ▶ Opportunities for MNEs to address developing markets with innovations that would be less successful without partnerships



A few empirical examples

- ▶ **Nestlé in Africa**
 - ▶ Partnered with NGOs and governments to improve labor conditions and promote sustainable farming practices
- ▶ **P&G and Population Services International (PSI)**
 - ▶ Developed and introduced PUR, sachet deposited into 10-litre bucket of dirty water results in clean and safe drinking water
- ▶ **Electricité de France and World Bank and UN**
 - ▶ Energy Access collaboration with the World Bank, UN, other and NGOs to create small, locally-run electricity
- ▶ **Cemex's Patriomonio Hoy program**
 - ▶ Developed a package of products and services that allowed for self-construction of houses, including financing



Implications of phenomenon for IB theory

▶ **MNC-Host Government Bargaining**

- ▶ Addition of NGOs adds complexity and dynamism; latent and secondary affects from myriad stakeholders affect the “bargain” – importance of time dimension

▶ **Internalization**

- ▶ Nonmarket subsystems – political, social and cultural – are subject to failures as are markets; MNEs and NGOs may need to fill social “institutional voids” in addition to economic ones

▶ **Institutional**

- ▶ MNEs adapt and adjust practices to local social and political conditions, MNEs and NGOs craft emerging institutions that bypass and/or transcend historical institutional setting

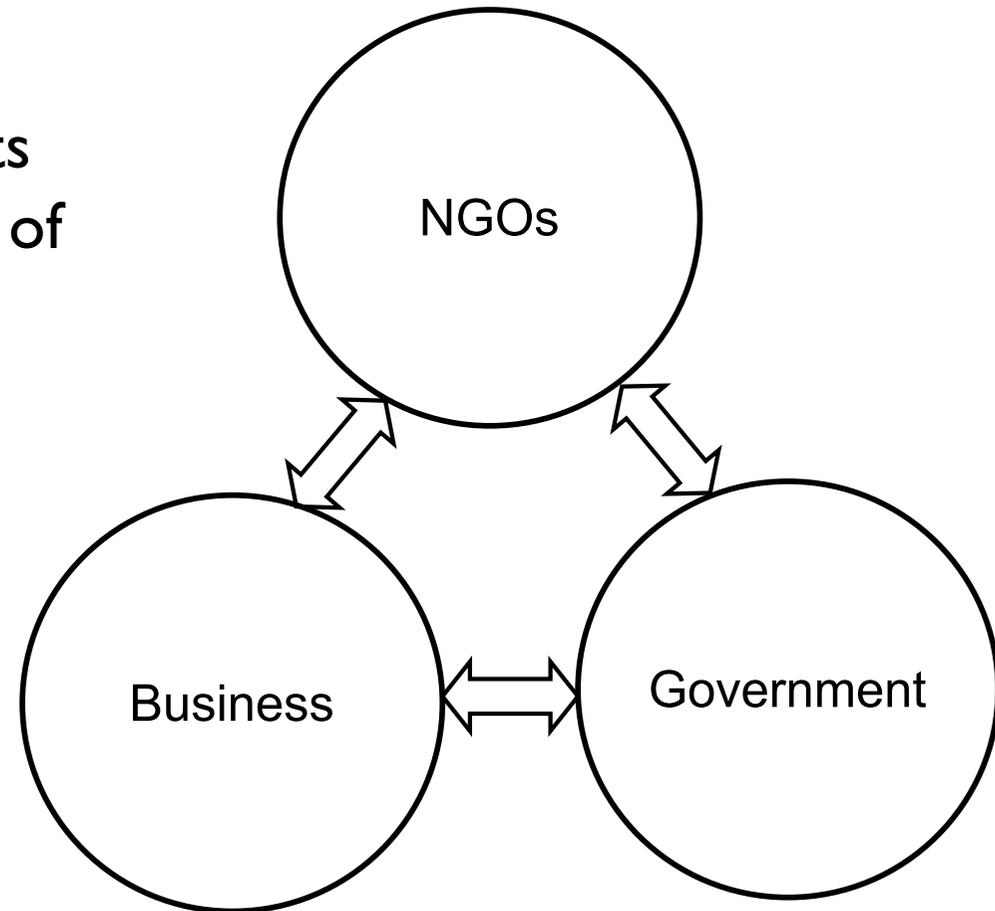
▶ **Global governance and distributive justice**

- ▶ Emergence of transnational social and environmental standards developed non-state governance systems (Non-state market-driven – NSMD – regula suggests incorporation of justice theory)



The future of corporate-NGO relations

- ▶ Research on new organizational forms points to the interrelated nature of strategy and structure
 - ▶ Traditional boundaries are evolving
- ▶ The nature of NGO-corporate-government interactions is co-evolutionary
 - ▶ Changes in one sector, prompt responses and changes in others



The future of corporate-NGO relations

- ▶ **A more specific evolution in NGO-corporate relations**
 - ▶ Stage 1: Conflictual campaigns
 - ▶ Stage 2: Partnering with single firms around the firm's practice
 - ▶ Stage 3: Voluntary industry standards
 - ▶ Stage 4: The future – collaboration in the creation of new regulations
- ▶ **NGOs will continue to exist as an important and influential organizational form**
 - ▶ NGO interactions with corporations will increase in frequency, intensity, and with greater creativity
 - ▶ Such collaborations are relevant and vital to a thriving social and business sector
 - ▶ However, also pose risks to traditional notions of global governance and appropriate roles of different sectors





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