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When are global decisions strategic?

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Abstract

Research Summary: A robust academic field must set and revisit boundary conditions that define where, when, and to whom its insights apply. This is particularly true for a field such as global strategy where the ubiquity of the key terms invites indiscriminate use of the phrase. This essay argues that it is useful to define the field of global strategy as the subset of questions that meet the criteria for both "global" and "strategic" decisions. We offer an a priori approach to identifying and formulating problems that are unique to the global strategy field, suggest how our approach may help scholars better understand the "strategicness" of global decisions, and ultimately, offer a way for individuals with varied disciplinary or topical interests to connect with the field's core.

Managerial Summary: It has been observed that few executives can clearly articulate their firm's global strategy. This observation is disappointing given the development of theoretical insights from the fields of international business and strategic management that suggest alternative ways in which organizations can reliably and repeatedly create, capture, and deliver value. The existence of this shortcoming suggests that it will be beneficial to develop unambiguous statements that define what constitutes a global, a strategic, and a globally strategic decision. This essay offers a priori

definitions of these terms in the hope of helping individuals both consider the unique and distinctive elements of global strategy and better understand the core decisions that guide an organization's pursuit of its global objectives, scope, and sources of advantage.

KEYWORDS

decision-making, global business, global strategy, interdependencies, strategic management

1 | INTRODUCTION

The importance of global strategy is indisputable. Capelo (2021) reports that greater than 65% of current Fortune 500 companies have at least one international location and that more than 25% of Fortune 500 firms operate in at least fifty international locations. While a considerable amount of economic activity remains regionalized (e.g. Rugman & Verbeke, 2004, 2008) or "semi-globalized" (Ghemawat, 2018), the one hundred largest nonfinancial companies allocate approximately 60% of their assets, sales, and employment to non-domestic operations (UNCTAD, 2020: 25). Moreover, even when firms focus their assets and sales within a single country, they often need to design, coordinate, and manage value chains that span global boundaries.

Over the course of many decades, large fields have developed to support academic research on the globalization of business activity and the strategic management of firms. Yet, a robust academic field must also set and revisit boundary conditions to define what it is and what it is not. This is particularly true for the field of *global strategy* where the ubiquity of the key terms "global" and "strategy" raises the possibility that these terms may be used indiscriminately and possibly with different meanings. Even if individual scholars have an intuitive feel for the domain and contributions of global strategy, there are other benefits to the development of a clear and widely accepted definition of the term. A unifying classification scheme is likely to be useful to provide a guide for future research, a means to allow for the efficient accumulation of knowledge, and an interface that enables individuals from allied disciplines and fields to connect to the scholarly domain of global strategy.

The purpose of this essay is to provide a classification scheme for the field of global strategy and, in so doing, address a foundational question: *when are global decisions strategic?* Our approach leverages statements regarding the unique attributes of decisions that make them global, strategic, or global *and* strategic. To wit, we feature several canonical research questions in the fields of international business and strategic management to gauge whether these questions are "global" in the sense that they involve "cross-border activities of economic agents" (Tallman & Pedersen, 2015: 237). More critically, we assess whether they are also "strategic" in the sense that they engender interdependence with other activities and choices within the firm, interdependence with the choices made by other firm-actors, and/or interdependence with other choices made across time (Leiblein et al., 2018). The main premise of our essay is that the distinctive contributions provided by the field of global strategy are best understood as being within the subset of questions that meet certain criteria for "global" and "strategic" decisions that we lay out below.

There are three main contributions associated with this exercise. First, in offering an a priori approach to identify those problems and questions that are unique to the field of global strategy,

we focus attention on the issues for which the global strategy field offers unique insights regarding the causes or consequences of a set of focal decisions, as compared to related academic disciplines and fields of study. Thus, rather than assume that all global decisions are strategic (i.e., because global decisions are "important") we focus attention on a set of criteria that suggest the subset of global decisions that are most likely to benefit from strategic analysis (i.e., because the global context alters strategic theories such as those regarding the resource allocation process, organizational choice, or competitive advantage). Second, by providing an empirically operationalizable definition of decisions that are at once global and strategic, we hope to identify questions that have been inadequately addressed within the existing literature in a manner similar to prior efforts that have extended the focus of global strategy to developing countries (e.g., Cuervo-Cazurra, 2012). A global strategic decision is therefore not just a label or type of phenomenon that allows us to test theory from other fields and disciplines. Rather, global strategy represents a particular type of decision that has deep implications for our theoretical understanding of the conceptualization, nature, and study of related phenomena. Third, by identifying what is central to the global strategy field, we help those outside the field – potentially with unique disciplinary or methodological skills – to connect and contribute to research on the intellectual core of global strategy. In particular, by clarifying what makes global decisions strategic, we open up the potential to build upon the already impressive intellectual traffic between the international business and strategic management fields.

2 | GLOBAL AND STRATEGIC DECISIONS

2.1 | Attributes of global decisions

We are not the first to note the importance of a clear definition of global strategy. In a classic paper Ghoshal (1987: 425) states, "there is a great deal of conceptual ambiguity about what a 'global' strategy really means," and he goes on to review several different and contradictory claims that existed in the literature at that time. More recently, Berry and Kaul (2021) note that, despite areas of overlap, the strategic management and international business literatures have developed somewhat independently from one another, leaving important opportunities for cross-fertilization unexploited. As a precursor to additional and constructive dialogue about current and emerging research directions in global strategy, it will be helpful to be more precise about the definitions associated with the "global" and "strategy" terms.

In considering what makes a business decision global, we highlight distinctions between purely domestic and multinational corporations (MNCs) as well as distinctions between firms conducting business activities in domestic and international or global settings. For instance, Sundaram and Black (1992: 734) state that the distinguishing aspect of the MNC is that it "carries out transactions in or between at least two sovereign entities." Dicken (2003: 12) defines internationalization as "the simple extension of economic activities across national borders," and globalization as "the functional integration of such internationally dispersed activities." The differences across countries and regions or across geographically local and dispersed operations thus create "the possibility of global strategy having content distinct from single country strategy" (Ghemawat, 2018: 30).

While the above definitions imply that global decisions have distinctive elements that affect business decision-making, they do not identify the specific attributes of cross-border exchanges that lead to changes in firm behavior and outcomes as compared to purely domestic decisions.

For the purposes of this essay, we assume that important and long-lasting differences in culture, factor markets, and institutions across specific regions affect the design and execution of "global" business decisions. Thus, we focus attention on issues such as absolute and relative differences in supply and demand conditions, formal (e.g., laws, policies, and regulations) and informal (e.g., codes of conduct, customs, and taboos) institutions, scale and scope economies, and various conceptions of distance that exist across countries in which the MNC competes and/or operates. Consideration of these factors helps us to conceive how differences in these and related attributes affect the firm's choice set as well as the causes and consequences of its specific choices and outcomes.

These and related definitions of global and international business have, of course, been used to motivate a set of canonical research questions in this domain. Buckley (2002) provides one prominent elaboration of the international business research agenda that identifies a set of three key questions: (1) How to explain the flows of foreign direct investment (FDI)? (2) How to explain the existence, strategy, and organization of MNCs? and (3) How to understand and predict the internationalization of firms and new developments of globalization? In a follow-up article, Peng (2004: 99) argues that the basic question of "What determines the international success and failure of firms?" is the fundamental research question that distinguishes the international business research agenda from other research agendas.

2.2 | Attributes of strategic decisions

It is less clear-cut how to discriminate between strategic and non-strategic decisions. For instance, it is common for prior research to associate strategic decisions with (a) constraints imposed on a firm's choices by the competitive environment (e.g., Andrews, 1971); (b) tradeoffs across value chain activities and competitive positions (e.g., Porter, 1980), and (c) the application of valuable and rare resources (e.g., Barney, 1991). Some work also attends to the influence of critical behavioral challenges such as incongruent goals, information asymmetries, and power differences (Cyert & March, 1963; Simon, 1947) on the decision-making process (Bower, 1970; Burgelman, 1983). While the literature points to several characteristics of strategic decisions, these characteristics are often inconsistently applied. Perhaps as a result, some appear to equate "strategic" decisions merely with their a posteriori performance consequences.

As much as we have learned from research focusing on these and related decision attributes, we find it useful to apply a classification scheme that provides an a priori indication of whether a given decision is more or less strategic. Our approach is consistent with definitions of strategic decisions that focus on the role of choices that involve commitments when it is difficult to accurately predict outcomes (Ghemawat, 1991) or on the set of core choices that reliably guide other choices toward a proposed solution in an ambiguous or uncertain environment (Van den Steen, 2017). It is also consistent with approaches that consider the complete strategy landscape from consideration of an opportunity set that might enable a firm to create and capture value through execution (Collis, 2019). We focus on three specific decision attributes that jointly and interactively define whether a decision is strategic: (a) whether the decision is interdependent with other contemporaneous choices within the firm; (b) whether the decision is interdependent with the choices made by other actors in the environment; and (c) whether the decision is interdependent with other choices made by the firm over time (Leiblein et al., 2018).

Rumelt et al. (1994) provide a research agenda for the field that is consistent with these sorts of decision attributes and helped to catalyze and focus subsequent research. They identify four

FIGURE 1 Diagram of decision-making space

fundamental issues or research questions that highlight the distinctive contributions of the strategic management field: (a) How do firms behave? (b) Why are firms different? (c) What is the function of, or value added by, headquarters? and (d) What determines success or failure in international competition? For these topics, inter-decisional, inter-actor, and inter-temporal interdependence are likely to be substantial. Moreover, for the topics making up these fundamental issues, strategic management places particular emphasis on how managers make choices and why managerial processes matter (e.g., the factors that affect consideration of how to allocate resources, how to organize firm activities, or how to generate competitive advantage).

The above definitions of global and strategic choices allow us to categorize decisions within the realm of global strategy. When depicted visually, this categorization suggests the existence of overlapping sets of decisions—a set of global decisions, a set of strategic decisions, and a set of decisions that are at once global and strategic.[1] This categorization schema organizes our discussion so we can better understand the similarities and differences in the assumptions, research questions, and insights that exist across these fields. That is, we can use the diagram to ask whether and how differences in the global context affect the theories of resource allocation, organization, and competitive advantage developed within a single domestic market (Figure 1).

3 | INTERDEPENDENCE IN GLOBAL STRATEGY

There are several benefits associated with identifying a set of a priori attributes that define when decisions do or do not benefit from global strategy. One benefit is the ability to define boundary conditions for specific theories. For instance, we can ask whether and how

differences in the global context affect the theories of resource allocation, organization, and competitive advantage developed within a single domestic market. A second benefit is an improved ability to test theory. For instance, we can examine how actions and investments involving the firm's geographic reach or spread (e.g., multinationality and relatedness), ownership of international assets (e.g., degree and uniformity of asset ownership), or assembly and coordination of assets and knowledge affect predictions from theories regarding outcomes such as performance, risk, and learning via mechanisms such as resource arbitrage, aggregation, and adaptation. A third benefit is an improved ability to pinpoint what is and is not known about phenomena of interest. For instance, we can examine how competing theories of geographic diversification affect outcomes such as performance, risk, and learning. Overall, identifying a set of a priori attributes that define global strategy allows us to better address Kogut's (1989) admonition to focus on the unique theoretical contributions associated with the global strategy field as opposed to merely applying theory from other disciplines and fields to the global context. More specifically, clarifying what is unique about global strategy allows us to more effectively identify anomalies in existing theory, helps scholars in allied disciplines connect to core questions of relevance to our community, and promotes the accumulation of knowledge within our field.

3.1 | Inter-decisional interdependence

The strategic management literature has often emphasized the performance consequences of interdependent systems. Prior research has claimed that strategy is about the idea of achieving "fit" between organizational practices that affect performance (e.g., Andrews, 1971) as well as assessments of how a set of interdependent decisions defines a firm's strategy (Rivkin & Siggelkow, 2003). As Siggelkow (2011: 1126) observes, "[i]t is one of strategy's longest-standing notions that these choices interact with each other and need to fit together for a firm to achieve high performance." Prior research has noted that interdependent decisions create durable commitments (e.g., Van den Steen, 2017) and has shown that the adoption of interdependent choices may lead to core rigidities or improved performance (e.g., Leonard-Barton, 1992). For instance, Ichniowski et al. (1997) show how the adoption of complementary and interdependent work practices (e.g., flexible job assignments, cross-training, and incentive pay in the steel industry) increases productivity to a greater extent than adopting individual practices.

The pursuit of superior interdependent choices is complicated by two factors. The first complication regards the identification of desirable choice bundles. As the number of choices and the degree of interdependence across these choices increases, the performance landscape becomes more rugged (Levinthal, 1997), and the magnitude and costs of the search effort increase (Baumann et al., 2019). At the same time, as the degree of interdependence across choice combinations increases, the difficulty of the search effort increases as it becomes more challenging to isolate the performance consequences of each individual choice. If learning is difficult in the presence of noisy (e.g., Posen & Levinthal, 2012) or delayed feedback (e.g., Denrell et al., 2004), it is also likely that managers will make incorrect or suboptimal choices in these settings. Thus, the degree of interdependence complicates the search for superior strategies and leads to the use of decision-making heuristics (Gavetti, 2005; Gavetti & Levinthal, 2000).

The second reason is that the pursuit of superior interdependent choices is complicated with regard to the ability to implement strategies in highly interdependent settings. Even if it is

possible to search a rugged landscape (Levinthal, 1997), to identify the crux of a gnarly problem (Rumelt, 2022), and to devise a remediable solution to this problem, it may not be possible to implement the desired solution. In particular, there may be adjustment, transaction, and opportunity costs to adjust a firm's position (Argyres et al., 2019; Bigelow et al., 2019). These costs may be particularly severe if there are differences in the level of uncertainty associated with expected returns to the current and alternative solutions.

Choice interdependence is evident within many common global strategy decisions. It is common to think about interdependencies across global decisions such as the degree of ownership (e.g., internalized, joint venture, or outsourced), location (e.g., opportunities for cost arbitrage, access to qualified labor, transportation costs, etc.), and the level of autonomy afforded to the affiliate in a host country (e.g., decentralized vs. centralized decision-making). Thus, global strategy directly increases the complexity of choice by increasing the number of decision elements under consideration and complicates the decision-making process by adding additional sources of noise (e.g., due to the potential lack of cultural familiarity).

A substantial stream of research explores how MNCs balance trade-offs between decisions related to strategy, structure, and resource configurations in international markets (Egelhoff, 1988; Ghoshal & Bartlett, 1990). Related research on foreign entry modes stresses how decisions regarding ownership and location influence potential value creation (e.g., Benito & Gripsrud, 1992; Tihanyi et al., 2005). As an additional example, Makino et al. (2002) discuss how firms' decisions to locate production in developed versus less developed countries are contingent upon prior decisions to invest in technological capabilities. Others have explored more specific questions such as how the investments in foreign R and D affects the location and mode of international expansion (e.g., Alcacer, 2006; Berry & Kaul, 2015; Chung & Alcacer, 2002). As such, significant global strategy research already meaningfully embraces the idea of inter-decisional interdependencies.

At the same time, there appear to be opportunities for research on the governance of global firms to more tightly embrace the role of interdependent choices. For example, existing models such as the Uppsala model (Johanson & Vahlne, 1977) implicitly assume that decisions related to internationalization may be selected without much consideration of variables such as ownership advantages or exchange hazards affecting transaction costs. By contrast, research applying an organizational economics lens suggests that a choice related to internationalization—such as foreign entry mode—consists of decisions related to transaction-specific assets and uncertainties that vary as a function of location choice and associated country risks without emphasizing the firm's previous internationalization experiences or history (e.g., Anderson & Gatignon, 1986; Oxley, 1997). More recent empirical work demonstrates that these choices influence each other in ways not fully anticipated by existing theory (Leiblein et al., 2022). The existence of such interdependencies and their effect on predictions from existing theories suggests opportunities to refine existing theory and develop new theory. For instance, research can explore how the decision to locate an activity in one country influences the decision related to the governance of that activity (and vice-versa) or whether the sequence and patterns of these decisions have any implications for the value they can create.

Several other examples exist of the potential applications of the concept of decisional interdependence to phenomena of interest to global strategy scholars. For example, while concepts such as contingency and strategic fit are central to the integration-responsiveness framework (Bartlett & Ghoshal, 1989), it is not clear how MNCs effectively search for combinations of interdependent choices regarding factors such as local autonomy, decentralization, and knowledge transfer across different geographical and institutional spaces. While there are some contributions that explore the performance implications of MNCs' decisions to embark on more

aggressive internationalization processes (Barkema & Drogendijk, 2007; Pedersen & Shaver, 2011), it is not clear whether global firms are subject to path-dependencies that prevent them from identifying more optimal, effective combinations of internationalization decisions. Pedersen et al. (2020) outline additional questions for global strategy scholars regarding the implications of search via trial and error processes.

The global context may also prove particularly fruitful to further our general understanding of various attributes of decisional interdependencies. Kostova and Zaheer (1999) suggest that MNCs offer a unique context to understand the effect of numerous forms of complexity on firm behavior and outcomes.[2] These unique contextual settings offer an opportunity to compare and contrast the effect of these complex attributes on our theories of resource allocation, organization, and performance. As Ingram and Silverman (2000: 20) state in reference to one of these attributes, "institutions directly determine what arrows a firm has in its quiver as it struggles to formulate and implement strategy, and to create competitive advantage." Thus, the global context provides an opportunity to ask questions such as whether globally interdependent choices face more coordination costs, inertia, and potential for failure than domestic firms pursuing less complex strategies (Rawley, 2010; Zhou, 2011)? What attributes of complex global systems makes it more costly to build or more difficult to monitor and imitate interdependent decisions across space and national borders (Rivkin, 2001; Zhou & Wan, 2017)? Do differences in cost and imitation differ from domestic systems in the way they promote rent appropriation (Larsen et al., 2019; Lippman & Rumelt, 1982; Powell et al., 2006)? Future research might also examine international dimensions of a uniqueness paradox, wherein complexity can forestall imitation and be a source of competitive advantage, but can also present downsides such as elevated financing costs due to information asymmetries with capital markets (Litov et al., 2012).

In sum, applying the perspective of inter-decisional interdependence promises to assist scholars of global strategy in understanding whether and how conventional global strategy choices (e.g., entry mode, location choice, integration/responsiveness, etc.) are contingent on other decisions. More broadly, the study of inter-decisional interdependencies in a global strategy environment will help us understand how decisions cannot be regarded as context-free (i.e., "no strategy is an island"). As firms' abilities to identify effective combinations of decisions will be strongly influenced by contextual factors and contingencies—such as multiple institutions, cultures and geographies—the field of global strategy has the potential to contribute more generally to the study of what makes a decision strategic.

3.2 | Inter-actor interdependence

The concept of competitive rivalry highlights the implications of interdependence between the actions and choices made by close competitors. For instance, game theoretic work highlights how anticipated reactions from active and intelligent rivals affects a firm's actions (Brandenburger & Stuart Jr, 1996). Rumelt (2011: 127) highlights the importance of "premeditation, the anticipation of others' behavior, and the purposeful design of coordinated actions" as central aspects of strategy. More recently, Adner (2017) notes how ecosystems define and shape competition across interdependent activities and organizations such that payoffs not only hinge upon the decisions of rivals, but also the decisions of suppliers, complementors, and other stakeholders whose actions are interdependent with those of the focal firm. These and related approaches stress how choices within a constellation of firms affect the creation and distribution of value.

The importance of interdependent competitive action and reaction is certainly not new to the field of global strategy. While there are a variety of paradigms, schools of thought, and approaches available about competitiveness and competitive dynamics, it has long been recognized that firms might engage in FDI to match a rival's move under certain circumstances (Knickerbocker, 1973). Ensuing work describes the importance of defending competitive positions across countries (e.g., Alcacer, 2006; Martin et al., 1998; Shaver & Flyer, 2000) including recent work highlighting the importance of swift reactions to defend global patents (Beukel & Zhao, 2018). Global strategy research also embraces ideas concerning multimarket competition (e.g., Yu & Cannella, 2013) and examines how multimarket overlap in knowledge activities influences firm decisions to internationalize their home-country innovations (Berry, 2020). Other studies on the international competitiveness of MNCs more explicitly outline the causes and consequences of inter-actor interdependence (for a review, see Caves, 2007). For instance, Hashai and Adler (2021) apply a game-theoretic approach to study how internalization choices of competing MNCs affect each other.

While many existing studies recognize interdependencies across actors as a de facto feature of the studied phenomenon, there are opportunities to break down the concept of inter-actor interdependence and examine whether and how the consequences of inter-actor interdependence vary across global strategies that differ in access to factors of production, institutions, or distance. For instance, Martin (2014) discusses how interactions between firm choices and institutional conditions interact. He emphasizes both that institutional competitive advantage requires interactions between a firm's distinctive activities within a given institutional environment as well as how the pursuit of institutional advantage varies across firms pursuing global strategies.

Our overall perspective is that additional refinements focusing on the degree or mutuality of dependence among the involved actors will reveal additional areas for global strategy research. For instance, it is noteworthy that there is extensive global strategy research regarding the implications of interdependence for actors other than competitors operating in different geographic or national contexts. This research includes studies on interactions among customers, suppliers, knowledge partners, alliance partners, and even institutional actors like governments and Non-Governmental Organizations (NGOs). Indeed, the international business field has led the strategic management field in research on joint ventures (e.g., Contractor & Lorange, 1988; Nippa & Reuer, 2019).

Research on global value chains (Hernández & Pedersen, 2017; McWilliam et al., 2020; Mudambi, 2008) and the "global factory" (Buckley, 2011) focuses on classifying the different governance structures and dependence structures among lead and supplier firms in order to understand the dynamics among these actors. The governance structures underscored in this research span market-based relations and hierarchy-based relations, with modular, relational, and captive governance structures in between (Gereffi et al., 2005). While global value chains obviously entail inter-actor interdependence, the type and form of interdependence have only marginally been studied (e.g., power relations are inherent in the classified governance structures). What is missing is a perspective scrutinizing how the mutual dependence affects the relationships and dynamics among the actors in the global value chain. Such a perspective will open up a better understanding of the causes of particular decisions and an explanation for why decisions do not always accurately predict behaviors or outcomes.

Research on global value chains would also allow for a better understanding of the strengths and potential downsides of inter-actor dependence. For example, the COVID-19 pandemic has highlighted previously under-appreciated limitations associated with the rigidity of hyper-efficient modern global value chains that prioritize cost minimization and lean operations over

resilience and robustness. In this respect, the costs of the high level of interdependence have been hidden, but are now coming to the surface as a consequence of the pandemic (Shih, 2020). Similarly, in the case of international alliances and networks, the global strategy literature has often stressed the positive aspects of collaboration like mutual learning, common problem solving, complementarity, and trust building. The precise nature of the dependence that follows has been under-studied, however. What are the micro-level consequences of inter-actor interdependence (e.g., on employee skills, motivation, and opportunities)? What are the path dependencies, limitations, and barriers that follow from the interdependence?

There are a few noteworthy examples of studies in global strategy that suggest promising approaches to conducting in-depth examinations of the nature and effects of inter-actor dependence. Luo (2002), for instance, discusses how contracts and cooperation between partners in international joint ventures function as complements to IJV performance. Buciuni and Pisano (2021) show that firms' innovation capabilities and product innovations are shaped by the dependence structure of the global value chain in which they operate. They find a close relationship between the dependence structure of the global value chain and the types of innovation firms develop. Similarly, Casciaro and Piskorski (2005) apply resource dependence theory in their study of mergers and acquisitions. They ask the question of why a powerful company possessing valuable resources accepts to be acquired and give up its resources, highlighting power imbalance and mutual interdependence as key drivers of these unexpected decisions. A similar logic can be applied to explain other cases where the power and dependence are shifting among actors, like when a supplier or an alliance partner is becoming a competitor rather than a partner. Also in these cases, it is not clear why a company possessing the resources and knowledge allows the partner to become a competitor.

3.3 | Inter-temporal interdependence

Finally, strategic decisions are also temporally interdependent or linked across time. Temporal dynamics figure into many strategic decisions since strategic decisions can be costly to reverse, are often surrounded by considerable uncertainty, and offer core guidance for future choices (Van den Steen, 2017). Absent irreversibility, there is little to no cost in being wrong and changing course. Absent uncertainty, there is little to no likelihood of choosing an incorrect path or being wrong (e.g., Ghemawat, 2016). However, the real world requires decisions to be made with irreversible investments in the presence of substantial uncertainty. Thus, a common tension in strategic decisions is the need to weigh the benefits of commitment versus flexibility in different situations, often while simultaneously considering other trade-offs such as the value of competing versus collaborating (Trigeorgis & Reuer, 2017). Under the twin conditions of irreversibility and uncertainty, there can be value in waiting to invest, and commitment is warranted if either irreversibility or uncertainty subside (Dixit & Pindyck, 1994). Alternatively, the firm can be more flexible at the outset by deliberately staging investments rather than waiting to make a larger commitment. The interaction of irreversibility and uncertainty, therefore, creates intertemporal interdependence in strategic decisions.

Decisions that are inter-temporally interdependent are strategic because they open up or shut down future decision opportunities for the organization. For instance, consider product market entry timing decisions within the realm of competitive strategy. Individual firms face complex trade-offs owing to factors such as market uncertainty, irreversibility, the risk of preemption by a competitor, and their own firm-specific capabilities to execute projects

(e.g., Hawk et al., 2013). These combined considerations suggest reasons to believe that there will be unique optimal times for individual firms to commit to new markets (and explain why similar firms are likely to behave differently). It would be valuable to situate such decisions in international contexts and leverage theoretical considerations such as time compression diseconomies and potentially conflicting options (e.g., to wait or grow) in global strategy settings involving spatial considerations and the impact of different institutions.

Any temporal aspects of global strategy that are unique therefore hold great promise in informing this core dimension of strategy, just as advances in strategy research can contribute to work in the global strategy arena. These possibilities are often rooted in the fact that the MNC is located in multiple countries with unique environments as well as the fact that internationalization implies sunk costs and uncertainties in host countries that must be assessed relative to the firm-specific advantages that the MNC enjoys. For purposes of illustration, we will use real options theory to identify several interesting points of connection for future research across three distinct perspectives that aim to describe the internationalization process.

A long-standing stream of research in international business concerns the process of internationalization or the temporal patterns in the ways that firms go global. The seminal Uppsala process model of internationalization depicts an incremental pattern of internationalization wherein risk-averse firms gradually internationalize after developing competitive advantages in the domestic market (Johanson & Vahlne, 1977). Firms seek to avoid uncertainties by first entering countries that are perceived as similar and by using low commitment entries as they build up capabilities through the accumulation of experience and business relationships. Contrasting this view is a second, "born global" perspective of international entrepreneurship that presents firms as risk-takers that internationalize very early in their development to attain competitive advantages in global niches (e.g., Oviatt & McDougall, 1994). More recently, a third perspective—the Casino model of internationalization—has been proposed to account for unique features of firms' internationalization processes, including the potential that internationalization activities appear clustered in waves (Håkanson & Kappen, 2017). In the Casino model, firms use their financial and other resources at hand to hedge their bets and diversify internationally through concurrent entries, following a Penrosian logic of resource utilization and growth over time (Penrose, 1959). Drawing upon Penrose's ideas, future research might consider the implications of scale-free resources and those subject to opportunity costs during internationalization (Levinthal & Wu, 2010). It would also be valuable to explore the implications of other strategic choices that might have a bearing on internationalization, including product-market diversification (e.g., Wiersema & Bowen, 2008) as well as resource redeployment or divestiture decisions across product and geographic markets (e.g., Berry, 2013; Feldman and Sakhartov 2021).

The ideas associated with the Uppsala, Born Global, or Casino models might be combined with the real options perspective that has developed in the fields of international business and strategic management (e.g., Kogut & Kulatilaka, 1994). Firms obtain "within-country" growth options through a brand or knowledge in a local market, and such options enable them to expand if market conditions develop positively. They also obtain "across-country" switching options to redeploy resources across markets based on changes in exchange rates, wages, or other factors shaping the relative performance of subsidiaries in the MNC's portfolio. In the real options perspective, adding a country is not guided by hedging or portfolio diversification motives per se (Ioulianos et al., 2021). Rather, growth and switching options enable the firm to access upside opportunities while minimizing downside losses via active management, implying that payoff profiles are asymmetric rather than symmetric. It would therefore be interesting to

juxtapose the casino model and real options theory to appraise their descriptive and normative potential as theories of firm internationalization processes and investment. This would help identify boundary conditions of alternative theories of internationalization processes (e.g., Uppsala, born global, casino, and real options) and could advance our understanding of when each theoretical perspective applies.

This observation also raises the general theoretical question of the degree to which prior models based on behavioral considerations (e.g., the Uppsala model) might be combined with the real options approach that has generally been used as a rational theory of investment. It has long been observed that real options models might be enriched by incorporating organizational realities and behavioral considerations emphasized in management research (e.g., Bowman & Hurry, 1993; Reuer & Leiblein, 2000). Firms have different information, organizational structures, and capabilities that shape their abilities to recognize, manage, and exercise options. Recent work points out how, in noisy environments, behavioral biases such as over- or under-confidence may affect option exercise (Posen et al., 2018) and the emergence of competitive advantage (Leiblein et al., 2017). The salience of differences in beliefs and preferences across participants in international settings suggests that such behavioral real options models may prove to be a fruitful approach to the development and evaluation of global strategies.

The different operating environments across countries that the MNC encounters may also help to address thorny conceptual issues regarding strategic theories of resource allocation, firm boundaries, and advantage. For instance, research on real options theory highlights that firms trade-off the value of waiting with the potential value of a strategic option that is associated with growth and network effects obtained from early commitment (e.g., Lin & Kulatilaka, 2007). While the conflicting pressures of options to wait and to grow are wellknown, firms face other option interdependencies in the international context. Specifically, if a firm has an overseas subsidiary, it can exercise a within-country growth option by expanding on a standalone basis. Alternatively, the firm might grow that subsidiary by exercising an across-country switching option by redeploying resources from other foreign subsidiaries. Research on switching options has not accounted for the possibility of exercising growth options instead, just as work on growth options has not considered resource redeployment possibilities and the potential interdependencies across the two classes of options. Advances in understanding firm internationalization are likely by appreciating such option interdependencies. Moreover, new insights on firm growth might be obtained by approaching these decisions in the same sort of comparative manner that characterizes other decisions in strategy research (i.e., exercise of the growth vs. switching option) (Sakhartov & Reuer, 2021).

4 | DEFINING ATTRIBUTES OF GLOBAL AND STRATEGIC DECISIONS

The prior section portrays global strategy research as a field of inquiry addressing an intersecting set of choices shared by international business and strategic management scholars. It also identifies exemplar theories and papers that leverage the unique attributes of global environments and the MNC to address questions of interest to global strategy scholars. In this section, we offer a classification scheme for global strategy research and consider some of the unique theoretical implications, research questions, and empirical challenges implied by our definition of what makes global decisions strategic.

TABLE 1 Attributes of global and strategic decisions

		Attributes of global decisions		
		Choices leverage National Differences in productive factors	**Choices leverage National Differences in institutions**	**Choices leverage conceptions of distance**
Attributes of strategic decisions	Choices imply inter-decisional interdependence	1	2	3
	Choices imply inter-actor interdependence	4	5	6
	Choices imply inter-temporal interdependence	7	8	9

Table 1 depicts a simplified representation of our perspective and approach. The columns in the table list attributes of global decisions. The rows list attributes of strategic decisions. The cells in the body of the table indicate the intersection of individual attributes of strategic and global decisions (e.g., cell 4 considers the intersection of theory that explains how different actors might leverage differences in productive factors across nation-states to address a given research question). While globally strategic decisions may exhibit multiple combinations of these decision-making attributes, for the sake of parsimony, Table 1 only lists each focal attribute once, and we do not delve into higher-order attribute combinations.

Table 1 indicates that global strategy involves a set of interactions between strategic choices that imply high levels of interdependence across other (a) decisions, (b) actors, and/or (c) time with a set of global choices that leverage national differences in (d) productive factors, (e) institutional factors, and/or (f) conceptions of distance. While individuals may debate the relative importance of the specific attributes outlined in Table 1, our approach provides a theoretically defensible set of boundary conditions for the global strategy field. This set of boundary conditions helps to both differentiate global strategy from other related fields of study (e.g., global finance, global human resource management, global marketing) and to highlight when these fields overlap with global strategy research. More specifically, these boundary conditions indicate that theories and empirical findings that are examined in an international context are more relevant to the field of global strategy when they exhibit high-levels of overlap with multiple attributes listed in the table and less relevant when they do not. Our table therefore provides a foundation from which to evaluate the falsifiability, utility, and adequacy of claims produced by the field (Bachrach, 1989).

4.1 | Implications for established theory

In addition to proposing a way to define the attributes of globally strategic decisions, our essay also suggests a way to refine the theoretical claims put forth by existing theoretical frameworks. For instance, we can consider whether and how predictions put forth in prominent (i) theories of resource allocation, (ii) theories of firm scope, and (iii) theories of competitive advantage hold for each of the combinations of decision-making attributes highlighted in Table 1.

Three notable approaches to studying resource allocation in global environments are provided by Aharoni (1966), Johanson and Vahlne (1977), and Kogut and Kulatilaka (1994). The model of international resource allocation and control put forth in Aharoni (1966) describes the "messiness" of the foreign investment decision process and predicts that systematic differences in decision-making styles affect the framing and sequencing of choices and outcome risk. The Uppsala internationalization model predicts that managers allocate resources to markets that are increasingly distal from the firm's domestic operations as they gain experience over time. The real options model, as applied to the MNC, recognizes that it may be viewed as a network of globally-dispersed operations and that MNCs may shift activities across this global network in response to changing environment conditions. For instance, Kogut and Kulatilaka (1994) predict an association between the scope of the MNC (e.g., multinationality) and asymmetric performance outcomes such as reduced downside risk or increased upside potential (e.g., Ioulianos et al., 2021).

While each of these perspectives is powerful in its own right, they also each highlight different facets of the resource allocation problem. A challenge thus exists in determining how to aggregate the principles and findings developed from these and other related approaches. Our essay provides one way to start this reconciliation by suggesting the value of systematically comparing whether and how the decision-making attributes in Table 1 affect the base predictions offered by these frameworks. For instance, one might test whether inter-decisional interdependence amplifies or mutes the associations between local experience, behavioral preferences, and resource allocation highlighted by Aharoni (1966). Relatedly, one might test if any observed moderation is weaker or stronger across choices that leverage national differences in productive factors, institutions, or distance. It may also be productive to compare these tests with similar examinations building on work (largely conducted in domestic settings) that asserts that competitive heterogeneity results from behavioral, organizational, and structural differences in the resource allocation process (Bower, 1970; Burgelman, 1983; Maritan & Lee, 2017). The key point is that a systematic comparison will allow the field to build cumulative knowledge about the unique insights provided by theories of resource allocation in global environments.

A related exercise might focus on the real option theory of global resource allocation. The real option model assumes that value stems from operating flexibility induced by coordinating activities within an MNC's activity network. That is, it assumes a degree of inter-decisional and inter-temporal interdependence. However, existing applications of the real options framework do not clearly state why firms differ in their use of this approach or whether the decision to apply options reasoning by one firm affects the choices of other close competitors (i.e., they ignore aspects of inter-actor interdependence). As the very notion of asymmetric performance implies performance relative to some standard, there must be some unique real options reasoning (Barnett, 2008), awareness of real options logic (e.g., Driouchi & Bennett, 2011), or other firm-level attribute to explain firm-level performance differences due to the application of real options logic. Thus, there appear to be significant opportunities to explain the factors that lead management teams to frame problems in real options terms, invest in options, monitor ongoing changes in the environment, and appropriately exercise embedded options. For instance, behavioral theories might suggest how differences in decision-maker experiences and goals affect expectations and investment (e.g., Posen & Levinthal, 2012; Surdu et al., 2021).

A similar set of exercises may help determine whether global strategy suggests refinements to theories regarding the scope of the global firm. When considering firm scope, global scholars often appeal to propositions put forth by internalization theory (e.g., Buckley & Casson, 1976)

or the eclectic Ownership, Location, Internalization (OLI) framework (e.g., Dunning, 1980). For instance, focusing on the role of knowledge and innovation, Buckley and Casson (1976) argue that market imperfections favor the coordination and control benefits of the MNC.[3] The eclectic framework suggests that FDI is more likely to occur whenever a firm sees advantages associated with *ownership (*e.g., a unique resource), *location* (e.g., market size, efficiency opportunities; etc.), and *internalization* (e.g., high asset specificity; uncertainty).

Our definition of globally strategic decisions suggests the possibility of testing whether and how the decision attributes in Table 1 moderate predictions from the internalization and/or eclectic models. For instance, internalization theory argues that hierarchy-based modes of international entry are superior to market-based entries whenever "markets in intermediate products are imperfect [because] there is an incentive to bypass them creating an internal market" (Buckley & Casson, 1976: 33). It seems plausible, however, that high levels of inter-decisional interdependence might yield core rigidities (Leonard-Barton, 1992) that reduces the likelihood of internalization. At the same time, there is the possibility that a given choice may provide a level of core guidance (Van den Steen, 2017) that enhances the likelihood of internalization. In either case, there appears to be potential to extend and refine internalization theory by more deeply considering the ramifications of inter-decisional interdependence.

A similar exercise suggests possibilities that inter-temporal interdependence may affect central predictions from the eclectic framework. While the eclectic framework is intentionally *not* designed to explore inter-temporal changes in ownership, location, or internalization, real options theory would emphasize the value of either waiting or staging investment when irreversible investments are required in uncertain investment contexts. The theory of the firm, or MNC, can therefore yield predictions that are at odds with the theory of investment provided by real options theory, and future research might consider these trade-offs when these decisions are framed as governance versus investment choices (Trigeorgis & Reuer, 2017). Relatedly, Buckley et al. (2007) argue that it is erroneous to consider MNCs' governance and location decisions as the result of rational, calculative procedures, and that the field instead should consider the joint influence of a range of other (behavioral) interdependencies. Such insights provide opportunities to explore how contemporaneous uncertainty (noise) in the environment and/or indicators of decision-making bias (e.g., Posen et al., 2018) affect global scope decisions over time.

Finally, when considering competitive advantage, reference is often made to frameworks such as the AAA framework (e.g., Ghemawat, 2018), the integration-responsiveness framework (Doz, 1979; Doz et al., 1981; Prahalad, 1975), and Porter's Diamond model (e.g., Porter, 1990). These frameworks help us consider salient competitive and organizational conditions and search for opportunities for the MNC to generate competitive advantage. For instance, the AAA framework suggests that MNCs may benefit from arbitrage, agglomeration, and adaptation (Ghemawat, 2018) and Porter's diamond explains why firms may benefit by operating in locations that offer supportive strategic factor and demand conditions, complementary supporting industries, and favorable domestic rivalry conditions.

Applying the decision-making attributes highlighted by our lens suggests an opportunity to refine the insights provided by these and related competitive advantage frameworks. For example, the concept of inter-decisional interdependence points to a different source of competitive advantage (i.e., complementarity) than explanations highlighting factors such as arbitrage, agglomeration, and adaptation. This difference implies an opportunity to explore trade-offs between the benefits of existing systems of tailored activities, the costs and benefits of investing in a new system of activities, as well as any adjustment costs associated with moving from one

(resource and product-market) position to another. Presumably, global firms seeking new sources of supply or expanding into new markets would repeatedly face such trade-offs, and it would be interesting to explore these trade-offs. Not only does an opportunity exist to enrich existing theory but to explore explanations why some MNCs, often in developing countries, appear to be successful despite exhibiting disadvantages as compared to their developed country counterparts (Cuervo-Cazurra & Genc, 2008).

Alternatively, while Porter's (1990) diamond framework addresses local rivalry, applying the concept of inter-actor interdependence to the MNC suggests opportunities to consider how overlap in competitive markets affects responses to competitive actions. For instance, if rivals are competing in markets where information regarding location reputation does not easily diffuse, then we could potentially expect more intense competitive actions and reactions than otherwise predicted in domestic markets. Finally, the notion of inter-temporal interdependence implies a need to consider how the greater uncertainty implied by multinational competition affects the pursuit of traditional sources of competitive advantage. In particular, the "noisiness" of global markets as compared to local markets implies opportunities to explore whether and how the timing of entry into global markets in pursuit of international advantage is associated with the realization of that advantage.

4.2 | Implications for theory development and empirical testing

In addition to highlighting the role of decision-making attributes, this essay stresses the importance of fundamental questions raised in the international business and global strategy fields. Our essay suggests one way to revisit these historically critical research questions, place them on a more solid theoretical footing, and to size up areas of overlap or conflict in existing theory and findings. Specifically, the decision attributes outlined in Table 1 suggest opportunities to explore whether and how answers to these fundamental questions vary across the identified types of globally strategic decisions.

As one example, consider a recent debate between David Teece (2020, 2021) and Peter Buckley (2021). Teece (2020) proposes that substantive changes in the competitive landscape (principally the growing role of China in the global economy) have altered what we think we know about the determinants of success in international competition. He goes on to suggest that these changes imply a need to revisit canonical theories of innovation and competitive advantage. Buckley's (2021) response focuses on refining Teece's characterization of the "China Model" and the American system. In our view, this debate demonstrates the promise of juxtaposing global and strategic perspectives to refine the frameworks and theories developed within each field. Moreover, we would submit that it is possible to build upon the discussions in this essay regarding the insights offered by the international business and strategic management literatures by more explicitly identifying the assumptions (and decision attributes) under consideration when revisiting, and seeking to join, the fundamental issues discussed in these fields.

Perhaps more importantly, our approach suggests a way to identify opportunities for new theory development by exploring anomalies brought about at the intersection of linkages between international business and strategic management. Table 1 suggests that the development of theory that is unique to the field of global strategy requires both understanding the attributes of strategic decisions *and* the different productive factors, cultural values and belief systems of different regions, and conceptions of distance, whether at a dyadic or portfolio level. As Kogut (1989: 383) states, the field of global strategy needs to develop an understanding of "what is different from what we already know ... when we move from a domestic to an

international context." Put another way, we want to distinguish predictions from research that applies an existing theory to the global context from research that leverages the intricacies of the global context to develop a new and unique theory.

One way to identify opportunities for new theory development is to compare the assumptions put forth in the global and strategy literatures and then test whether the predicted actions and consequences of choices associated with these perspectives are independent from one another. If these perspectives are *independent*, then predictions from each field will either be redundant in the sense that they merely apply prior theory to a new context or will be additive in the sense that the central concepts help to explain common outcomes of interest but do not alter the direction of predictions offered by the other field. If, on the other hand, these perspectives themselves are *interdependent*, then this interdependence will point to opportunities to refine existing theories. For example, Kogut's idea that the structure of international operations affects operating flexibility and the value that can accrue to the MNC is an example of a theory that suggests how shifting from a domestic to a global context substantively alters predictions from existing models of resource allocation and global scope. In this sense, insights from the fields of international business and strategic management will interact across global settings in new and significant ways.

Our essay also raises a set of questions for empirical work in global strategy. If all decisions are interdependent, how do we examine them in empirical models?[4] Recognizing the central importance of interdependence challenges not only our theoretical models, but also the manner in which we empirically test these models. As our essay highlights, managers face a complex reality. Many global and strategic choices are embedded in systems of historical, contemporaneous, and future (prospective) choices. Thus, a single choice concerning say, how to govern or where to locate an activity, is likely to be interdependent with other choices concerning attributes of the firm's culture, decisions regarding specific aspects of its technology and target customers, as well as its relations with existing alliance partners, suppliers, and governments. As Bettis and Blettner (2020) note, strategic decisions are likely to stimulate substantial and complex dynamics in the business ecosystem (e.g., state changes) that are very often intractable. Such decisions often defy simple treatment in regression models that presume a linear relationship between a pre-selected independent variable and dependent variable. These challenges are also true for global decisions. As stated by Martin et al. (2007: 103–104), "Most empirical studies focus on a subset of choices and associated predictors. This implies the analysis of a partial set of discrete choices while ignoring other choices when the included and omitted choices may in fact not be independent of each other."[5] These contexts may also require statistical tools that address endogeneity in complex choice sets (e.g., Wu et al., 2017). We also suspect that research methods such as qualitative comparative analysis (QCA) will be valuable in accommodating the large number of interacting factors required to understand what configurations of global strategy and organization are necessary or sufficient for obtaining returns and mitigating risks in different contexts (e.g., Fiss, 2011). Indeed, the very nature of the problem requires that we recognize the difficulty of establishing causality and embrace the power of certain heuristics (as in fields such as computer science) and alternative modeling or simulation approaches that allow us to explore the inherent complexities of multiple interdependencies in global strategy (e.g., Levinthal, 2020).

5 | CONCLUSION

Academics with diverse interests are attracted to the field of global strategy for many good reasons. A strategy scholar may be intrigued by the implications of managing a portfolio of

subsidiaries with local technologies and tastes to evaluate theories of resource allocation, organization, and competitive advantage. An international business academic may desire to develop a deeper understanding of the effect of cultural and contextual differences on business activities that can include strategic decisions. An individual with deep disciplinary roots in economics or psychology may view the context as a conducive setting in which to apply the tools of their trade. While all these scholars may contribute to the field, the task of building a cumulative body of knowledge is eased when there is a shared sense of purpose, a shared set of assumptions, and a shared language within which to assimilate perspectives and accumulate insights about global strategy. As the group of individuals interested in global strategy becomes broader and the meaning of the phrase "global strategy" becomes more diffuse, however, it can become harder for scholars to disentangle the assumptions, insights, and causal mechanisms highlighted by global strategy scholars from contributions on related topics provided by other fields.

Like the fields of strategy and international business, the field of global strategy addresses a wide variety of research questions. This is a natural outcome of these fields' success as well as the sheer complexity of strategic and global business decisions. Whereas some scholars might think of global strategy as a set of issues relating to international location choices, international entry modes, and the governance of portfolios of international assets, others might consider a broader set of challenges including managing global knowledge, global value chains, and global collaborative ventures. It is possible to take an even broader perspective and focus on issues associated with the role of government in international trade or the struggles facing expatriate employees. While many of these issues require significant investment and all are important to business and society, it is not always clear what makes these issues more or less "strategic."

The boundary conditions for strategic and global decisions proposed in this essay suggest a way for scholars within the global strategy field as well as those from other disciplines and fields of study to more easily understand and contribute to the field. By clarifying what is particularly central to the field, we provide an interface that allows others to make ex ante judgments regarding decisions that are more or less global, strategic, and central to the field of global strategy. These ex ante judgments allow us to consider decisions that are global but perhaps not strategic as well as decisions that are strategic but perhaps not necessarily global per se.[6]

Our essay is ultimately a call to consider more seriously the distinctive theoretical contributions of international business, strategic management, and global strategy. An adage attributed to Alexander Hamilton cautions that "those who stand for nothing fall for anything." In the academic world, we stand for the unique insights provided by our frameworks, models, and theories. However imperfect, these frameworks are built on sets of assumptions that allow us to make reasoned judgments and predictions. Differences in these assumptions, beliefs, and predictions are what differentiate us from other disciplines, fields of study, and journalism. Acknowledging these similarities and differences across international business, strategic management, and global strategy is ultimately what allows us to cumulatively build knowledge within and across our fields of study to benefit society.

The framework outlined in this essay identifies attributes of decisions that are at once strategic and global. If it is important to conceive of global strategy as an independent field of inquiry (and we believe this is so), then we need to be clear on how our frameworks and theories change when we add the "global" adjective. It is just as important to know how these frameworks and theories change when we replace the "business" noun with "strategy." We provide one approach for considering these differences. We conclude that just as strategic management is far more than the economics of simple game theoretic interactions and just as international

business is far more than consideration of a transactional governance form that addresses market failures in global trade, the intersection of international business and strategic management—global strategy—provides a rich, distinctive, and fruitful way to contribute to our understanding of business and general management.

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ENDNOTES

[1] We might also consider a set of decisions that are neither global nor strategic (e.g., domestic, operational decisions). If boundary conditions are important, high-quality social science should exist that is of interest to global strategy scholars but does not benefit from the theories and insights provided by the field of global strategy.

[2] They suggest that MNCs face complexity along a number of significant dimensions, such as the institutional environment (i.e., firms operating in multiple institutional domains), at the organizational level (i.e., spatial, cultural, and organizational distances; language barriers; and interunit power struggles), and in the legitimation process (i.e., liability of foreignness).

[3] It may be interesting to note that Buckley and Casson (1976) consider a broader array of market imperfections than those suggested by Williamsonian transaction cost logic.

[4] We thank an anonymous reviewer for pointing out the importance of our approach for empirical research.

[5] Most international business research fits into one of three categories. One category analyzes choices between a single home country (or region) and a single host country (or region); a second examines investment flows from multiple home countries into a single host country; and a third that studies investments from a single home country into multiple, heterogeneous host countries. As Martin et al. (2007: 105) state, "these three categories of studies far exceed in number those studies that examine both multiple home countries and multiple host countries."

[6] Examples of decisions that are global but perhaps not strategic might include hiring contract labor for a non-domestic operation or investing in a standardized global knowledge management program. Examples of decisions that are strategic but do not necessarily benefit from global theories might include the choice of a domestic sourcing partner, the adoption of a performance management system, or the role of adaptation and dynamic capability in generating competitive advantage.

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