



Munich Personal RePEc Archive

Opening Editorial: Multinational enterprises and business failures: A new research agenda.

Amankwah-Amoah, Joseph

6 December 2019

Online at <https://mpra.ub.uni-muenchen.de/101145/>
MPRA Paper No. 101145, posted 17 Jun 2020 10:12 UTC

Please cite as:

Amankwah-Amoah, J. (2020). Opening Editorial: Multinational enterprises and business failures: A new research agenda. *International Journal of Multinational Corporation Strategy*, 3(1), 1-2.

Abstract

This editorial advance a new research agenda on studying international business failures and failures of multinational enterprises' subsidiaries to help in enriching understanding of strategy. By learning from the constraints and liabilities that make such firms vulnerable to market competition, organizations would be better positioned to develop resilient business models, capacity and expertise needed to decrease the risk of failure. This source of learning is not only essential in helping to enhance the market competitiveness of domestic firms but also helping them to transform into MNEs. **Keywords:** failure; international business failures; multinationals; blunders; collapse.

Introduction

Globally, each year thousands of firms collapse, including SMEs and multinational enterprises, but the events and stories have often gone “unnoticed and unmourned” (Wallace, 2019, p. nd). Interestingly enough, firms are now failing at a faster rate (Govindarajan & Srivastaa, 2016), often attributed to factors such as decline of the economic cycle, deregulation and liberalization of industries leading to the deterioration of corporate health and failure (Amankwah-Amoah, 2014, 2015a, 2016; Amankwah-Amoah & Debrah, 2010, 2014; Amankwah-Amoah & Zhang, 2015; Zhang et al., 2019). Globalization has shepherded in a new and more competitive global business environment leading to the failure of many inefficient and uncompetitive firms (Amankwah-Amoah & Wang, 2019).

In many industries such as timber in the developing world, as timber resources dwindle and deforestation occurs at a faster rate (Daily Graphic, 2013), firms are often left with the option of either relocating to another country/region or folding. In natural resource industries such as metals, oil, gas and minerals, as these resources are depleted, many firms have had to find new deposits or been forced to close, leaving workers jobless. In Ghana, for instance, the Ghana Timber Millers Organisation observed that, in over two decades, around “60 per cent of timber companies have

collapsed because they have no access to the raw material, timber” leading to the loss of around 200,000 jobs across the regions of the country (Daily Graphic, 2013, p. nd). In a similar vein, in extractive industries such as gold mining, and oil and gas production, firms are often forced to close or internationalize owing to dwindling natural resources at specific locations. Failure or closure often leave several environmental issues unresolved, thereby leaving society to deal with the collateral damage and any organizational misconduct. There is a need for new lines of research examining these dynamics as these changes have yielded an opportunity to offer deeper insights into how the decline of location-specific advantages can cause businesses to fail. The failure of a multinational corporation is likely to lead to cross-border personnel mobility and inter-organizational mobility, yet the effects of these on employees’ wellbeing demands scholarly attention in the international business context. In the wake of increasingly relevant learning from failure as a source of innovation and enhancing firm competitiveness (Zhang et al., 2019), there a need for scholars to focus on the extent to which firms can internationalize to avoid or reduce the failure.

Although corporate social responsibility (CSR) practices by MNEs has been found to contribute to improved firm image and customer loyalty (Park, 2016), few firms consider the effects of their activities after exit or failure. Often in the wake of lack of good governance and transparent environmental management practices leading to collapse, society is often left to bear the cost. Some companies deliberately formulate a strategy to sidestep their social responsibilities. Accordingly, there is a need for a new type of research to explore meeting social responsibilities and the effects of business failures.

Related to the above, the promising renewable energy sector such as thermal and photovoltaics has seen the emergence of state-owned enterprises and private companies culminating in several business failures (Amankwah-Amoah, 2015b). Despite the urgency of climate change and the need to address environmental concerns, there is a need for new streams of research examining

the causes and effects. Although global business failures remain common, there has been limited scholarly space devoted to exploring features and consequences for society and internal stakeholders such as employees' wellbeing and mental health. Owing to these observations, a fresh perspective on these and new lines of research are warranted.

References

- Amankwah-Amoah, J. (2014). Old habits die hard: A tale of two failed companies and unwanted inheritance. *Journal of Business Research*, 67(9), 1894-1903.
- Amankwah-Amoah, J. (2015a). A unified framework for incorporating decision making into explanations of business failure. *Industrial Management & Data Systems*, 115(7), 1341-1357.
- Amankwah-Amoah, J. (2015b). Where will the axe fall? An integrative framework for understanding attributions after a business failure. *European Business Review*, 27(4), 409-429.
- Amankwah-Amoah, J. (2016). An integrative process model of organisational failure. *Journal of Business Research*, 69(9), 3388-3397.
- Amankwah-Amoah, J., & Debrah, Y. A. (2010). The protracted collapse of Ghana Airways: Lessons in organizational failure. *Group & Organization Management*, 35(5), 636-665.
- Amankwah-Amoah, J., & Debrah, Y. A. (2014). Air Afrique: the demise of a continental icon. *Business History*, 56(4), 517-546.
- Amankwah-Amoah, J., & Wang, X. (2019). Business Failures around the World: Emerging Trends and New Research Agenda. *Journal of Business Research*, 98, 367-369.
- Amankwah-Amoah, J., & Zhang, H. (2015). "Tales from the grave": what can we learn from failed international companies? *Foresight*, 17(5), 528-541.
- Amankwah-Amoah, J., Antwi-Agyei, I., & Zhang, H. (2018). Integrating the dark side of competition into explanations of business failures: Evidence from a developing economy. *European Management Review*, 15(1), 97-109.
- Amankwah-Amoah, J., Boso, N., & Antwi-Agyei, I. (2018). The effects of business failure experience on successive entrepreneurial engagements: An evolutionary phase model. *Group & Organization Management*, 43(4), 648-682.
- Daily Graphic (2013). Timber industry cries for attention. <https://www.ghanaweb.com/GhanaHomePage/business/Timber-industry-cries-for-attention-278056>.
- Govindarajan, V., & Srivastava, A. 2016. Strategy when creative destruction accelerates. Working Paper No. 2836135, Tuck School of Business, Hanover, NH.
- Park, B. I. (2016). The future journey of international journal of multinational corporation strategy. *International Journal of Multinational Corporation Strategy*, 1(1), 1-17.
- Vaughan, D. (1999). The dark side of organizations: Mistake, misconduct, and disaster. *Annual review of sociology*, 25(1), 271-305.
- Wallace, P. (2019). Thomas Cook: the Brexit bankruptcy? September 23, <https://www.prospectmagazine.co.uk/economics-and-finance/thomas-cook-the-brex-it-bankruptcy-travel>.
- Zhang, H., Amankwah-Amoah, J., & Beaverstock, J. (2019). Toward a construct of dynamic capabilities malfunction: Insights from failed Chinese entrepreneurs. *Journal of Business Research*, 98, 415-429.

Dr. Joseph Amankwah-Amoah
Editor in Chief,
International Journal of Multinational Corporation Strategy
University of Kent