

## ■ The Growing Pains of Globalization

Just what *does* globalization mean for the global economy? Where are jobs lost or gained? How are wages affected? And, most important, how must companies structure themselves to survive? Andrew Bernard, a professor at Dartmouth College's Tuck School of Business in Hanover, New Hampshire, has focused his research on demystifying globalization and quantifying its effects on individual companies and workers.

"Competition from low-wage countries will induce a long-run reallocation of economic activity, away from low-wage, low-skill industries and toward high-wage, high-skill industries. Over time, the benefits of this competition include more efficient production, a wider variety of products, lower prices, and an improved standard of living," says Bernard. These benefits, he warns, will not reach all workers. "Our forecasting highlights that these net gains will not be shared equally by all workers," he says. "Although some displaced workers will be absorbed quickly by expanding industries, others will face prolonged bouts of unemployment or underemployment."

Bernard's latest research explores how firms can survive the wave of imported goods that comes part and parcel with globalization. A fall 2005 paper, "Firm Structure, Multinationals, and Manufacturing Plant Deaths," which Bernard wrote with J. Bradford Jensen, deputy director of the Institute of International Eco-

nomics, outlines the factors that are most important to a U.S. company's survival in a global economy:

■ Enterprises that are part of a multiplant firm are more likely to survive than single-plant firms. About 40 percent of surviving enterprises belonged to multiplant firms;



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of those that failed, only about 36 percent were multiplant firms. However, there is one exception: Multinational firms are actually *more* likely to close a plant if its production

mix is different from those of other plants in the firm.

■ Enterprises that are owned by multinationals or that are part of a larger firm are more likely to survive the tides of globalization than those that must go it alone. This may be, in part, because multinational companies are usually larger, older, and more productive than nonmultinational companies, Bernard explains. Again, there are exceptions: Multinational ownership makes a shutdown of a domestically based plant or a recent acquisition *more* likely.

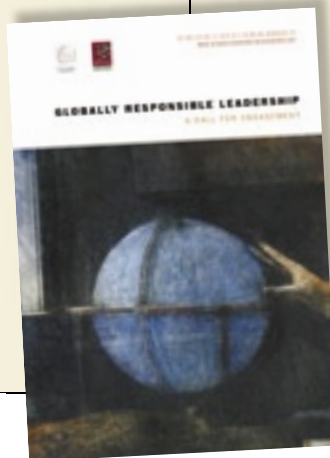
■ Finally, companies that export products or manufacture multiple products are more likely to survive than those that rely on domestic markets or single product lines.

"Our research shows that companies must take advantage of opportunities to work with firms in other growing markets, such as China," says Bernard. "Firms that stop making low-end products, partner with

## UPCOMING & ONGOING

### ■ CR in the Spotlight

London Business School has launched initiatives to emphasize the importance of corporate responsibility to business success in the global market. It recently released a report, "Globally Responsible Leadership," a collaboration of academics and businesspeople worldwide, which was published by the European Foundation for Management Development. LBS



will host an international corporate responsibility conference July 13 to 14 to encourage further discussion and research regarding the development of strategy for corporate responsibility. LBS also was chosen by the European Academy of Business in Society to conduct a three-year project that will explore curriculum development in corporate responsibility. For information about the upcoming conference, visit [www.london.edu/marketing.html](http://www.london.edu/marketing.html). To read the report, visit [www.globallyresponsibleleaders.net](http://www.globallyresponsibleleaders.net).

## creating value


low-end suppliers overseas, and focus their energies on manufacturing high-end products tend to do well. Those that think outside their own box and move beyond manufacturing only one good also seem to be thriving.”

Bernard’s latest paper released this year, “Trade Costs, Firms and Productivity,” takes this research a step further. Written with Jensen and Yale management professor Peter Schott, this study finds that in an economy where trade costs are decreasing, high productivity firms and exporters will be the winners. “There will be big winners in industries where trade costs fall,” says Bernard. “But a lot of low productivity firms will die.”

To read more of Bernard’s research on the effects of globalization on companies and workers, visit his home page at [mba.tuck.dartmouth.edu/pages/faculty/Andrew.Bernard](http://mba.tuck.dartmouth.edu/pages/faculty/Andrew.Bernard).

### ■ Teaching Ethics

The School of Management at Audencia in Nantes, France, has begun a study to measure the impact of teaching ethics to MBA students. Headed by ethics specialist Jean-Luc Castro and nonprofit expert Graeme

Lindsay, a research team will measure participants’ notion of ethics at the start of the program and at its completion. The statistical approach used will rely on a technique known as “Q-Methodology,” employed in social sciences and psychology to measure views on abstract concepts. 



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Brooke Randall ('02 Finance)  
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