

Faculty Research Grant Final Report

Project: Option value of international diversification: Evidence from East Asian firms and the East Asian crisis. Author: Raman Muralidharan. Report Date: November 30, 2004.

1. Description of grant-supported activity:

The project intended to test the option value of international diversification in the context of East Asian firms in the East Asian financial crisis. The activities to be performed included:

1. Data collection: Collecting data for East Asian firms for the pre crisis and post crisis periods.
2. Data analysis: Assessing if the data meets assumptions governing the statistical procedures to be used, transforming variables using appropriate methods as needed, and running the statistical analyses.
3. Writing up the findings: Preparing a manuscript to report the study and its findings.

2. Were you able to complete the project? Describe any difficulty you had.

I have not been able to complete the project yet because I ran into considerable difficulty in obtaining an adequate sample of firms with data on all of the key variables. The data source I mentioned in my proposal turned out to be very difficult to use and had missing data points for an unacceptable number of firms. There also were problems with definitional consistency across firms for certain key variables.

I spent a considerable length of time and effort with this data source before it became evident that the database would not be sufficient. After much deliberation, I am trying to reorient the empirical test to involve US firms with a presence in the affected East Asian countries as opposed to involving East Asian firms. I am now in the process of doing this. While data is much more easily available for US firms, there are research design issues I have to sort out before I can take this route to testing the theory.

3. Did, or will, the project result in specific product—a manuscript, composition, syllabus, etc? If so, please describe and indicate state of development.

A manuscript with the empirical test has not yet materialized. However, I do expect that the project will have tangible outputs. First, if I am able to reorient the empirical design as mentioned earlier, I expect a manuscript with the empirical test to be submitted to a journal. Second, I have sent the theory part of the proposal to a potential co-author in India to explore the possibility of testing a modified version of the theory in the Indian business context. Since India is emerging as an important market for multinational firms, testing a modified version of the theory in this context appears to hold potential and interest. After an initial expression of interest in such a project, I have not heard back from the potential co-author in India.

At the very least I expect a manuscript from the project to be published or presented at a conference on international business. As and when I have any output from the project I will duly acknowledge the grant in the manuscript and keep your office informed.

Erika,

A paper funded by a summer research grant that I received in 2003 has now been accepted for publication in the Journal of World Business. The paper will come out in a 2007 issue of the Journal. I have duly acknowledged the summer research grant in the paper. Also, I presented two papers from the project funded by this grant in August 2006 at the Academy of Management Conference. Please update my closing report on this summer research grant with this information. Do you want me to send you the first page of the accepted paper or wait till I get the published paper and send you a copy?

-Murali