Emerging Issues in International Business Research

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This edited volume results from a conference at Temple University in April 2000 on emerging issues in international business (IB). The book’s 12 substantive chapters (after the introductory chapter by the editors) are divided into three sections: macro-environment, interfaces between business and broader institutions, and strategy. The book’s starting point is that IB research needs to shift from studying the international aspects of conventional functional areas such as marketing, finance and organizational behavior, towards focusing on the unique issues facing firms engaged in cross-border activities.

Issue-based approaches to study IB-phenomena have often been received with skepticism by mainstream IB scholars, simply because each “issue” can be studied through a variety of analytical lenses such as economics, sociology, business history etc… Any issue-based collection of essays that does not build upon a clearly defined conceptual field therefore risks lacking coherence and even an underlying logic. In this case, it is debatable whether the twelve issues discussed in the volume and the methodological lenses adopted are the most relevant ones facing firms engaged in IB. However, this collection does include several chapters worth reading.

In the first part, Lorraine Eden’s economics-based piece on regional integration is useful as it provides a synthesis of the relevant literature. It is also a plea to pay more attention to the long run impacts of regional integration on business. The topic indeed deserves more attention, given the lack of progress on multilateral trade and investment liberalization. Jongmoo Jay Choi’s paper is somewhat surprising; it is a straightforward international finance piece, i.e., a reflection of the functional type of research that the editors were trying to distance themselves from. However, this is an intelligent paper. It makes the controversial suggestion that mainstream IB research, including John Dunning’s eclectic paradigm, has largely neglected the importance of financial parameters in international investment decisions. In reality, the financial issues discussed by the author can easily be interpreted in terms of ownership, location or internalization advantages, but his view suggests two important things. First, that mainstream finance so far has not accepted the dominant IB paradigm as a useful analytical tool. This perhaps explains the relative lack of high quality finance articles published in JIBS. Second, that mainstream IB scholars have done perhaps too little to sell the eclectic paradigm (or its internalization theory variation) to the finance area. This is somewhat worrying, when it is recognized that most, if not all, foreign direct investment decisions, although fundamentally distinct from portfolio investments, are always associated with capital flows. Especially in an era of global mergers and acquisitions, the short run trans-border flows may consist of capital only and no knowledge flows whatsoever. The author ends his chapter with the interesting point that as financial markets become more integrated, the potential portfolio benefits of geographic diversification for MNEs should decline. However, in practice more integrated capital markets may make it easier to realize portfolio benefits.

In the second part, Ravi Ramamurty’s paper on the relations between multinational enterprises (MNEs) and host country governments is an interesting read. The author suggests that most micro-
level negotiations between an MNE and host governments should now be viewed, not on a stand-alone basis, but within the macro-level context of prior agreements signed between the MNE’s home country government and the host country governments involved. The point is that micro-level behavior can only be understood if this broader, macro-level context is studied simultaneously, which has important implications for future IB research. The paper written by the brilliant Mauro Guillén on business groups and economic development is also a worthwhile read, although most of it was published before in AMJ. He provides a resource-based perspective on the rise of business groups such as the Chaebol in Korea and the Grupos in Argentina. His main conclusion is that powerful domestic business groups, engaged in unrelated diversification only arise in the context of government-imposed market imperfections (asymmetries in access to resources). It is doubtful whether this observation really constitutes “a major departure from economics thinking” (p.191). Rather, it looks like an interesting application and extension of conventional industrial economics concepts, whereby entry barriers set up by governments benefit particular incumbents, providing them the capability to diversify into unrelated industries, at the expense of both foreign MNEs and other domestic firms. The question not really answered in this piece is why specific domestic firms are granted resource access privileges and other ones are not. Here, the work by Jean Bodewyn and other IB-scholars on political firm-specific advantages could perhaps further enrich the author’s framework.

In the book’s third part on strategy, Xavier Martin’s chapter is particularly enjoyable. Martin is one of the most promising new scholars in the field of international business strategy, and this chapter synthesizes his insights (previously published in a number of top journals) on functional interfaces in interfirm relationships. He concludes that most horizontal alliances have a narrow functional scope, probably because each company involved seeks access to particular firm-specific advantages of the partner, while wanting to protect its broader operations. In contrast, vertical alliances, such as buyer-supplier relationships in the automotive industry, suggest a much broader functional scope that may span R&D, production and marketing, probably because the promise of multi-functional complementarities outweighs the danger of opportunistic behavior (e.g., by leaking information to other buyers or suppliers). Most importantly, Martin convincingly demonstrates that the study of alliances simply cannot take the firms involved as the only units of analysis. The study of business functions is critical here.

To conclude, this edited volume includes several well-written and insightful chapters, which make it a worthwhile addition to any business school library.

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