

What is, and to what Purpose do we Study, International Business?¹

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In the globalized, 'flat' world, do we still need a special field of study called 'international business' (IB)? Yes, we do, and more than ever, as I will argue in this essay. Opportunities to engage across national borders are rapidly growing in scope and complexity, while only marginally reducing the challenges of managing across borders. IB scholars explore how and why cross-national differences matter, and how businesses are able to transcend national (and other) differences. To this end, we integrate context and general theory, which allows us to not only advance theories but use our research to contribute to major debates in management practice and politics.

IB matters because Local Context matters!

On the international stage, businesses encounter a wide variety of opportunities and challenges that arise from their position as (initial) outsider to a local context different than their home country. These opportunities and challenges provide the starting point for IB scholars to investigate businesses that engage with, and bridge, multiple contexts.

Business, like any social activity, is shaped by its context. Hence management scholars, like other social scientists, deal with phenomena taking place in a specific social context. Identifying, describing, and assessing the context-bound nature of a phenomenon,

¹ The framing of the question draws on Friedrich Schiller's inaugural speech as Professor of Philosophy at the University of Jena, 1789: "Was heisst und zu welchem Ende studiert man Universalgeschichte?" (What is and with what purpose do we study universal history?)

however, requires researchers to step outside that context. In other words, when empirical scholars are embedded in the same context as the subjects of their research, they do not have the tools to identify, let alone assess, the influence of context. An insider will (normally) share many of the implicit assumptions with the subjects, and thus not be able to make these assumptions explicit. By stepping outside, IB scholars are able to provide deep knowledge of contexts in comparative perspectives, and reflect how phenomena are shaped by national contexts, and offer critical self-evaluation of a home context.²

IB researchers looking beyond single countries can recognize these contextual issues, make them explicit, and thus enable systematic analysis. This process is essential for theory development because it allows specifying the contextual boundaries of theories. Only when theories have received empirical support in a variety of contexts can we confidently assume their general (or 'universal') validity. Moreover, multi-country studies enable identifying and testing how context-level moderators impact on relationships proposed by theory.

This multi-functional and multi-disciplinary research agenda involves all aspects of business – from 'macro' themes such as the interaction of businesses with national government and supra-national organizations to 'micro' themes such as the cultural adjustments of expatriates, or consumer attitudes to foreign brands. In fact, for me personally, the interaction with scholars analysing businesses from a wide range of perspectives, yet with a common interest in the international dimension, is one of the most stimulating aspects of AIB events. What we share as a scholarly community is an acute awareness that national differences matter for individuals and organizations engaging in business.

This focus on how differences in (national) contexts matter for business, and how individuals and organizations deal with such differences is the basis for most contributions of IB research to mainstream management scholarship. They relate, firstly, to concepts and

² Context is a broad concept. IB scholars focus mostly on national context, though for some research questions the appropriate unit of analysis may be lower geographic levels such as provinces within countries or higher levels such as the European Union. In addition, industry (especially differences between manufacturing and services) and historical time explain many of the differences observed by businesses and empirical studies. For ease of argument, I focus in this essay on national contexts, though many arguments apply equally to other dimensions of context.

theories that help explaining the relevance of national context for business, for example (national) institutions such as culture, rules and regulation, political risk, economic systems, legal systems, psychic distance, and variations of these concepts.

Secondly, they relate to businesses bridging across contexts, for example, the theory of the multinational enterprise, process models of internationalization, the integration-responsiveness framework, or contemporary work on knowledge management in MNEs and on global value chains. Third, they relate to individuals crossing borders in the pursuit of business, for example as negotiators, cross-cultural teams, expatriates, global careers or other roles.

These research agendas serve at a primary level to better understand, and hence enhance, the operations of businesses that cross borders, or wish to learn from business practices observed elsewhere (Peng, 2004). However, at a higher level, IB scholarship goes beyond helping firms perform better. Internationally operating businesses make an important contribution to all the societies they engage with – which can be positive or negative (Meyer, 2004). By better understanding and explaining these interactions, IB scholars can lay the foundations for improved business practices – and perhaps even governmental regulation – that enhance the potential of business to make a positive contribution to society.

Indigenous Research and International Business

Like IB scholars, indigenous management researchers are acutely aware of the importance of local context. Indigenous research, or context-bound research, investigates business in a single context, while relating explicitly to global scholarly conversations, notably by exploring new phenomena through the lens of established theory, or by applying existing theories in novel contexts with the aim to deepen or extend them (Tsui, 2007; Meyer, 2007). The growing recognition of such indigenous research is reflected in the rising status of two journals dedicated to indigenous research in Asia, the *Asia Pacific Journal of Management* (APJM) and *Management Organization Review* (MOR), which achieved SSCI impact factors of respectively 3.1 and 2.4 in 2011, and were ranked them 21st and 29th among management journals in the journal citation reports.

Indigenous research is more than studying business in a particular country, such as the country the researcher originates from. For young scholars, a focus on a single country may be a good starting point for a scholarly career in the field. In fact, I continue to believe in the importance of geographic replication studies as a means to establish the contextual boundaries – or generalizability – of our theories (Meyer, 2007), notwithstanding the dismissive attitude of some esteemed colleagues. However, single country studies are often insufficient to generate knowledge of more than local value because they fail to identify what this context has in common with other contexts, and what is truly unique. I observe two common fallacies: one is to assume everything is the same unless proven otherwise (*a general theory illusion*); the other is to reject the applicability of experiences elsewhere and develop entirely new models that almost invariably ‘reinvent the wheel’ (*an exceptionalism illusion*). What brings us forward is the middle ground; research that deeply contextualizes yet engages with theoretical insights from elsewhere, and thereby develops theoretical propositions relevant across contexts.

An interesting case of a successful indigenous researcher with global reach is Ikujiro Nonaka, who was named Eminent Scholar of the AIB at the 2012 conference in Washington. Most of his empirical research investigated Japanese organizations, and identified organizational principles of knowledge management that in the first instance apply in the specific cultural context of large, Japanese firms. However, over a series of studies he developed concepts and theoretical frameworks (Nonaka 1994) that made his work relevant beyond Japan, eventually making him one of the most cited scholars in his field.

Indigenous research is complemented by area studies research offering deep and integrative knowledge of specific countries. Some business schools locate area specialists within an IB department because not only can area studies and IB mutually benefit from intellectual exchange, but many of the wider missions of a business school – especially teaching and policy advice – often require integrating deep understanding of local contexts with the conceptual perspectives of IB scholars.

Such integration is, however, not meaningful for a scholarly association. Most business schools have a clearly defined home base (not withstanding exceptions such as INSEAD), and hence it is feasible to define ‘international’ as ‘everything outside our national

borders'. In contrast, scholarly communities operate globally without focal home base, and hence there is no 'home' and 'abroad'.³ Including area studies in the scope of a scholarly IB association would imply that it covers any study in any business discipline anywhere in the world, which would result in the word 'international' losing its meaning. The fact that the *Academy of Management* uses such a definition of international in some of its statistics (Kirkman & Law, 2005) speaks to the ethnocentric nature of that association; in fact some non-US-based scholars find it rather insulting as it seems to imply that their domestic research is somehow distinct or less relevant than US-focused research.

While IB scholarship focuses on cross-border and comparative research questions, there are rich potential synergies between IB, indigenous research and area studies. As IB scholars, we need to continuously deepen our understanding of the contexts we engage with. This provides great opportunities for AIB, especially its Chapters, to develop new meeting forms such as specially-themed Chapter conferences, or joint conferences with other organizations focused on particular regions.

International Business and the Quests for General Theory

The ambition of leading journals in management is to publish papers developing "general theory" that is supposed to be valid context-free. Yet, IB researchers know that context is essential for explaining what businesses do, and hence context is central for most of our research questions. Both, general and the specific are important; they should be complementary, but they seem to be at odds in management research. Thus, I have recently been asking myself, *is the quest for general theory holding back advance in IB research?*

General theory is by necessity highly abstract: transaction costs make it less likely that a market is used for transactions, divergent objectives induce agents to behave differently than what principals want, institutional pressures induce individuals to obey social norms. Yet, in the application of these high level theoretical insights – be it for empirical testing or for developing advice for practice – we need to contextualize the relevant concepts to operationalize and measure them. Hence, we need informed opinions on what features increase transaction costs, what objectives motivate agents, or what social

³ Within the AIB, even the largest national group by university affiliation is a minority; US-based scholars account for 34.9% of the membership in June 2012.

norms people follow. In other words, empirical studies always contain an element of contextualization. The problem is that this is often not made explicit (or researchers may be oblivious of it, a likely scenario when they and their subjects are embedded in the same context). Likewise, when using general theory to generate advice for managers, we need to offer an informed view on what transaction costs, incentives, or social norms are most relevant in the context in which the company is operating.

Hence, theoretically, general theory and contextualization are different aspects of the same process: generating higher level knowledge that helps practice. General theorizing ought to make explicit the assumptions on which it is build, and contextualization can then assess these assumptions for a particular context, and thus enables the testing and application of the general model. The problem is, in my humble opinion, that this is not how management research is actually done, or communicated. Authors respond to the quest for general theory by going to great length to deny the relevance of local context to argue for the 'general' relevance of their findings, even scholars whom I know to be very knowledgeable about the contexts they are studying. What is worse, this writing style is actively pushed by many reviewers and even editors, as I can see this from my sizable collection of rejection letters.

To illustrate the point let me share a typical conversation with scholars in Asia. I am frequently asked by scholars at top Asian universities for my advice how to publish in 'international' journals. On one recent occasion, they told me of an AMJ editor – diplomatically omitting the name – who told them that the appropriate way to write a scholarly paper was to write the theory part in a general way, and not to mention that it is a study in China until they reach the method section. I bluntly told them that this was very poor advice, and really disqualifies the speaker as social scientist – in fact such an attitude likely attracts ridicule from other academic disciplines.

Any social phenomenon is shaped by its context, and it would be hypocrisy to pretend that anything observed in China would be the same elsewhere (unless you have solid evidence otherwise), just like it is hypocrisy to pretend that empirical findings in the US would equally apply universally – unless such this assertion is very carefully demonstrated (an essential topic for a discussion section). There are lots of reasons why firms and people

in the US would behave distinctly: the specific legal system, Anglo-American cultural values, the lack of deep history, low interpersonal ties, high geographic mobility etc. All these issues profoundly moderate management practice. Even if a concept can be translated to another language, the meaning of the translated concepts may be substantially different, especially for the sorts of abstract constructs used by management theorist, such as trust, legitimacy, fairness and even the basic notion of corporate performance.

The answer to my earlier question thus is, unfortunately, a qualified yes! It would be great to have general theories, yet a lot of what is published just pretends to be general theory but actually offers context-specific theory that fails to identify contextual boundaries. Worse, the guidance from the certain journals steers authors away from examining the contextual boundaries of theories, and is thereby inhibiting the development of truly general theory. IB scholars can offer a more promising route forward by studying multiple contexts, which enables separation of truly general from the context-specific, and hence of the advance of general theory as well as the application of theory to practice.

IB Scholarship Enhances Practice

Scholars of IB face great opportunities to translate their insights to both management practice and policy debates. The dual pressures for general theory and for practical relevance may be perceived by many management scholars as conflicting. Yet, in IB scholarship these two objectives find natural ways of integration. International themes create opportunities both for developing practically-relevant theory, and for developing tools to operationalize and possibly modify the supposedly general theories for application in a given local context.

In my view, the perceived lack of relevance of scholarly research by many practitioners arises in major part because they (and intermediaries, such as teachers and consultants) are given no guidance on how to apply the 'general' abstract concepts in their specific context. With our understanding of how and why context of business matters, we as IB scholars are – potentially – in a good position to act as bridge between theory and practice.

The integration of general and contextual knowledge puts IB scholars in a strong position to contribute to contemporary public debates. Businesses and media approaching IB departments with requests for advice often ask questions that require such integration, for example: “What strategies allow MNEs to cope with the global financial crisis?” (Meyer, 2009), or “What is happening in India/Mexico/USA today, and what are the implications of that for businesses from our country doing business there?” As IB scholars, we ought to be able to offer informed opinions on such questions – because if we can’t who can?

We could do even better in explaining phenomena of concern to business today. Specifically, we ought to devote more attention to new challenges faced by business, or new real world phenomena. It is theory-practice gaps that should drive new research projects and new theory development, not gaps in the theory per se. The identification and description of new phenomena plays an important role in this research agenda, though it may not be valued as much as it should by many management journals. In contrast, leading journals in, for example, economics frequently publish paper that are motivated by a real world question, a new phenomenon, or an empirical puzzle in a specific context, without the need to justify the research by “a gap in theory”. Such phenomena driven research – applying theory to new phenomena helps generating new insights relevant to trigger new theoretical work.

Conclusion

IB scholars examine how and why national business contexts matter, and how individuals and corporations manage such contextual variations. With an acute awareness of local context, IB scholars integrate context and general theories to generate new theoretical and practical insights. In pursuit of this agenda, they actively engage with specialists of both specific business contexts and of functional business disciplines.

Globalization accelerates business interfaces across countries, while only marginally reducing differences in national contexts. Therefore, IB scholarship becomes more important than ever. As IB scholars, we should pursue our research agenda more confidently in view of this broader agenda, and thus shape not only scholarly debates but both management practice and government policy.

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Will taking a theory to a fresh context enhance our understanding of the theory?