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IB or not IB?: A Retro-pro-per-spective

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ABSTRACT

We claim that IB is more B than I; that despite this IB scholars have made significant contributions of general interest and applicability that could be attributed to their I-focus; that theories and envelopes of fdi and the MNE, such as Hymer's and the OLI need to be integrated and extended; that more work is needed to delineate the I-aspect of IB; that a number of important IB innovations require improved understanding and theory development; and that from these the issue of global governance for sustainable value creation is likely to emerge as the single most important for IB scholarship.

Keywords: IB theory, Foreignness, IB innovations, Global economic sustainability

I. INTRODUCTION

Our aim is to propose and try to establish the following provocative and challenging propositions to International Business (IB) scholarship.

First, that in the extant conceptual foundations of IB, there is little specifically I. This applies to all theories of foreign direct investment (fdi) and the Multinational Enterprise (MNE), as well as theories (and envelopes of theories-‘paradigms’) of International Production (IP), notably the Ownership, Location, Internalisation (OLI). In addition, terms invented in the context of the development of the conceptual foundations of IB, notably ‘internalisation’ add little value to extant, more established terminology.

Second, despite the grim picture painted above, there have been remarkable contributions made within IB scholarship. All these are contributions of general applicability, that appear to have ‘happened’ to be made in the context of analysing IB-related issues. This suggests the need to explore whether a focus on the I, of IB, is a factor that can help explain such a successful record: and if it is, to develop the theory of IB to explicitly allow for I. Third, the current framework of thinking about IB issues has become outmoded. New developments point to a new phase of Internationalisation, with new strategies by MNEs, that require new innovative ways of dealing with such developments, namely IB innovations. We discuss such innovations and highlight what we consider to be the most challenging - the sustainability of the wealth-creation process, in a globalising environment.

Structure-wise, sections II, III and IV deal respectively with the three issues raised above. The last section (V) has concluding remarks, policy implications and issues for further research.

II. THE CONCEPTUAL FOUNDATIONS OF IB – MORE B THAN I

The foundations of IB as a separate field of scholarship are the economic theory of the firm and industry organisation, see Hymer (1960/1976), Horst (1972). Other fields such as strategic management benefited from similar cross-fertilisation with economics, but in the case of IB it is arguable that its very genesis (and much of the subsequent development of its core foundations) is economics-based. While early works on issues pertaining to international production, fdi and the MNE were topical in the 1950s, see for example Penrose (1956), Dunning (1958), it was the Canadian economist Stephen Hymer (1960/1976), that helped found IB as a new field, see Dunning and Rugman (1985). Hymer claimed that the pursuit of profits by growing firms already established in developed nations, will eventually lead them to consider 'foreign operations' such as exports, licensing, franchising and fdi. All these modalities had their own advantages and disadvantages but on balance fdi was superior in terms of the control it afforded to the firms. This superior control allowed firms to deal with international Rivalry (R), (specifically reduce it) as well as to exploit better their monopolistic Advantages (A), by leveraging them in-house, instead of through the open market.

The benefits from in-house leveraging of advantages related to market failures, (such as fear of appropriation by rivals, and the high costs of market transactions), as well as firm advantages, such as the speed and efficiency of transferring intra-firm (versus inter-firm), advantages which had the characteristic of a 'public good' (non excludability), and/or involved tacit knowledge, see Dunning and Pitelis (2008). Fdi also had the benefit of risk diversification (D), but for Hymer, that was a lesser reason because it did not involve control (Hymer, 1976, p25). Overall the RAD (from Rivalry reduction, Advantages, risk Diversification) benefits of fdi explained both its existence (thus the MNE), and why MNEs were able to compete with locally-based rivals in foreign countries, despite some inherent disadvantages of being foreign (Hymer, 1976, p46).

Subsequent development in the theory of fdi and the MNE developed, often independently, ideas in Hymer, and focussed almost exclusively on the A part of his work . In particular, the now classic contributions of Buckley and Casson (1976), Rugman (1980), Teece (1977), Williamson (1981), Dunning (1998) and Kogut and Zander (1993) explore the various reasons why intra-firm exploitation

of advantages can be preferable to inter-firm ones, see below. The R has been downgraded, except in works such as Vernon (1966, 1979) and Graham (1990)ⁱ. The D has not been very influential, partly due to a widespread idea the shareholders can diversify risk by themselves, therefore there is no need for firms per-se to do this, see for example Porter (1987). Nevertheless, gradually a sub-area emerged within IB, exploring the impact of inter-national diversification on firm performance, see for example Delios and Beamish (1999), and Qian et al (2008) for a recent account and new evidence.

In terms of the explanandum, 'internalisation' scholars, see Rugman (1980), focussed on explicating fdi and the MNE. Vernon's (1966, 1979) 'Product-life-cycle' approach and Dunning's OLI, instead had the wider objective of explaining international production. The last mentioned involves broader considerations than the internalisation of advantages, hence Dunning's focus on location, and Vernon's emphasis on inter-firm rivalry intra- and inter- nationally. In addition to the above, Vernon's two variants (Vernon, 1966, 1979), involve an element of dynamics, (as he aims to explain the process of internationalisation). This is mostly absent in internalisation theories, as well as the OLI.

Subsequently, Dunning aimed to rectify this, by developing the concept of the investment development path, see Cantwell (2000) for a critical account. A stages approach has been developed by the Scandinavian school, (see for example, Steen and Liesch, 2007) which explains the choice of location by MNEs partly in terms of familiarity and 'psychic distance' of markets. 'Psychic distance' is likely to be negatively linked to Hymer's liability of being foreign. More recently, the idea of the 'liability of foreignness' emerged as an important sub-category of IB scholarship, see Zaheer (1995).

The theme of knowledge and learning is addressed by Hymer (1972), Buckley and Casson (1976) and Kogut and Zander (1993). It has become more popular following the emergence of the resource-based-view (RBV) and knowledge-based views of the firm, see Penrose (1959), Teece (1977, 1982), Wernerfelt (1984), Barney (1991), Peteraf (1993), Foss (1996) and Mahoney (2005) for a critical survey. RBV and learning-based-ideas have been used to provide more dynamic interpretations and updatings of Dunning's OLI (as an envelope of other theories), see for example Dunning (2001), Pitelis (2007), as well as to explore linkages between theories, such as Penrose and the Scandinavian

approach, see Steen and Liesch (2007). Recent interest in institutions and development, moreover, see for example North (1994), led to cross-fertilisation between IB and development economics, see Dunning (2006).

One of the ‘advantages’ of being an MNE involves the existence of a portfolio of subsidiaries. Leveraging subsidiaries skills, as well as identifying the best way to do this (for example through ‘granting’ subsidiaries relative autonomy, or keeping ‘tight’ controls), has emerged as an important issue in IB, see Hedlund (1986), Birkinshaw (1997a,b), Birkinshaw and Hood (1998; 2000), Eden (1991), Yamin and Forsgren (2006). The extent to which MNEs are genuinely ‘global’ or just regional, is a current issue or debate, see for example Rugman (2005), Collinson and Rugman (2008) and so is the issue of the degree of ‘flatness’, or ‘integration’ of global economy, see Ghemawat (2007), Friedman (2005) for opposing views. The inter-relationship between globalisation or regional integration of nations (for example the EU, NAFTA, ASEAN) and between MNEs and regional clusters, have acquired significance, see Hill (2006). The former is a variant in the old theme of the relationship between MNEs and nation states, see Penrose (1956), Hymer (1970; 1972) for some original views, the latter as the relationship between local and global the importance of location and their impact on economic development, (Hymer, 1970; Dunning, 1998; 2006; Birkinshaw and Hood, 2000).

Interestingly, the above are but a subject of the fascinating journey of IB scholarship over the past 50 years or so. Much more happened, perhaps too much to mention here, without a serious risk of upsetting the major protagonists.ⁱⁱ The use and development of Hymer’s early ideas in formal economic models (see Markusen, 1984) and, the exploration of linkages between finance and IB, see Lessard (1982), Agmon (2006) spring to mind. So does the incorporation of MNEs in competitiveness models, such as Michael Porter (1990) by for example Dunning (1993) and Rugman and Verbeke (1993) and in formal international trade theory, see Krugman and Obstfeld (2006) and Head and Meyer (2003).

Despite this very impressive journey, we claim that there is nothing specifically I about the above account of IB. All three elements of Hymer's triad, R, A and D, apply equally well to diversified firms within a nation. This is true concerning Hymer's own explanation as to why fdi, and Hymer's and subsequent 'internalisation'-type theories. It is not even clear whether the term 'internalisation' itself, adds much to the more established, and widely used term 'integration'. The ideas of Buckley and Casson, Williamson and Kogut and Zander apply equally well to intra-national diversified firms, as to inter-nationally diversified ones there is nothing specifically I about them. Unfortunately, the same is true for more general or envelope theories, such as Dunning's OLI. In OLI for example, O, L and I apply equally well at the N-level as to the I-level. To a lesser extent, the same is true for Vernon's (1966, 1979) theory, provided that a nation is large enough to exhibit inter-regional disparities. It is also true for the leveraging of subsidiary skills concept, for the case of M-form firms within a nation (which leverage the skills of their business units). To drive the point home, there is little specifically I in the whole literature of the theory of fdi and the MNE, there is mostly B.ⁱⁱⁱ What is distinct about fdi and the MNE is the F and MN respectively. Only theories that account explicitly for factors that are unique to F and MN, and could not be relevant to the core of non-F are of value in explaining any unique character of the MNE and FDI. Such ideas relate, by definition, only to the literature on the differential degrees of the liability of being foreign (that is relevant contributions by Hymer, 1976, Zaheer, 1995), the Scandinavian school and Dunning's investment development cycle, and related ideas. We need to draw on such ideas in order to develop genuine IB foundations.

Unique about F and MN is the existence of Borders, the existence of different sovereign Nations, all with a legal monopoly, of violence over they legal subjects (individuals and firms), to include the legal monopoly to TAX them (see North 1994). Accordingly a legitimately I theory of IB needs to explore the differential costs and benefits of the existence of different sovereign legal jurisdictions, or, differently put, the scope to leverage any net benefits from the absence of flatness, or the presence of semi-integration (Ghemawat, 2007). Once integration is perfect we no longer have different Ns, therefore the I in IB, the F in Fdi , the MN in MNE. In a semi-integrated world, the theory of IB should be about the uniqueness of I. It is not clear that current competencies within IB are best posited

to do this. The uniqueness of F has to do primarily with institutional, regulatory, cultural and economic developmental and macroeconomic (to include tax) issues. From there the first three can be relevant also within some especially large countries. In the US, for example, differences in institutions, cultures and regulatory regimes can exist between different states. On the other hand, any differences between degree of economic development, the macroeconomic regime (to include the tax one) and fiscal or monetary policies are unique in different nations or groups thereof, if countries have ceded part of their autonomy, (such as in the determination of interest rates in the case of EMU – European Monetary Policy – countries in the EU).

The current competence-base of IB scholarship is management, or industrial organisation (IO) and theory of the firm-based economics. To deal with the issues of institutions, development and macroeconomic regimes, to include taxes, and trade regimes (to include non-tariff barriers), more input is required from international political economy (IPE), institutional theory, development and trade economics and even macroeconomics, see Hines (1996).^{iv} To the extent that F relates to differential risks financial economics also becomes critical in dealing with the D aspect of Hymer's triad.

To summarise our argument so far, IB as it currently stands is more B and less I. The theory of fdi, and the MNE in particular, is almost exclusively non-I. In order to develop a genuine IB, more focus is needed on the F-aspect. A number of theories and sub-themes within the IB, such as the liability of foreignness concept, Dunning's investment development cycle, the Scandinavian school, and more recent works on development and institutions, exhibit an understanding of the need to deal with F. So does work on the importance of the national business cycle on outward investment and the importance of national characteristics, such as taxes and differential risk, in explicating fdi, see Head and Meyer (2003). Clearly, more needs to be done in this direction. We identify different degrees and stages of development, decoupling the business cycle and institutions and culture as particularly important areas in need of development within IB, see Bhagat et al (2008) for recent progress on institutions and

cultures. This means a shifting of balance in IB from its current focus on B, to a re-focus in international political economy (IPE).

As regards the theories of fdi, the MNE, and international production, existing frameworks such as Hymer's RAD and Dunning's OLI, are no longer adequate. The OLI focuses on the A element of RAD at the expense of R and D. There is nothing unique about R and D in being I. None of these is to claim that RAD is not useful in explaining fdi and OLI in explaining international production.

However, they both need a re-focus on the specifics of the F. There is an alternative. To accept the idea that IB is not a field in its own right but rather B, that happens to focus on I-elements; and as more and more B becomes I, for IB to be about everything and nothing in particular, see Eden (2008). Clearly, this is not an unknown idea in business school circles, which sometimes question the *raison d'être* of a separate IB group, or courses, see Eden (2008). We feel this is neither fair, nor the way forward for IB. We do, however, appreciate that there is some validity in such concerns, much for the reasons we outline earlier in this section – the failure of IB to focus on the F. This can be and should be rectified, see Tung and van Witteloostuijn (2008).

III. THE CONTRIBUTION OF IB – MORE THAN MEETS THE I

Our provocation and challenge in the previous section, could make one forget that IB as a field has good reason to celebrate its achievements. Hymer's RAD framework introduced explicitly for the very first time in the literature the concept and importance of firm Advantages, and the issue of how best to exploit them intra-firm versus inter-firm. The answers Hymer provided, included the very first post-Coase transaction-costs-analysis (Hymer, 1968), that predated the works of Buckley and Casson (1976) and Williamson (1981), see Casson (1990). It also included capabilities, knowledge and learning-based arguments, that predates the works of Teece (1982) and Kogut and Zander (1993) - see Dunning and Pitelis (2008). His Rivalry reduction thesis, leading to collusion, and the interpenetration of investments and market sharing ideas, predated and/or informed literature in IO, see Cowling (1982) and Michael Porter's (1980) work on competitive strategy.

The work of Buckley and Casson (1976) on the ‘public goods’ nature of knowledge, engendering ‘internalisation’ was a momentous insight that helps inform not just the MNE and fdi but intra-national integration/internalisation strategies of firms. The same is true for the works of Kogut and Zander (1993). Dunning’s pursuit and generalisation of the Advantages thesis is pathbreaking, not just for IB. Today, general management scholars move increasingly towards the appreciation of the capturing value from Advantages approach, that Hymer established, and Dunning developed and completed – see Teece (1986), Research Policy (2006), Academy of Management Review (2007), especially Lepak et al (2007) and Teece (2007).

Moving away from fdi and MNE-related explanations, to the more international management-related ideas, the idea of leveraging subsidiary skills and reverse-knowledge-transfer are of essence in appreciating the advantages of multi-divisionality, see Hill (2006). The work of Chandler (1962) and Williamson (1981) that focused on the M-form and its profitability, vis-à-vis the unitary (U-form) firm, focused more on the cost-reduction side, and the benefits accruing from the tight control of divisions, than on the revenue-enhancing side; see especially Williamson (1981). The works of Barlett and Ghoshal (1993), and Birkinshaw and Hood (1998) helped rectify this and develop the issue of the advantages of multi-divisionality, by looking at the revenue side too, and the degree to which this can be affected by the integration/autonomy trade-off.

The above are just a few instances where IB scholarship has led to very significant contributions that lead the work on general (strategic) management, rather than simply applying extant concepts to issues with an I focus. This raises the question of whether a particularly IB focus is of importance in developing ideas, which may well end up being of more general use and applicability, but which might well have not appeared, delayed to appear, or remained less developed, in the absence of the I-focus of IB scholars. Clearly, the answer is hard, as it involves a counterfactual. However, we feel it is likely to be on the affirmative. Dealing with inter-national firms helps sharpen focus and zeroing-down on essential issues which can be lost within a national focus. While a US firm can license in other US

firms too, at the time of Hymer's writing, licensing by American firms to Japanese ones and/or undertaking fdi instead in Europe, were far more pressing and visible issues than licensing to a US firm. The nature of knowledge (whether a public good tacit, or something else) is arguably more pressing when dealing with overseas operations, not least because the downside risk of failure can be higher than in intra-national investments. Leveraging subsidiary skills, and effecting reserve knowledge transfer are similarly likely to be more severe in the context of inter- rather than intra-nationality.

In all, while there is little specifically I about much of extant theory of fdi, MNE and international production, IB scholars can nevertheless be proud for leading rather than lagging, theory development on general (strategic) management. Arguably this is due to the particularly visible and pressing issues characterising firms involved in foreign operations that help sharpen the issues and focus analytical thinking.

Having said this, we claim that extant theory of fdi, the MNE and IP can benefit from an integration and extension of the frameworks provided by Hymer and Dunning, especially to account for the contribution of Penrose (1959). In particular, OLI is part of Hymer's RAD, where now A involves O, L and I-types of As. As As, are not just monopolistic, (as claimed by Hymer), but involve both efficiency and (temporary) monopoly, they can better be described as value creating Advantages. The objective of firms, in this context, is not to capture value from monopolistic Advantages as in Hymer, but to capture value from value creating Advantages (AMR, 2007). To do this firms need to identify, leverage, and keep upgrading their 'productive opportunity' (a term proposed by Penrose, 1959, to describe the dynamic interaction between a firm's internal resources and external environment, the last mentioned including competition). Moreover for Penrose (1959) firm growth is not motivated simply by the pursuit of higher profit rates, resulting from increased levels of output, leading to lower unit costs (as in Hymer), but also from endogenous pressures due to intra-firm learning, which release 'excess resources' that can be put to profitable use at minimal marginal cost (as they have already been paid for).

The concept of 'productive opportunity' includes Hymer's R concept. It accounts for more recent RBV developments that focus on firm heterogeneity and can incorporate the concept of inter-firm rivalry, but also intra-firm rivalry and intra-firm and inter-firm cooperation (Pitelis, 2007).

Foreignness, Advantages (OLI) and Productive Opportunity (FAPO) are the three major elements that need to be woven together to develop a more comprehensive theory of fdi, the MNE and IP. OLI is a part of A; Rivalry reduction and risk diversification are part of the two more generic terms of Productive Opportunity and Foreignness. From the three, it is only the F that is generic to IB. A (OLI) and PO are of a more general nature and applicability.

In order to develop the F part, as a determinant of fdi, the MNE and IP, more resources need to be leveraged on the issues of national business cycles; different stages in national development; different macroeconomic, institutional and cultural regimes. All these are underresearched. We are aware of no published econometric test of the impact of the business cycle on fdi. This is despite the huge importance of 'market saturation', of push factors and 'market demand and demand growth' as pull factors of fdi in the literature, see Hill (2006) for accounts. The possibility of 'decoupling' (that is that emerging markets now gradually sever their linkages with developed markets and therefore manage to offset economic downturns in the developed world, such as the one we are experiencing right now), see Akin and Kose (2008), is extremely topical among financial economists, practitioners and journalists, see the *The Economist* 2008 (pp. 91-92). We are aware of no econometric analysis of the impact of de-coupling on fdi flows, although there is increasing awareness of the potential role of emerging markets, and catching-up on fdi; see Paul and Wooster (2008).

The role of different regulatory contexts on fdi, so far concerns economists more than IB scholars, see Culem (1988) and Wheeler and Mody (1992). On the other hand, work on the importance of institutional and cultural determinants of fdi acquire increasing interest, see Dunning and Lundan (2008) and *JIBS Special Issues on Internationalization – Positions, Paths, and Processes* (2007) and *Conflict, Security and Political Risk* (forthcoming). Much more work is needed on all these fronts

to help delineate and sharpen the distinction between B and IB – this is not the case to date, but it is both useful and necessary. Such work can build among others on the contributions or the liability of foreignness literature, (Zaheer, 1995), uneven development (Eden, 1991), Bartlett and Ghoshal's (1989), integration/ national adaptation contribution, Dunning's work on the investment development cycle, the risk diversification afforded by investing in different countries, existing literature on institutional, cultural and regulatory differences among nations, see Hill (2006) for accounts.

In all, IB is currently more B than I; however, the contribution of IB scholarship to B is admirable; despite not being specifically I, this contribution seems to have benefited from the sharper focus afforded by looking at I-related issues; extant frameworks on fdi, the MNE and IB need to be integrated and extended – a FAPO framework is arguably more general than and inclusive of Hymer's RAD and Dunning's OLI; there is much more work required to delineate the F in FAPO (or the I in IB) than currently available, some of it in areas where extant IB competence is challenged. This includes the analysis of institutional, macroeconomic and cultural issues.

IV. IB INNOVATIONS

There exist significant IB innovations, that require improved conceptual foundations to be better appreciated and integrated within IB scholarship; the coincidence of internalisation and externalisation and the move from closed to open innovation by MNEs and/or the combination of the two; the 'portfolio approach' to entry modalities; the leveraging of the advantages of others; foreignness as an asset, not liability; MNEs as 'global optimizers' and orchestrators of the global wealth creation process; tensions between global value capture and the sustainability of the global wealth creation process and the challenge of 'global governance'. Some received attention, some others less so. Increasingly we feel they are becoming topical and pressing. We discuss them in turn.

Historically firms grew through integration. That was the world described by Chandler (1962), Penrose (1959), Schumpeter (1942) and Hymer (1976). Hymer predicted externalisation through

subcontracting, but externalisation and outsourcing only acquired significance in the past fifteen years or so, see Teece (2006a). There is nothing inherent about growth through integration. Firms can grow by combining integration with dis-integration, internalisation with externalisation, specialisation with diversification, see Kay (1997). We need a better appreciation on the role of F in this context. For example, could it be that increased global integration helps engender specialisation alongside the outsourcing of some activities. Which activities do (should) firms externalize and which ones should (do) they keep in-house?

One major activity that firms, especially MNEs used to internalise is R&D. These days many firms move to open innovation, or combine 'closed' with 'open' innovation, see Chesbrough (2003). Often this involves keeping sufficient in-house R&D to create the 'absorbive capacity' to identify (or even develop) 'open' innovation opportunities created by others, or in collaboration with others (such as universities), that can be captured by the MNEs, see Research Policy (2006). Can IB scholarship help us understand this better? In particular does being an MNE help explicate the move from closed to open innovation, or their combined use?

Despite Hymer's and much of IB scholarship's focus on the advantages of fdi many MNEs today, for example Starbucks, adopt a 'portfolio approach' combining simultaneously fdi, franchising and inter-firm cooperation. What are the implications of this, for example on the unit of analysis. Would it be more appropriate to move from the firm-level to the activity or even the project-levels, to analyse the choice of modality?

The decisions of many MNEs today on the issues of RAD, OLI (or FAPO for that matter), seem to be synchronous, based on learning, anticipatory change and proactive behaviour aiming to make these changes come true, to the extent possible, see Penrose (1959). Extant theories of the MNE, including FAPO, are not well designed to account for such behaviour, they are far too positivist, rationalist and static. It is challenging to marry the ideas of MNEs as 'global learners' and 'global optimisers' prevalent in the literature on the 'transnational solution' (Barlett and Ghoshal, 1993) and 'meta-

nationals' see (Doz, et al, 2001), with the idea of bounded rationality, uncertainty, path dependence, anticipatory, proactive, conflict-ridden, (and frankly quite messy), behaviour implied by less positivist works such as that of Simon (1995) and Cyert and March (1963) and Nelson and Winter (1982). A better understanding of such issues is essential for progress within IB scholarship, especially given a tendency to regard MNEs as omniscient and omnipotent, by supporters and critics alike, see Hill (2006).

Hymer and the subsequent literature on the Liability of Foreignness (such as Zaheer, 1995) usually fail to look at the flip-side, foreignness being an asset or indeed being turned into an asset. There are numerous ways through which this can happen, quite independent of the advantages MNEs need to develop in order to offset the liability. Foreignness can be an asset per-se, when foreign is perceived as novel or better (even when it is not), when it can allow one to be forgiven for making errors (not allowed to locals), when it can provide a requisite 'distance', that can help morals become more loose, allowing some more grey acts than a local politician for example might be prepared to consummate with a local firm-entrepreneur. Firms could try over time, moreover, to turn foreignness from a liability to an asset or even to a (dynamic) capability. These issues need much more exploration than currently available in IB.

In trying to capture value from their value creating advantages, but also those of others, MNEs become increasingly more aware of the systemic benefits of overall value creation. They can help the creation of value by funding universities, collaborating with rivals, encouraging their employees to set-up their own firms (sometimes competitors), helping competitors to innovate. Large companies, like Siemens and Microsoft do this, many others like IBM and Apple focus on their complementary integration, design and marketing capabilities, to package extant knowledge in attractive new products. Gradually from 'system-integrators' (Nolan, 2001) within the firm, sector, region or nation, MNEs tend to become orchestrators of the global value creation process – a role traditionally being the prerogative of nation states. This can be good and a challenge. Good, because it makes MNEs interested in global

value creation, so as to capture as large a part of it as possible. A challenge, because value capture may undermine the sustainability of global wealth creation.

An easy way to visualize this possibility is by considering the world as fully integrated-flat. In such a world any restrictive practices by large firms, would tend to lead to monopolistic imperfections, in terms of reduced consumer surplus and innovation, therefore static and intertemporal efficiency, see Baumol (1991, 2002). If large firms are tempted to pursue such practices in order to capture value and if nation states try to help them through strategic trade policies and protectionism to include non-tariff barriers, see Allsopp and Boltho (1987) this would tend to undermine global efficiency and wealth creation in a similar way. Time inconsistency issues may have similar outcomes, even in the absence of conflicting interests. It may not be advisable to rely on enlightened interest by MNEs especially given the 'free-rider' problem, see Olson (1971). In this context, the issue of how to institute global governance structures which aim at enhancing the sustainability of global wealth creation, is critical. Some work in this direction has been done by Moran and Ghoshal (1999). More is needed on this front, especially in an IB context.

The question of how MNEs may internalise the potentially harmful externalities of some of their operations and the type of global governance most conducive to the sustainability of the global value creation process is in our mind the single most important issue on which future IB scholarship should focus on. By its nature this requires more IPE-related competence than it is currently available among IB scholars.

V. CONCLUDING REMARKS, POLICY IMPLICATIONS AND FUTURE RESEARCH

We suggested that IB is currently more B than I; however, IB scholars made very important contributions of general value and applicability which might not have happened were they not working in an I-context; nevertheless extant theories and models on fdi, the MNE and IP require integration and development to account for more recent developments (in particular Hymer's RAD and Dunning's

OLI frameworks can be usefully integrated in a FAPO framework, where the A includes OLI); that all theories and envelopes including FAPO require better delineation of the F, which need to draw on the business cycle, developmental stages and paths, issues pertaining to liability of foreignness, the integration/adaptability debate, and macroeconomic, institutional, regulatory and cultural differences between countries; that current IB competences may fall short of the requisite task and that a shift of focus is required from B to I-related competences, notably IPE.

The above is strengthened when one considers other innovations in IB practice, theory and strategy, which include the issues of; a portfolio approach to entry modalities; a combined approach to internalisation and externalisation; a combination of closed and open innovation; the potential benefits of foreignness; the apparent tension between MNEs attempts to act as global learners and global optimisers in an environment characterised by imperfect knowledge, path dependencies and uncertainty and which requires marrying stability and change through decision making based on anticipatory change but also proactive behaviour aiming to align anticipation and reality; that the ability of MNEs to capture value from the advantages of others may turn them gradually into orchestrators of the global value creation process; yet tensions between value capture and value creation, to include problems of time inconsistency, may undermine the global value creation process, rendering in our view the question of how to effect best practice global governance for sustainability, the single most critical concern for the future of IB scholarship.

The policy challenge for MNEs, and government policy matters alike is to identify ways through which mutual long-term benefit can be effected through sustainability. For MNEs this would involve the avoidance of restrictive practices, for policy makers the setting-up of institutions, regulations and policies that promote innovation and sustainability. These could include an international organisation, like the WTO, with sustainability at its core agenda.

Much more research is required to address these issues, to appreciate better the innovations we discussed, to delineate the I in the IB, to appreciate better the tensions between bounded rationality,

learning and attempts to global optimising, value capture and value creation. A shift of emphasis away from B and more towards I may be needed, with competences in IB scholarship on this front arguably challenged. Bringing in more IPE scholarship can help in this direction. There is certainly enough to be done for the next 50 years and these look bright for IB scholars and scholarship.

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ENDNOTES

ⁱ See also Buckley and Casson (1998), and Cantwell (2000), for a more comprehensive account.

ⁱⁱ Cantwell (2000) provides a comprehensive account of developments, up to the late 1990s.

ⁱⁱⁱ Our observation generalises an earlier insight from Penrose (1976) that Hymer and Coase-type theories on the MNE failed to deal with the differential specifics of being an MNE – being multi-national.

^{iv} For an account of macroeconomic approaches, see Cantwell (2000)