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## Six Decades of International Business Research: Where Next?

### *Abstract*

This article portrays the evolution of international business (IB) literature. We review the main issues and theoretical assumptions that have dominated research in the IB field during the last sixty years. Moreover, on the basis of the essential paradigms developed, we analyse what issues are of interest and may represent a potentially fruitful arena in which to develop future scholarly research.

**Keywords:** International business research; Literature Review; Future Research Development

### **Introduction**

A lot has been said about international business (IB) and multinational corporations (MNCs) in particular. As the international economy has evolved and changed over time, different questions and concerns have been raised among management scholars. Why and when do firms internationalize? What are their home and host countries? Which entry mode do they choose? Why do multinational enterprises exist? When do they become multinationals? How do they organize international strategy and activities? In order to answer these and other questions, many theories and different perspectives have been developed in efforts to further understand various aspects of the international business arena.

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The process of theory development is gradual and incremental, in parallel to business changes and environmental evolution. A lot of water has passed under the bridge since the 1960s when the first IB theories based on market imperfections were proposed. As a result, MNCs have been examined from different disciplines and points of view, yielding a great and diversified array of theoretical research. Many ways of understanding the MNC and its diverse patterns of behaviour have been hitherto developed; yet, focusing on only one stream of analysis can severely limit the power of explanation of the IB field. Therefore, to support and advance theorization in IB, the aim of this article is to review the main issues and theoretical assumptions that have dominated research in international business during the last sixty years in order to discover the basic paradigms on which the present literature is grounded. Therefore, the present article briefly explains the evolution of existing thought on which new and future theory and models can be built.

In addition, although theoretical and empirical research has succeeded in answering many of the questions mentioned above, there are still many challenges to be confronted and new questions to be answered. Accordingly, we try to go further, analysing which issues are of interest today and may represent a potentially fruitful arena in which to develop future scholarly research. In short, we contribute to a better understanding of what we know about IB up until the present and also what we would like to know in the immediate future.

In order to better understand this co-evolution of theoretical development and changes in the business environment, we dedicate the next section to explaining the birth of modern international business literature. Section three is dedicated to the development of IB theory with the arrival of the new century. After this overview of the field, the fourth section lays out several challenges and future lines of research and the final section presents the conclusions.

### The birth of modern international business literature (1960s to 1980s)

Primary concerns about IB arose for the first time in the early 1960s when trade and investment barriers increasingly broke down around the world and, as a result, MNCs began to take on a leading role. It was around that time when the knowledge base of the field laid the foundations for the emergence of a new area of study with its own identity and an independent position in relation to other areas of business research. Indeed, it was actually marked by the foundation of the Academy of International Business, the leading association of scholars in the field, in 1959. Table 1 summarizes the main theoretical contributions in the field during this period.

Table 1. Theories on international business (1960-1980s)

Main contributions	Research questions	Answers and assumptions	Authors and references
<b>Capital transfer and portfolio theory</b>	Why do firms internationalize?  Before the 1960s	<ul style="list-style-type: none"> <li>- International movement of financial capital</li> <li>- Differences of market capital between countries</li> <li>- Diversification of risk and investment and business portfolios</li> </ul>	Markowitz (1959); Tobin (1958); Aliber (1970)
<b>Monopolistic advantages</b>	What is the origin of internationalization strategy?  The 1960s	<ul style="list-style-type: none"> <li>- Liability of foreignness and ownership of competitive advantages</li> <li>- Imperfection of international markets</li> </ul>	Hymer (1960); Kindleberger (1969)
<b>Life cycle of the product</b>	Why and when do firms internationalize?  The 1960s	<ul style="list-style-type: none"> <li>- Introduces a dynamic conception of internationalization linked to innovation</li> <li>- The life cycle of the product explains the process of internationalization of the firm</li> </ul>	Vernon (1966)

Main contributions	Research questions	Answers and assumptions	Authors and references
<b>Internalization theory</b>	Why do firms practice foreign direct investment? What is an MNC? Why do MNCs exist?  The 1970s and beginning of the 1980s	<ul style="list-style-type: none"> <li>- Transaction costs theory</li> <li>- Multinationals (internal markets) are more cost efficient than external markets</li> <li>- International value chain fragmentation to take advantage of imperfect markets</li> </ul>	Caves (1971); Teece (1976) Buckley and Casson (1976); Rugman (1981); Hennart (1982); Porter (1985)
<b>Eclectic paradigm</b>	Why, how, and where do firms make foreign direct investment?  The 1980s	<ul style="list-style-type: none"> <li>- Ownership of competitive advantages</li> <li>- Locational advantages</li> <li>- Internalization of advantages</li> </ul>	Dunning (1979; 1988)
<b>Uppsala internationalization process model</b>	When and how do firms internationalize?  The 1970s and beginning of the 1980s	<ul style="list-style-type: none"> <li>- Internationalization follows a gradual learning process</li> <li>- The lack of knowledge about foreign markets determines the international strategy of the firm</li> <li>- International expansion is made cautiously, sequentially, and concurrently as the firm learns to operate in foreign markets</li> </ul>	Johanson & Vahlne (1977); Johanson and Wiedersheim-Paul (1975)

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The first contributions in the field attempted to respond to simple inquiries about what impels a firm to invest abroad or what advantages MNCs have over domestic competitors. Early answers were sought in the international movements of financial markets. Firms internationalize to diversify risk and investment portfolios in order to take advantage of international capital market imperfections, such as currency exchange rates and differences in interest rates on debt (Tobin 1958; Markowitz 1959; Aliber 1970). Accordingly, firms gain higher returns by moving capital from a low-interest and strong currency country to a high-interest and weak currency country. However, these explanations were not completely satisfactory because, on the one hand, they considered only financial flows across countries and no other kind of investment, such as setting up factories abroad or transferring

knowledge, products, and technology. On the other hand, they only reflected the direction of the post-war expansion of MNCs (i.e. the American takeover of Europe after the Second World War and the Japanese takeover of Southeast Asia in the late sixties and early seventies) and were unable to clarify other capital flow directions between countries within the same currency areas and with the same interest rates (Buckley and Casson 1976).

To overcome these constraints, Hymer (1960) and Kindleberger (1969) explained the motives for internationalizing by focusing on the firm's operations across borders instead of international capital movements. They argued that only firms that enjoy some kind of *monopolistic advantage* over domestic companies can outweigh the adverse effects of the *liability of foreignness*. This concept, long-established yet still up-to-date, symbolizes the burden and prejudice faced by foreigners in any country in the world. The liability of foreignness is not only explained by the currency conversion risk associated with doing business in foreign countries, but also by discrimination from local authorities and consumers and by the ignorance of the firm about the new distant host environment. In fact, this last factor is the only one that a foreign company can diminish by trying to learn more about the host country (economy, language, institutions, culture, relations, etc.). However, the liability of foreignness always exists at the beginning of the internationalization process and the only way to overcome it is to possess a certain monopolistic advantage that compensates for this constraint. The origin of this advantage was always considered to be found in the home country and based on goods markets (product differentiation, marketing skills, etc.) or factor markets (patented technology, favourable access to capital, managerial and organizational skills, etc.). All in all, this perspective of foreign direct investment turns out to be a theory of

market imperfection, because obtaining power through monopolistic advantages is a necessary condition to invest abroad and become an MNC (Forsgren 2008).

Aside from these arguments, and in the same period, Vernon's 'product cycle theory' (Vernon 1966) tried not only to answer why firms internationalize but also to explain the timing and the pace of the location of production. As a result, this theory introduced for the first time a dynamic conception of the internationalization strategy, putting less emphasis upon market imperfections and cost efficiency and more upon the timing of innovation, the effects of scale economies, and the uncertainty of trade barriers (Vernon 1966). The product cycle theory distinguishes between three stages in the internationalization process: the first is the *new product stage* where innovation and production activities are located in the advanced home market close to entrepreneurs in order to be more aware of opportunities and also as a way to save on the costs of communication and transport. The second stage, the *maturing product stage*, is characterized by the clear definition of the technology and the product and more price-elastic demand in the home-market. Therefore, in this phase it is less important to be close to the final market, but productivity and cost issues gain much more importance. Moreover, when young foreign markets grow, they are served by exports just until the moment when marginal production and transport costs overseas become lower than the average cost of production in the home country. In that moment, the last stage, the *standardized product stage*, often takes place in the process, and this is characterized by low product differentiation and market competition based solely on price. Hence, the most labour-intensive stages of production are transferred to developing countries with lower wage costs. Then, the home market is finally covered by operations located in host countries through imports, thus closing the complete product cycle.

All of these contributions made in the 1960s established the bases for the subsequent development of MNC theory during the following decade (1970s-1980s). At that time, under the influence of the economic viewpoint and without abandoning the market imperfection perspective, *internalization theory* emerged (Buckley and Casson 1976; Teece 1976; Rugman 1981; Hennart 1982). This theory tried to respond to why firms based in one country exploit their competitive advantages by locating their production in other countries despite the high internal costs associated with distance and the lack of host market knowledge. The explanation given was based on transaction costs economics (TCE) related to imperfect geographical markets.<sup>1</sup> Since international markets are considerably imperfect and the probability of incurring in important transaction costs is extremely high, there is a clear incentive to use hierarchies to organize international business more efficiently, rather than trusting market transactions. Due to different comparative advantages between countries, there are activities that are more efficiently carried out in some locations than others (Ohlin 1933). As a consequence, if the international value chain is spread around the world and needs to be coordinated (Porter 1985), the motivation for internalizing across borders when transaction costs are high is strong. Moreover, MNCs exist because the firm has internalized markets across national boundaries, replacing foreign external markets with a number of much more efficient internal ones. Firms become multinational because they are more cost efficient than operating in-market (Forsgren 2008). Therefore, to summarize, we can consider internalization theory as an extrapolation of the TCE theory of the firm (Williamson 1975) to explain and predict the nature of MNCs in the IB field.

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<sup>1</sup> Transaction costs are associated with any market transaction subject to use of the price mechanism including, among others, costs associated with finding information, negotiating transactions, breaking contracts, and opportunistic behavior (Williamson 1975).

Although these theories were first responding to queries about internationalization strategy, none of them seemed to fully explain the essence of firms' foreign direct investment. They offered explanations of the reasons that impel a firm to internationalize (the ownership of monopolistic advantages) and the means by which the international activity is organized (through internal markets rather than external ones). However, they still did not explicitly address the decision about where to locate foreign activity. Therefore, a well-grounded theory of MNCs needed to include not only firm-specific advantages and cost efficiency through internalization, but also the interaction with location-specific advantages. In this regard, the *eclectic paradigm*, also called the *OLI model* (ownership, location advantages, and internalization) (Dunning 1979; 1988), incorporated all these explanations into one. According to this model, three conditions must be met to make foreign direct investment effective. First, firms seeking to set up in a new country must somehow offset and overcome their liability of foreignness by owning some kind of competitive advantage (ownership). If this first condition is met, it has to be more beneficial for the company to exploit these competitive advantages by itself in the foreign country (internalization) than to have these exploited by others, for example through licensing or franchise agreements. Finally, if these two conditions are met, the firm will only make foreign direct investment when it can gain something from locating the activity abroad (location advantage). If this does not happen, the firm will prefer to serve foreign markets from its home country through exporting rather than establishing a subsidiary. Therefore, from this eclectic perspective, it is the interplay between firms' competitive advantage, internalization advantage, and location-specific advantage that leads to foreign direct investment and as a result explains the true nature of the MNC.

Finally, another important contribution of this decade can be found in the *internationalization process* or *Uppsala model* (Johanson and Wiedersheim-Paul 1975; Johanson and Vahlne 1977). Like Vernon's product cycle theory, this perspective tries to understand a dynamic conception of the internationalization process of the firm. This model suggests that the most important obstacle to internationalization is the lack of knowledge and resources and that this can be remedied only by gradual and sequential direct presence in foreign markets. The perceived risk of foreign investments only reduces as the firm learns incrementally more about foreign markets and operations. Therefore, a firm expands abroad on a country-by-country basis, choosing to internationalize stepwise, first in neighbouring countries and only once it has gained experience, later moving into more psychically and geographically distant countries. Accordingly, resource commitment to internationalization also increases gradually and cautiously with regard to the firm's degree of involvement in foreign markets. In this regard, they identify four different stages of internationalization: passive exports, exporting through local agents, establishing a sales subsidiary, and finally setting up a manufacturing subsidiary. All in all, this perspective reflects the internationalization strategy as an ongoing learning process that progresses only as fast as knowledge and experience accumulation permits, resulting in a path-dependent decision-making process, where past decisions predetermine future choices in terms of countries and modes of entry.

### **The 1990s and the arrival of the new century**

As we saw in the preceding section, previous streams of literature have been dominated by economic and industrial organizational perspectives, indicating that the main reasons that explain the nature of MNCs were attributable to international market imperfections and country locations. However, from the 1990s on, more sophisticated and mature queries about

MNCs emerged and scholars relied on more managerial, psychological, and sociological approaches to give new insights into the field. More in touch with the current times, new theories and paradigms were developed establishing the fundamental bases of contemporary IB literature (see Table 2).

Table 2. Theories on international business (1990-2000s)

Main contributions	Research questions	Answers and assumptions	Authors and references
<b>Resource-based view (RBV), evolutionary theory of the MNC</b>	Why do firms practice foreign direct investment? How do they generate competitive advantages? Why do MNCs exist? The 1990s	<ul style="list-style-type: none"> <li>- MNCs are social communities and repositories of knowledge</li> <li>- The multinational as the most efficient organization to transfer resources and capabilities internationally</li> <li>- Internationalization not only to exploit but also to seek competitive advantages in foreign countries</li> </ul>	Kogut and Zander (1993); Teece et.al. (1997); Madhok, (1998); Cantwell (1991)
<b>International entrepreneurship (born global- international new ventures)</b>	When do firms internationalize? How do they become MNCs? Who makes the decision? The 1990s-2000s	<ul style="list-style-type: none"> <li>- Accelerated internationalization of new and small ventures</li> <li>- Breaking the sequential process of internationalization based on gradual learning</li> <li>- The birth of the born global and international new ventures</li> <li>- Key role of individual entrepreneurs and managers</li> <li>- International entrepreneurship, accelerated internationalization</li> </ul>	Mc Dougall, Shane, and Oviatt (1994); Knight and Cavusgil, (1996); Oviatt and McDougall (1977); Rialp et al (2005); Coviello (2006)
<b>Institutional theory</b>	How does the multinational face and adapt to the international environment? The 1990-2000s	<ul style="list-style-type: none"> <li>- Influence of sociology</li> <li>- The importance of the international environment</li> <li>- Multinationals face different institutional environments (home country, host country, internal corporation)</li> <li>- Searching for legitimacy through isomorphism</li> </ul>	Zaheer (1995) Kostova and Zaheer (1999); DiMaggio and Powell (1983)
<b>Network theory</b>	How does the multinational coordinate and organize its international activity? The 1990s-2000s	<ul style="list-style-type: none"> <li>- The importance of the business relationships of the MNC</li> <li>- The transnational approach</li> <li>- The MNC perceived as a network where knowledge flows freely in different directions</li> <li>- Internal and external embeddedness</li> <li>- Greater prominence of the subsidiary</li> </ul>	Ghoshal and Bartlett (1990); Fosgren and Johanson (1992); Gupta and Govindarahan, (2000); Andersson et al. (2002); Forsgren et al. (2005); Johanson and Vahlne (2009)

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Firstly, one of the most important contributions in the 1990s was *evolutionary theory* (Cantwell 1991; Kogut and Zander 1993; Teece et al. 1997; Madhok 1998), consisting of the adaptation of the *resource-based view* (RBV) to explain the *raison d'être* of the MNC. Within this perspective, scholars tried to understand why MNCs exist by focusing more attention on the origin or nature of competitive advantages and less on the international transaction itself. MNCs are not created because of the transaction costs associated with imperfect markets, but through their superiority as an efficient organization that acts as a vehicle for the transfer of competitive advantages beyond national borders. Due to the tacit nature of knowledge, competitive advantages are linked to human capital (social interactions and team relationships) and technological, marketing, and organizational capabilities (expertise, routines, proceedings, skills, etc.). These are usually difficult to codify, imitate, and replicate in other settings. Hence, FDI is chosen not only because it is the least costly mechanism, but also because it is the only way to transfer certain organizational capabilities without them losing their original effectiveness. The more intangible the knowledge is upon which the firm-specific advantage is based, the more difficult it will be for transferring it abroad and, therefore, the more possibilities for choosing the MNC as the best way for organizing and coordinating.

Furthermore, internationalization can provide companies with an endless source of new ideas, new product discoveries, access to staff with different skills and ways of thinking, and, ultimately, it can inspire new business opportunities that had not previously been thought of in the home country. Thus, a company makes FDI not only to exploit the resources and capabilities it already has in the home country (exploiting-seeking), but also to look for new ones (opportunity-seeking). This motivation to internationalize is based on the notion of the

company as a collection of resources and capabilities acquired gradually over time that determine its international competitive advantages (Kogut and Zander 1993). As a result, MNCs are considered to be organizationally superior because their members, although geographically dispersed and from different cultures, accumulate experience over time through repeated exchanges and interactions that allow them to develop capabilities and a shared understanding, making this organization an ideal instrument for transferring knowledge across the world. In short, this new approach meant a radical shift in the conception of the monopolistic advantage of MNCs, placing its origin not only in the home country but also considering other host countries as potential sources of value creation.

Parallel to this new conception of MNCs, other scholars from the entrepreneurship field were still trying to gain a deeper understanding of the dynamics of internationalization processes from a more microfoundations approach. In the 1990s, the challenge of the globalization phenomenon was emerging and, as a result, some small and dynamic start-up firms did not follow a slow, evolutionary path of internationalization (Johanson & Vahlne 1990); quite the opposite, they were becoming international at birth or very shortly thereafter (Rialp et al. 2005). These firms, called *international new ventures* (McDougall et al. 1994; Coviello 2006) or *born globals* (Rennie 1993; Knight and Cavusgil 1996; Zahra et al. 2005), were defined as business organizations that, from inception, seek to derive significant competitive advantage from the use of resources and the sale of outputs in multiple countries (Oviatt and McDougall 1994).

Facing this new phenomenon, traditional IB theories failed to answer why some firms had accelerated the pace and rhythm of their internationalization processes. Monopolistic advantage theory, product cycle theory, internalization theory, and the Uppsala

internationalization model could not adequately explain the formation process of international new ventures (McDougall et al. 1994). As an alternative, literature in entrepreneurship based on psychological, sociocultural, and managerial approaches brought new insights on the issue. Instead of analysing accelerated internationalization processes at the firm level, the *international entrepreneurship* (IE) literature paid attention to individuals and their international networks and relationships. The speed and intensity of international expansion enabled by technology and motivated by global competition (Oviatt and McDougall 2005) is strongly influenced by entrepreneurs' competences (proactivity, risk perception, knowledge, international experience, social capital, network ties, etc.). Indeed, network capabilities, complemented by entrepreneurial opportunity-seeking behaviour, appear to play a central role in the rapid and successful internationalization of firms.

As a result, the IE approach meant a scaling down of the unit of analysis, understanding entry into a foreign country as an inherent entrepreneurial act decided by individuals, regardless of whether the company is newly established or is large and has been operating for some time (Zahra 2005). Accordingly, this stream of literature turned attention for the first time towards the role played by entrepreneurs, managers, and management teams in the internationalization process of the firm.

Aside from the dynamics of internationalization processes, other important contributions to the IB literature tried to answer additional questions about how MNCs adapt to different international environments. Based on *institutional theory* derived from sociology and classical organizational theorists such as Meyer and Rowan (1977), DiMaggio and Powell (1983), or Scott (1995), a new theory of MNC legitimacy was developed (Kostova and Zaheer 1999). According to this approach, institutions generate isomorphic pressures that oblige

organizations to resemble others that face the same set of environmental conditions (Dimaggio and Powel 1983). Organizations, indeed, feel the necessity to fit into systems of laws and rules (regulative), professional societies (normative), and social beliefs and values (cultural-cognitive), in order to earn legitimacy (acceptance of the organization by its environment), thus reinforcing institutional homogenization or the isomorphic process.

According to this perspective, MNCs operate in different countries facing different institutional pressures. The existence of multiple environments with varying legitimacy standards creates tensions between the MNC as a whole and its foreign subsidiaries. On the one hand, subsidiaries overcome their liability of foreignness by achieving legitimacy through the adoption of practices and structures institutionalized in host countries (external organizational legitimacy). On the other hand, in order to play a key role in the organization and to survive, subsidiaries also need to become internally isomorphic, assimilating and integrating institutions within the MNC (internal organizational legitimacy). Therefore, internal and external environments exert isomorphic pulls on the subsidiary, creating institutional conflicts within the MNC. The more institutional distance between home and host countries, the more complex the organizational legitimacy balance the MNC will have (Kostova and Zaheer 1999).

Finally, one of the last but not least important contributions to IB literature in recent decades is the conceptualization of the MNC according to *network theory* (Ghoshal and Bartlett 1990; Forsgren and Johanson 1998 Gupta and Govindarahan 2000; Andersson et al. 2002; Forsgren et al. 2005). In order to explain how MNCs coordinate and structure their international activity, this theory relies on their business relationships (ties to different agents such as customers, suppliers, competitors, public agencies, R&D labs, etc.). Unlike institutional

theory, the network view assumes that MNCs are more affected by their business environment than by their institutional environment (Forsgren 2008). MNCs are considered to work more like complex global networks than hierarchies (Ghoshal and Bartlett 1990), since they count on internationally dispersed connected units, which in turn are each embedded in different host country networks (Andersson et al. 2002; Forsgren et al. 2005).

The creation of international business networks is the result of a path-dependent process where past decisions condition future steps, and this process is considered a key source of intangible assets and competence development. Indeed, the MNC's very existence is linked to its ability to manage a portfolio of scattered capabilities in multiple heterogeneous local contexts through subsidiaries, whilst devising strategies to embed these units in each of the multiple environments. In fact, the subsidiary acts as a bridge in the knowledge-transfer between the host country (external network) and the international corporation (internal network) (Achcaoucaou et al. 2013). Moreover, MNCs' competitive advantages are due to the ability to manage dispersed capabilities effectively within this 'double network' (Frost, Birkinshaw, and Ensign 2002). This conception of the MNC as an organizational network is consistent with previous approaches based on the resource-based view, the evolutionary theory of the firm, institutional theory, the Uppsala model, and even international entrepreneurship literature.

### **Challenges and future research**

After the overall review of the evolution of theoretical development in international business, this section will tackle the challenges of future research in the field. In what follows, we specifically highlight the tendencies in existing lines of research in emerging markets,

knowledge and innovation, and cultural studies in the international business context, while recognizing the existence of other interesting lines of research developing in the IB field.

Emerging markets have attracted most of the recent interest in studying the international business phenomenon. Here, there are two angles. One looks at doing business in emerging markets (EMs), generally referring to how traditional advanced economy multinationals can perform better in EMs (e.g. Cavusgil, Ghauri, and Akcal 2013; Ramamurti 2004). The other looks at how multinationals from EMs perform in the global scenario (e.g. Cuervo-Cazurra and Ramamurti 2014; Williamson, Ramamurti et al. 2013).

Differentiated from developing markets, the term ‘emerging market’ refers to fast-growing economies with rapid industrialization (Van Agtmael 2007). However, despite the popular usage of EM in academia and industry, the definition of countries as emerging markets is not at all clear-cut, with discrepancies between different public and private institutions (Cavusgil, Ghauri, and Akcal 2013). There are a few exceptions such as the BRIC (Brazil, Russia, India, and China) group, representing the rising power of emerging markets (Sinkovics et al. 2014).

As the BRIC group becomes the economic and political driver of the global economy, most research interests have paid considerable attention to these specific countries (e.g. Fleury and Fleury 2011 for Brazil; Child and Rodrigues 2005 and Luo 2007 for China; Chittoor et al. 2009 for India; and Aidis, Estrin, and Mickiewicz 2008 and Estrin, Pouliakova, and Shapiro 2009 for Russia), and especially to China since it became the world’s largest economy in terms of GDP based on purchasing power parity in 2014 (IMF 2015). In the case of China, Tsui et al. (2004) find increasingly exponential interest in publishing Chinese-context research in the top 20 journals. However, there are also other studies generalized at the level of emerging markets (e.g. Khanna and Rivkin 2000; London and Hart 2004).

In the case of studying multinationals from emerging markets, critical issues are raised regarding the possibility that the latter may represent the changing face of international business (Sinkovics et al. 2014), instead of an adaptive strategy of traditional multinationals in emerging markets. Some argue for the distinctive competitive advantages of EM multinationals (e.g. Cuervo-Cazurra and Genc 2008; Williamson 2015), without following traditional theoretical models such as the OLI paradigm. Others question to what degree the phenomenon of EM multinationals is old wine in a new bottle (Ramamurti 2012). This emerging interest opens up much debate on different fields of management; for instance, the role of acquisition for entrepreneurship (Madhok and Keyhani 2012), reverse innovation from the bottom of the pyramid (Govindarajan and Ramamurti 2011), and entrepreneurs and innovation (Liu et al. 2010).

Considerable interest has been paid to multinationals' investments in emerging markets in recent decades, with scholarly attention basically stressing how to improve performance in these markets. Given some contradictory results on multinationals from advanced economies in these markets, it seems that high technology and advanced managerial systems are not sufficient to guarantee success. Questions are raised on whether the prevailing western management theories are effective in emerging markets and how these supposedly advanced managerial systems or business models need to adapt to the local context in emerging markets. Nevertheless, the most recent trends have been focusing on studying the phenomenon of multinationals from emerging markets. The rising power of emerging economies and their enterprises has been the most fascinating and recent phenomenon, but it is relatively under-studied. In the accelerated globalization process of the 21<sup>st</sup> century, emerging markets play an important role as a new phenomenon that could potentially

influence new theory building in the field of international business on the basis of two different questions: 1. What are the distinguishing features of multinationals from emerging countries, or so-called emerging multinationals (EMNEs)? 2. How can traditional multinationals achieve better performance in emerging markets given their distinctive market characteristics? Further exploration of these issues will continue to be needed in the field.

Closely related to the latest tendencies in the study of emerging markets, such as the work of Govindarajan and Ramamurti (2011) and Liu and Zhang (2014), knowledge and innovation is another trendy topic in international business. Posited as a different area of focus, scholars have been interested in gaining an in-depth understanding of how knowledge is managed, innovation is transferred, and learning is brought about in international business, and especially between emerging and advanced economies.

After the success and establishment of the resource-based view of the firm (RBV), Nonaka (1994), Spender and Grant (1996), and others developed organizational theory through the knowledge management school or the knowledge-based theory of the firm (KBV). The essential idea of Nonaka's knowledge management lies in the humanistic approach to knowledge creation and innovation based on knowledge conversion and the knowledge spiral (Zhang, Zhou, and McKenzie 2013). A significant amount of scholarly work has been devoted to knowledge management, especially referring to knowledge transfer in the international context. Some examples are Bresman, Birkinshaw, and Nobel's (1999) study of knowledge transfer in international acquisitions; Welch and Welch's (2008) exploration of the role of language in knowledge transfer; Simonin's (2004) knowledge transfer process in international strategic alliances; Inkpen's (2008) knowledge transfer in international joint ventures; Minbaeva et al.'s (2003) association of knowledge transfer with absorptive capacity

and HRM; and Si and Bruton's (1999) knowledge transfer in international joint ventures in transitional economies.

On the other hand, innovation as knowledge creation has gone through its own evolution in the field, spanning more than half a century. However, the international dimension of knowledge creation and innovation emerged relatively recently thanks to the increasing interest in and development of international business (Shavinina 2003). The focus of studies in innovation has varied but has mainly been on technological aspects and product innovation (Fromhold-Eisebith 2007; Osborn and Marion 2009; Popp 2006; Zander 2002), with increasing interest in business model innovation (e.g. Chesbrough 2010; Chesbrough and Rosenbloom 2002; Sosna, Trevinyo-Rodriguez, and Velamuri 2010) and management innovation (Birkinshaw, Hamel, and Mol 2008). Focusing on reverse innovation from developing countries, special interest has developed in recent years around how innovation at the bottom of the pyramid in emerging markets has contributed to the global market, including advanced economies (Govindarajan and Ramamurti 2011; Von Zedtwitz et al. 2015).

In this process of knowledge transfer and innovation, learning has become a critical focal point in the international process, as this is how organizations, teams, and individuals can acquire knowledge and, consequently, develop knowledge transfer and creation as the source for innovation (e.g. Alcacer and Oxley 2014). It was relatively recently that learning was incorporated into international business knowledge and innovation processes as an explanatory factor for the accelerated internationalization of latecomers (Liu and Zhang 2014; Lyles, Li, and Yan 2014; Mathews and Zander 2007).

With the growing interest in knowledge, innovation, and learning in management, international business has been obliged to incorporate these elements as the centre of its theoretical development. Conversely, increasing complexity in IB requires theoretical development based on corporate frontier challenges in the area of knowledge management in order to contribute to the general field of management. This field is open to diverse lines of research, including key determinants and processes of international knowledge management, innovation capability transfer in an international context (which includes product innovation, process innovation, and management innovation), and learning as a dynamic perspective to enhance innovative capabilities and performance in international business.

On the other hand, culture has always been a unique aspect of international business, differentiating it from business in domestic markets. However, formal legitimized internationalization theory treats culture as an informal institutional element, considered as an external factor, versus the resource-based internal factors (e.g. Peng and Meyer 2011). Thus, the cultural dimension is limited to the national level and its interplay with corporate culture is almost totally ignored in international business studies, which is primarily explored and debated from the organizational behavioural perspective (Tsui, Nifadkar, and Ou 2007) in spite of its relevance for a better understanding of the dynamic nature of culture in this environment.

However, the complexity of culture per se as a construct with multiple levels and dimensions (Fischer 2009; Gerhart 2009; Leung et al. 2005) deserves its own theoretical development, which may potentially shift the paradigmatic tendency in management (Rohlfers and Zhang 2016). The national level of culture is only one among many other levels such as organizational, regional, professional, industrial, and team levels. Though often these levels

are treated as hierarchical relations (e.g. Erez and Gati 2004), in fact, in a globalized world with increasing corporate power, it is no longer appropriate to locate the organizational level under the national as though it were one of its subcategories. Indeed, study of the interplay between these two cultural levels is needed to further explore culture's role in the field of international business. Rohlfer and Zhang (2016) identify three trends in studying culture in the international business context that reveal rising pressure for this paradigmatic shift: integration of the West-East dichotomy, coexistence of convergence and divergence, and dynamic versus static perspectives of cultural studies. These lines of research potentially contribute to a greater understanding of the role of culture in international business, and to fostering a cultural theory of management and international business.

## Conclusions

In conclusion, after having reviewed all of these important streams of literature developed over the last sixty years, we can say that each of these perspectives emerged to explain different issues in international business phenomena according to the concerns and inquiries that were relevant in the period in which they were developed. In this regard, a large part of these theories, mainly the oldest ones, tried to respond to existentialist questions, resulting in contributions sometimes much closer to a philosophy of the multinational firm than to implications for practitioners. Based on different disciplines such as economics, sociology, management, political science, social psychology, etc., these theories have succeeded in explaining the *raison d'être* of international business from an interdisciplinary perspective.

Additionally, we find different streams of literature that have highlighted other relevant and more specific topics linked to multinationals. Particularly, it is worth mentioning the dynamics of internationalization processes (covered by the life cycle of the product, the

Uppsala model, or international entrepreneurship); the efficient and costless type of international organization (internalization theory); how to generate competitive advantages internationally (the evolutionary theory of the MNC); the structure and coordination of international activity (network theory); or the influence and problems derived from adaptation to multiple types of environments (institutional theory).

Furthermore, according to the issues addressed, scholars differ in their primary areas of focus, giving more prominence to different units of analysis within the MNC. In the case of the earliest theories, the vision of the parent company in the home country completely dominated the research (i.e. portfolio theory, monopolistic advantages, internalization theory, and the eclectic paradigm). The life cycle of the product, the Uppsala model, and evolutionary theory had a more holistic perspective of the MNC, analysing it much more as a whole. Likewise, institutional theory and network theory shifted attention towards the level of host countries and subsidiaries. Lastly, the international entrepreneurship perspective is even more concrete, focusing on the decisions made by individuals and managers across the MNC.

In line with the perspective of international entrepreneurship, the knowledge and innovation field seeks systematic knowledge management among individuals and within organizations to fulfil business challenges. Consequently, a shift from the economics model to humanistic management becomes inevitable. In this sense, cultural studies play another critical role in international business research, not only posited as an external institutional variable, but also as an intrinsic factor for individuals and firms to gain and sustain competitive advantages in the global arena. The research context of emerging markets provides an additional study environment for the growing number of multinationals, both from existing advanced economies and indigenous firms from emerging markets. The generation of Nonaka's

knowledge management theory in growing Japanese companies is one example where new study contexts offer research opportunities for novel theory building, thus contributing to the field's development.

In this editorial article, we have overviewed six decades of research progress in the field of international business, and some existing challenges for future research development. As theories are closely linked with the contemporary business world and practices, a better connection is needed between research and the realities of business and society. With scientific rigour, we can improve the global business world by increasing the relevance of our research work. For this reason we take the opportunity here to call for quality papers for forthcoming issues in the field of international business for the *Journal of Evolutionary Studies in Business* (JESB). There is a wide range of interesting topics in IB, especially those targeting the aforementioned trendy topics, but not limited exclusively to them. Issues such as the differences and impacts of culture, internationalization of family businesses, SMEs and firms in the service industries, relationships between the parent company and subsidiaries, or changes and new entry modes are all welcome. Both conceptual and empirical manuscripts are appreciated. We are open to a variety of qualitative and quantitative methodologies, and encourage the triangulation of methodology in empirical research papers. Discussions on methodological issues, literature reviews defining the state of the art, and new challenges in international business from an evolutionary perspective are especially encouraged. We expect submissions of quality papers, which together with a rigorous review process will fill the existing research gaps in international business and, especially, contribute to further paradigm building in the field.

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