

NEW DIRECTIONS IN INTERNATIONAL BUSINESS RESEARCH

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I. INTRODUCTION

The conventional economic theory of international business views multinationals (MNEs) as U.S.-based enterprises that penetrate foreign markets through foreign direct investment (FDI) and dominate output and trade in the manufacturing sector. The MNEs are technology intensive, horizontally integrated, and engage in substantial intrafirm trade, using transfer prices to shift profits to lower-taxed locations. Such MNEs require vigilant regulation by host countries to ensure that they receive their fair share of the rents from this inward FDI. (See Casson, 1987, 2-3, on historical patterns of FDI growth.)

While the conventional view may fit MNEs of the 1950s and 1960s, it does not characterize international business today. As Casson (1988) documents, recent developments that are not well explained by the literature include: (1) a new

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industrial division of labor based on offshore processing, (2) MNEs in the service sector, (3) collaborative arrangements such as international joint ventures (IJVs), and (4) Japanese FDI. Casson argues that the existing theory is not rich enough to handle the modern complexities of international business. His paper offers new insights into each of these developments.

The purpose of this paper is different, but complementary to Casson's. I answer the question, "What has been the focus of research in international business since 1982, and to what extent has it addressed the new issues identified by Casson? My focus is therefore backward looking, seeing what has been written, identifying major research themes, and estimating the amount of work that has been done on Casson's four new developments.

Looking at the published journal articles on international business over the period 1982-1988, the following conclusions emerge. Almost half the articles are country and/or industry case studies. Two-thirds of the country papers are host-country oriented. The major countries/groupings studied are the United States, Asia, and Latin/Middle America. By sector, almost half the papers deal with manufacturing. By industry, the largest number deal with general manufacturing and banking. The major categories by focus of paper are theory/motivation for MNEs, macroeconomic effects, and business strategy. The motivation section is dominated by statistics on MNE size, growth, and location; the macroeconomic section by capital flows, technology transfer, and the balance of payments; and the strategy section by international management and finance.

To look for Casson's new developments, I collapsed his four issues into three: Asia, the service sector, and contractual arrangements. The results are as follows. Ten percent of all entries are on Asia (30% on Japan); 30% of these deal with mode of entry. Only 5% of all the papers (30% of the sector papers) deal with services; of these, 75% are on the banking industry. Papers on various contractual arrangements make up 11% of all articles, and 75% of the mode of entry papers; these are heavily concentrated on Asia and the USSR.

Since 31% of the contract papers are on Asia, the effective percent devoted to both issues is about 18 percent. With little overlap between the service and the Asia/contract papers, an estimated 23% of the data set is devoted to Casson's new developments. On a yearly basis, they account for between 19 and 26% of published articles in international business. I therefore conclude that a sizable amount of research now exists in high-quality refereed journals on Asia, services, and contractual arrangements. Casson may be correct that the international business literature poorly explains these new developments, but the share devoted to these issues is surprisingly large.

The next section explains how these results were derived.

II. METHODOLOGY

As a source of articles in international business I used section 442, "International Business," in the *Journal of Economic Literature (JEL)*. The *JEL* indexes all the

major economic, business, and law journals used by academic researchers. I catalogued the last five years (20 issues, September 1983 to June 1988) of the *JEL*, a total of 458 articles. Unfortunately, the *JEL* stopped indexing the *Journal of International Business Studies (JIBS)* in 1984 (for reasons unknown), and *JIBS* is a major source of international business articles. I therefore added *JIBS* articles from Fall, 1984, to Spring, 1988, to the list (an additional 100 articles). All 558 articles, spanning the period 1982–1988, were catalogued according to the criteria in Table 1.

There are three sets of criteria. The first set identifies the type of journal and article; the second, country and industry characteristics; and the third, the focus of the paper. The focus section is divided into seven groups roughly corresponding to the way courses in international business are taught: theory/motivation for MNEs, modes of entry into the foreign market, microeconomic effects, macroeconomic effects, conflicts between governments and MNEs, government policies toward MNEs, and business strategy.

At this point, perhaps, I should stress what this paper does *not* do. There was no attempt to catalogue books on international business, nor articles published in journals not indexed in the *JEL* (other than in *JIBS*), nor unpublished articles (e.g., discussion papers), or articles in sections other than 442 in the *JEL*. Articles were catalogued according to their titles on the assumption that the title accurately reflected the content of the paper. Where titles were vague, zeros were entered. Note that since the number of 1982 and 1988 papers is low (due both to the time frame of the survey and the gap between date of publication and date of appearance in the *JEL*), more reliance should be placed on the 1983–1987 period results.

The data were run on SPSSX version 2.1 using the TABLES procedure.¹ Initially, tables were generated for the entire data set. In order to address Casson's list of new developments, tables were also created for the following subsets using the "select if" command: United States, Canada, all Asia (Japan, China, and other Asia), the manufacturing sector (industries 5 through 10), the service sector (industries 11 to 13), contractual arrangements (entry modes 4 through 8). Due to space constraints, only a few tables based on the entire data set are included here.

In each table, the column variable is the date of publication; the row variable is the category. Each table includes three numbers per cell; the first is the "cases" (number of cases), the second the "row percent" (frequency distribution over the years), and the third the "column percent" (frequency distribution by subcategory). Cells of the "row total" column show the total count for all years, the total row percent (100%), and the percent each subcategory is of the total category. Cells of the "column total" give the total number of cases for that year, the percent each year is of the total years, and the total column percent (100%). Where an article appears in more than one subcategory, the "column total" records only the actual number of articles in the sample, not the total appearing in all subcategories (i.e., doublecounting is eliminated).²

Table 1. Categories for International Business Articles, 1982-1988.

JOURNAL	Type of journal in which article was published
1	Economics (well known)
2	Economics (small, specialized, foreign language)
3	Business
4	Government document
5	Law
6	Social sciences (interdisciplinary, national focus)
7	Banking
8	International (interdisciplinary)
TYPAPER	Type of paper by general approach
1	Economic theory
2	Country case study
3	Industry case study
4	Country and industry case study
5	Political
6	Data
7	History
8	Legal
9	Business strategy
HOMHST	Relation of country to MNE
1	Home
2	Host
3	Home and host
TYPCTRY	Type of country
1	Developed
2	Developing
3	North-South
4	East-West
COUNTRY	Particular country
1	United States
2	Canada
3	United Kingdom
4	Western Europe
5	Japan
6	China
7	Other Asia
8	USSR
9	Latin and South America
10	Africa
11	Australia and New Zealand
12	India, Middle East

Table 1. (Continued)

INDSTRY	Particular industry
1	Agriculture
2	Energy
3	Mining
4	Primary industries in general
5	Transportation
6	Pharmaceuticals/chemicals
7	Electronic/computers
8	Steel
9	Textiles
10	Manufacturing in general
11	Banking
12	Telecommunications
13	Services in general
SECTOR	Particular sector (derived from industry variable)
1	Primary = industry (1,4)
2	Secondary/manufacturing = industry (5,10)
3	Tertiary/service = industry (11,13)
MOTIV	Motivation for FDI/existence of MNEs
1	Industrial organization/firm specific advantages
2	Transaction costs/internalization
3	Location/international trade
4	Product life cycle
5	General theories, MNEs from particular countries
6	International diversification
7	Statistics on size, growth, location, investment
ENTRY	Mode of entry into host country
1	Exports
2	Licensing
3	Foreign direct investment
4	International joint venture
5	Export processing/offshore assembly
6	Special economic zones
7	Trading companies
8	Contractual arrangements
9	World product mandates
MICRO	Microeconomic models and effects
1	Intrafirm trade, Horst model, horizontal/vertical integration
2	Market structure
3	Production techniques, capital/labor ratios
4	Labor relations
5	Financial flows (dividends, royalties)
6	Transfer pricing
7	Cost differentials, efficiency

(continued)

Table 1. (Continued)

MACRO	Macroeconomic models and effects
1	Capital flows/investment
2	Technology transfer, research and development
3	Management
4	Labor/employment
5	Export/import flows
6	Balance of payments and exchange rates
7	Profits, rents
8	Comparative advantage
9	Macroeconomic performance, development, growth
CONFLICT	Conflicts between MNEs and governments
1	Home and MNE
2	Host and MNE
3	North-South conflicts
4	New industrial division of labor/changing world environment
POLICY	Government policies
1	Corporate income tax
2	Other federal tax
3	Tariff
4	Nontariff barriers
5	Performance regulations
6	Technology transfer regulations
7	Export promotion/import substitution policies
8	Transfer pricing regulations
9	Expropriation
10	State/unitary taxes
11	International law/treaties
12	Ownership requirements
13	Investment/production incentives
STRATEGY	Business strategy
1	International finance
2	International accounting
3	International marketing
4	International management
FOCUS	Focus/theme of the paper (derived from categories theory-strategy; note some papers may fall in more than one category)
1	Motivation for/theory of FDI
2	Mode of entry
3	Microeconomic theory and effects
4	Macroeconomic theory and effects
5	Conflicts between MNEs and governments
6	Government policies
7	Business strategy

III. OVERALL TRENDS IN INTERNATIONAL BUSINESS RESEARCH

Table 2 shows the type of journal where the article appeared, while Tables 3 and 4 show type of article and focus, respectively, by date of publication. Of the 558 articles in 1982-1988, 42% of these were published in 1984 and 1985. Either fewer articles have been published since then, or (more likely) they are appearing in journals/books not included in this survey. Forty percent of these articles are in economic and 30% in business journals. Both the number and percent of articles in the well known economic journals is rising. By type of paper (Table 3), 43% of the articles are country and/or industry case studies (peaking in 1985), 20% are economic theory papers, and 17% are on business strategy.

Of the papers focusing on countries (rest of tables not shown), two-thirds are case studies of host countries, and one-third of home countries, although this trend may be reversing. The split between papers on developed versus developing countries is 50-50. One-quarter of the country-based articles are on the United States, 26% on Asian countries (fairly evenly split among Japan, China, and other Asia), 13% on Latin and Middle America, and 7% on Canada. Half the Canadian articles appear in 1984. Looking at particular sectors, 45% of the articles deal with manufacturing, a third with primary industries, and a quarter with services. Half the service articles appeared in 1982-1983. By industry, the articles are fairly evenly split across the categories, with papers on general manufacturing (21%) and banking (18%) having the largest shares. Almost all the banking papers appear in 1982-1983.

Aggregating all the focus categories, there are 754 entries compared to 546 articles, so that several articles cover more than one subcategory. The largest subcategories are motivation, macroeconomic models and effects, and business strategy, each with about 20% of the total.

The motivation section is dominated by the inclusion of statistics on growth, size, and location of MNEs (see Table 1, number 7 under MOTIV), which accounts for 55% of all theory papers. This partly reflects the state of the literature on international business, i.e., researchers are still describing the growth and location of MNEs in particular countries and/or industries, and relating such descriptions to various theories of FDI (e.g., the eclectic paradigm, the internalization/transactions cost approach, and the product life cycle). Other authors are trying to develop their own "general theory." This subcategory is 23% of all theory entries; 42% of these appeared in 1985.

Mode of entry represents only 11% of all focus entries. Over 70% of the entry papers deal with various contractual arrangements, including IJVs, export processing and special economic zones, trading companies, and special arrangements. This partly reflects the increased number of articles on Asia (e.g., special economic zones in China) and the USSR (e.g., IJVs), but must also reflect the changing environment for international business.

Table 4. Focus of Journal Article by Date of Publication

Focus of the paper	Year published							Row total
	1982	1983	1984	1985	1986	1987	1988	
Motivation for FDI/existence of MNES								
Cases	10	28	32	31	27	18	3	149
Row percent	6.7%	18.8%	21.5%	20.8%	18.1%	12.1%	2.0%	100%
Column percent	16.4%	17.6%	20.0%	23.0%	19.6%	19.4%	30.0%	19.7%
Mode of entry into host country								
Cases	4	22	15	20	12	10	1	84
Row percent	4.8%	26.2%	17.9%	23.8%	14.3%	11.9%	1.2%	100%
Column percent	6.6%	13.8%	9.4%	14.8%	8.7%	10.8%	10.0%	11.1%
Microeconomic models and effects								
Cases	5	13	13	5	17	4		57
Row percent	8.8%	22.8%	22.8%	8.8%	29.8%	7.0%		100%
Column percent	8.2%	8.2%	8.1%	3.7%	12.3%	4.3%		7.5%
Macroeconomic models and effects								
Cases	13	44	24	22	32	26	1	162
Row percent	8.0%	27.2%	14.8%	13.6%	19.8%	16.0%	.6%	100%
Column percent	21.3%	27.7%	15.0%	16.3%	23.2%	28.0%	10.0%	21.4%
Conflicts between MNES and governments								
Cases	12	8	14	16	4	7	2	63
Row percent	19.0%	12.7%	22.2%	25.4%	6.3%	11.1%	3.2%	100%
Column percent	19.7%	5.0%	8.7%	11.9%	2.9%	7.5%	20.0%	8.3%
Government policies								
Cases	3	23	21	26	25	13		111
Row percent	2.7%	20.7%	18.9%	23.4%	22.5%	11.7%		100%
Column percent	4.9%	14.5%	13.1%	19.3%	18.1%	14.0%		14.7%
Business strategy								
Cases	14	21	41	15	21	15	3	130
Row percent	10.8%	16.2%	31.5%	11.5%	16.2%	11.5%	2.3%	100%
Column percent	23.0%	13.2%	25.6%	11.1%	15.2%	16.1%	30.0%	17.2%
Column total								
Cases	45	109	113	108	101	64	6	546
Row percent	6.0%	14.4%	14.9%	14.3%	13.4%	8.5%	.8%	72.2%
Column percent	100%	100%	100%	100%	100%	100%	100%	100%

Only 8% of the entries deal with microeconomic theory and effects. Forty-five percent of these are on intrafirm trade and transfer pricing, the rest mainly market structure, production techniques or cost differential papers.

The macroeconomic papers are fairly evenly split among the topics capital

flows, technology transfer, balance of payments and exchange rates, and general macroeconomic performance. Half the technology transfer papers appeared in 1983.

Eight percent of the entries are conflict papers. Of these, over 40% deal with the changing environment for international business, a third are North-South papers and the rest host-MNE conflicts.

Fifteen percent of the entries are policy papers, with the main categories being ownership and performance requirements (26%), international law/treaties (23%), and trade barriers (14%).

Business strategy entries account for 17% of all focus entries; half of these are international management papers. The other main category is international finance (35%). The management papers tend to focus also on the changing international environment, whereas the finance papers deal with balance of payments and exchange rate issues.

IV. NEW TRENDS IN INTERNATIONAL BUSINESS RESEARCH

This section examines how various subsectors of the data set are similar to or different from the entire set. In particular, it looks at two "countries" (the United States and Asia), two sectors (manufacturing and services), and foreign market entry via various contractual arrangements. Where the number of entries falls below 30, results are generally not reported.³

There are 57 papers (i.e., 10% of the entire set, and 25% of the country-based papers) on the United States.⁴ Two-thirds of these appear in business journals; 60% are country and/or industry case studies, and 23% are data papers (e.g., Department of Commerce publications). Three-quarters of the papers focus on the U.S. as a home country. Forty percent of the focus entries are motivation papers (of which 80% are statistical), 20% are policy, and 20% strategy oriented. Compared to the entire data set, the U.S.-based papers are published more frequently in business journals, are more home-country oriented, and more theory/motivation oriented (reflecting higher publication of statistics).

There are 59 papers on Asia (10% of the data set); 50% of these appear in economic and 20% in business journals. Thirty percent of the papers appeared in 1986. Two-thirds of the papers are country case studies, 60% from the viewpoint of the host country. The developed/developing split is 30% to 68%. By focus, 30% of the entries are mode of entry papers, followed by macroeconomics at 16%. Compared to the entire data set, the Asian papers are more host- and developing-country oriented and focus more heavily on mode of entry papers.

There are 55 papers on the manufacturing sector, representing 10% of the entire set and 45% of the sector papers. Three-quarters of the papers were published in 1983-1985. Forty percent are in economic, 20% in business, and

20% in international, interdisciplinary journals. Two-thirds are country and industry case studies; one-third are industry studies. Two-thirds focus on host countries, one-third on home, with an even 50-50 split between developed and developing countries. Of the country-based papers, 30% are U.S., 20% Latin/Middle America, 17% U.K., and 17% other Asia. By industry, 50% are general papers on manufacturing and 22% on transportation. Of the focus entries, 30% are macroeconomics and 21% theory/motivation papers. Compared to the full data set, manufacturing papers are published in a broader range of journals, stress more on host countries, the U.S., and macroeconomics issues, and less on Asia.

Thirty papers were written on the service sector, representing 5% of the entire set and 30% of the sector papers. Forty percent of these appear in banking, and 30% in business journals; only 13% are in economic journals. Two-thirds of the papers are industry studies, one-third industry and country studies. Three-quarters of the papers are on the banking industry. By focus, 37% are theory/motivation papers, 20% are policy papers. The service sector papers are underrepresented in the economic journals, and focus more heavily on theory/motivation issues compared to the entire data set.

There are 61 papers on various forms of contractual arrangements, representing 11% of the entire set and 75% of the mode of entry papers. Thirty percent of the papers appeared in 1985. Forty percent are in economic and 20% in business journals. By type of paper, 60% are country and/or industry case studies; 16% are theory papers. Ninety percent of the country papers are host-country oriented; two-thirds center on developing countries. By country, the major emphasis is China (37%), the USSR (30%), Japan (9%), and other Asia (9%). Of the various contractual arrangements, one-third are on contractual arrangements per se, 30% are on IJVs, and 20% are on special economic zones. Compared to the entire set, the contractual papers are heavily host- and developing-country oriented, mainly on Asia and the USSR.

Note that within the papers explicitly addressing the mode of entry issue (of which there are very few, admittedly), 75% are on contractual arrangements. Little attention is now paid to the export-licensing-FDI choice, although it appears regularly in international business textbooks.

Summarizing these new developments, we see that there are 150 papers on the new issues identified by Casson, i.e., 27% of the data set. Since 31% of the contractual papers are on Asia, the effective share of the data set devoted to new developments is closer to 23%.⁵ Using the same approach, the percent shares for 1983 to 1987 vary from a low of 19% to a high of 26%. Therefore, a fairly consistent 20 to 25% percent of all published articles recorded in the *JEL* and in *JIBS* over this period deal with service industries, Asia, and contractual arrangements. Given (1) the lag from journal acceptance to publication, and from publication to entry in the *JEL*; (2) the proliferation of journals not indexed in the *JEL*; and (3) the omitting of books, discussion papers, etc., from this survey, the number recorded here may substantially underestimate the amount of work cur-

rently being done on these issues. Therefore, a surprisingly large amount of published research over the 1982–1988 period appears to be devoted to analyzing Casson's new developments.

V. CONCLUSION

Casson (1988) argues that the conventional approach to international business emphasizes the United States, the manufacturing sector, and FDI as the mode of entry. He stresses that new developments such as Japanese MNEs, the expanding service sector, and emphasis on contractual arrangements have been poorly explained in the literature.

This paper addresses a slightly different question: What fraction of academic journal articles in international business has been devoted to Casson's new developments? My conclusion is between 20 and 25%, an unexpectedly high number. The actual share of all international business research on these issues may be even higher. Casson may be correct in his view that the developments have been poorly explained, but a surprising number of academics are devoting their efforts in this direction. Perhaps IB researchers, by the nature of their subject of inquiry, are quicker than most academics to spot and analyze new directions in the changing global economy.

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NOTES

1. None of the crosstab statistics were particularly meaningful, so these results are omitted from the tables.
2. Doublecounting occurs most frequently in the focus category, where an article often falls into two subcategories (e.g., policy and macroeconomics effects).
3. Canada was also selected as a subset; however, there are only 15 entries, so the results are not reported.
4. Actually, more than 57 papers deal with the U.S. Where an article was on foreign investment in a host country, even if most of the investment was by U.S. firms, it was recorded under the host country's name.
5. That is, $[(1 - 0.31) \times 61 + 30 + 59]/558 = 23.5\%$.

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