
Introduction

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International strategic management research is a relatively new field of scholarly enquiry, but it has nevertheless contributed uncommonly high value added to the practice of strategy. There are three reasons for this high value added.

First, the field systematically studies the most complex firms that can be subjected to empirical analysis. The largest non-state-owned firms in the world, with size measured in terms of sales, assets or number of employees, are almost invariably multinational enterprises (MNEs) with substantial product and geographic diversification.

Second, irrespective of the size of the firms involved, the field addresses the most complex problems facing these internationally diversified firms, namely the challenges of resource recombination in high-distance markets, whereby this distance can be measured in cultural, economic, institutional or merely geographic terms.

Third, the field is one where theory and practice are closely intertwined. This is in sharp contrast with many other subareas of management, where scholars can get away with elegant modelling at the expense of managerial relevance, and with mathematical or statistical sophistication as a substitute for true insight. One seldom observes such dysfunction in published studies on large, multiproduct and multimarket MNEs. This does not mean that only high-quality research is published. Chapter 6 in this volume, on testing the quality of multinationality–performance research, provides a fairly devastating account of one area of extraordinarily poor scholarship within the international strategy field.

Fortunately the guardians of the field, such as the successive editors-in-chief of key journals, including the *Journal of International Business Studies*, *Management International Review* and *International Business Review*, have often exercised superior judgement when assessing manuscripts, and have shown courage that has led to the publication of critical analyses of mainstream models in international strategy research. As a result, ill-conceived notions that lack true managerial or policy relevance have typically not been allowed to dominate the field for prolonged periods of time, in sharp contrast to what has often been observed in areas such as mainstream economics and sociology.

The present volume includes 24 chapters, subdivided into four main parts, each with six chapters. Part I discusses conceptual foundations, whereas Part II delves into a variety of structural complexities affecting international strategy. Part III focuses on the implications for strategy of the various distance dimensions facing MNEs. Finally, Part IV provides analysis of important new topics in international strategy. ‘New’ does not imply the absence of past scholarship on these topics, but rather that these are critical subject matters being addressed in a rapidly growing literature, closely linked with international strategy practice, the last chapter, on MNE climate change strategies, being a case in point.

Apart from including chapters written by the volume editors themselves, we selected authors who in our view have developed creative and significant ideas in the international

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strategy field that will also remain important in the decades to come. We are grateful to these scholars for writing clear and concise pieces, addressing the topics assigned by this volume's editors.

Chapter 1 describes 20 key hypotheses that make internalization theory the general theory of international strategic management. Internalization theory is undoubtedly the dominant paradigm in international strategy research, but it was surprising to observe that no single source could be found in the scholarly literature with the key hypotheses made explicit and with the use of coherent language throughout the analysis. In fact, the authors were somewhat surprised that even Professor Jean-François Hennart's *oeuvre*, which contains several influential empirical pieces testing internalization theory, did not systematically use common language and concepts in the main studies he performed with various co-authors throughout his illustrious career. This chapter convincingly demonstrates that internalization theory is still the key to understanding the existence of the MNE, as well as its main strategy choices.

Chapter 2 was published as a paper in 2009 in the *Journal of International Business Studies*, and in spite of its low citation count at the time of putting together the present book, the first volume editor views it as one of the most important papers in his academic career. This paper provides a credible alternative to the conventional behavioural assumptions of opportunism and trust adopted in the mainstream management literature. Behavioural assumptions are critical, especially in the context of strategy design. The opportunism assumption is dismissed, as is the opposite assumption of trust. A sole focus on opportunism leads to an exaggerated importance attached to worst-case scenarios of intentional deceit, whereas a sole focus on creating trust neglects the dark side of trust. Unfettered trust equals total vulnerability because no credible safeguards were introduced to address failure: this is the worst situation imaginable for a transacting party in the context of ongoing business relationships. Instead, bounded reliability, reflecting scarcity of making good on open-ended promises, is a more credible and managerially relevant behavioural assumption (Verbeke and Greidanus, 2009).

Chapter 3 describes the latest version of John Dunning's 'eclectic paradigm' and its relevance to international business strategy. The late John Dunning, OBE, was the world's premier international business scholar. Sarianna Lundan, the co-author of the second edition of his *magnum opus*, *Multinational Enterprises and the Global Economy*, with approximately 5000 Google Scholar citations at the time of editing this volume, wrote the third chapter, and suggests that the eclectic paradigm can be useful especially for linking micro- and macro-levels of analysis as inputs for international strategy research (Dunning and Lundan, 2008). Chapters 4 and 5 introduce novel conceptual perspectives on the MNE. Chapter 4 views the MNE as a 'global factory', a term popularized by Peter Buckley, OBE, whereas Chapter 5 looks at foreign operating modes as idiosyncratic bundles of international expansion vehicles subject to a variety of sophisticated change processes over time. Chapter 6 provides a new, integrated approach to assessing the quality of research on the linkages between multinationality and performance (Verbeke and Brugman, 2009). The chapter concludes with a rather pessimistic account of past and present research, but also suggests a way forward for this type of scholarship, to be both more rigorous and more managerially relevant in the future.

Part II analyses various structural complexities in international strategic management. Chapter 7 introduces a number of powerful ideas about the organizational design of

contemporary MNEs. Chapter 8 includes a useful synthesis of the literature on entrepreneurial initiatives in MNE subsidiaries, where much of the entrepreneurial action in large firms appears to be concentrated in the twenty-first century, irrespective of the organizational structure chosen. The following two chapters address structural complexities related to strategic alliance formation, with a focus on emerging economies. More specifically, Chapter 9 assesses the benefits of alliance formation in emerging economies, whereas Chapter 10 focuses more on how to configure such alliances in the context of large emerging markets (Merchant, 2008). Substantial structural complexities arise in the context of international acquisitions, and Chapter 11 provides a particularly useful analysis from a managerial perspective, given its focus on parameters that do not lend themselves easily to formal modelling, including elements such as culture, status and meritocracy. Finally, Chapter 12 convincingly makes the point that international finance can add value to international strategy.

Part III focuses on what constitutes perhaps the core difference between domestic and international business, namely the impact of distance. Chapter 13 is a rather hard-hitting piece on services firms' international expansion patterns, published earlier in a special issue of *Management International Review* (Rugman and Verbeke, 2008). It dismisses much of the past literature on the alleged specificities of services firms' internationalization, and shows why this literature is largely ill conceived. It demonstrates on the basis of comprehensive sales and asset data of the world's largest companies that multinational services firms are even less global, and more regionally oriented than manufacturing MNEs. The various distance dimensions often prevent profitable international expansion beyond the home region. Chapter 14 is a truly insightful follow-up on the previous chapter and addresses in an impressive fashion both the conceptual underpinnings and empirical evidence of regional versus global MNE strategies. Chapter 15 is a particularly useful piece on the role of location advantages in international innovation. It provides a substantive extension of the eclectic paradigm discussed in Chapter 3, and clarifies the linkages between location and firm-specific (or ownership) advantages. Here the benefits of co-location of activities must be carefully weighed against the benefits of value chain dispersion or activity fine-slicing across borders. Chapter 16 addresses one specific dimension of distance, namely cultural distance, and its complex linkages with international strategy. After reading this chapter, no serious international strategy scholar will (or should) ever again simply use a readily available index of cultural distance in empirical work, without at least mentioning the limits of using such an index. Chapter 17 explores the institutional distance concept in international strategy as a complement or even substitute for cultural distance, and compellingly argues in favour of using institutional distance proxies in empirical work. Chapter 18 is a fine paper on the potential of using real options theory in international business. It also explores the more general implications of adopting real options thinking in the field of international strategic management. Real options theory predictions are consistent with those of the more conventional internationalization theory framework of sequential, incremental expansion in foreign markets, and have the benefit of solid conceptual foundations.

Finally, Part IV explores new topics in international strategic management. Chapter 19 includes a particularly relevant overview of strategic management research challenges and opportunities in emerging markets. It also provides key directions for future research in this area. Chapter 20 usefully explores the linkages between institutions and

international entrepreneurship. It credibly argues in favour of using insights from mainstream institutional theory when analysing phenomena in the realm of international entrepreneurship. Chapters 21 and 22 address hotly debated topics in international strategy, namely offshoring and bottom-of-the-pyramid (BOP) strategies respectively. The great strengths of the offshoring chapter are its classification of various types of offshoring, as well as its thoughtful analysis of the practice's potential benefits. The importance of the BOP paper lies in its recognition that a BOP strategy does not arise in an institutional vacuum, but actually requires institutional embeddedness in a localized network: more than in conventional business dealings, thoughtful crafting of partnerships is crucial to success in BOP markets. Chapter 23 is a follow-up to the previous chapter and addresses the broader issue of linkages between MNE strategy and macro-level economic development, with a focus on the role of complementary resources. The authors make a compelling case for MNEs supporting development goals in order to gain and maintain a social licence to operate, and also credibly advocate MNE–NGO collaboration in order to build combinative capabilities, which should serve all stakeholders involved. The last contribution in this volume, namely Chapter 24, provides a reflection on MNEs and climate change strategies. It carefully explains the trade-offs involved in centralizing MNE climate change strategy at the head office versus delegating to the foreign subsidiary level. Importantly, it describes how climate change strategy could become a source of competitive advantage for some MNEs.

The 24 chapters in this book form a powerful bundle of scholarly analyses. The research volume provides an impressive state-of-the-art overview of the international strategic management field as an area of scholarly enquiry. The great strength of this set of chapters is the thoughtfulness of the messages conveyed by the expert authors. There are no simple but fallacious how-to-do-it prescriptions here, nor long-winded and useless theoretical musings.

This collection is truly a complete *Handbook of Research on International Strategic Management*, and should serve international strategy scholars and reflective MNE managers alike. The implications for future international strategy research and for international management are profound. As editors of this volume, we hope that the core messages found in this handbook will influence the next generation of scholars in international strategy as well as practising managers, who will continue to be faced with a world that is far from flat.

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