

Preface

This book summarizes my research on the multinational enterprise over the last five years. This is collaborative work involving my long-standing friend Peter Buckley, my former doctoral students, Teresa da Silva Lopes and Nigel Wadeson, and my former colleague Lynda Porter. Their contribution is acknowledged on the title page and in the relevant chapter headings.

The past five years have witnessed a renaissance in the theory of the multinational enterprise. When the theory was first developed in the 1970s it had considerable novelty value. Key aspects of the theory were exported to other disciplines such as strategic management, economics, geography and history. In the 1980s, the theory was extended to international joint ventures, and to international business alliances generally. In the 1990s, a 'systems view' was developed, in which the multinational was modelled as a complex of interdependent linkages between modular activities such as production, marketing and R&D. This approach was applied to global supply chains in the 2000s. At the same time a wide range of contractual alternatives to the multinational were examined, including franchising and subcontracting. New questions were also raised, such as whether multinationals grew from domestic firms through an incremental process of internationalization, or whether they could be 'born global'. Another question was whether multinationals were truly global, or whether they were mainly regional in scope, doing most of their business in one of the 'Triad' regions: Europe, Asia or North America.

By 2009, however, there was a feeling in some quarters that research on the theory of the multinational enterprise was 'running out of steam'. Many popular expositions of the theory focused on the 'market entry decision', which involved a three-way choice between exporting, licensing and foreign direct investment. Important though this decision is, however, it is only one of many strategic decisions made by multinationals, and some of these decisions, such as where to locate R&D, global headquarters and regional headquarters, are even more strategic than an entry decision for a single market. Another criticism was that internalization theory was simply a theory of Western multinational enterprise and that Asian multinationals followed different strategies that could only be explained using a different theory.

My collaborators and I strongly believed, however, that internalization theory is a *general* theory of the multinational enterprise, and could in principle explain all the key questions on the subject. We conceded, however, that the theory was ‘stuck in a rut’ and needed to be pulled out of it. We therefore decided to push the theory forward on our own initiative. The chapters in this book summarize the results of these efforts.

With two exceptions (this current chapter and Chapter 11), each chapter is based on a previously published paper (see the Acknowledgements). All the papers have been revised, however. In some cases, they have been restored to the original form in which they were submitted to the journal, before they were subjected to cuts and amendments imposed by editors and referees. In other cases, they have been shortened to avoid duplicating material in other chapters.

Many scholars have contributed to the theory of the multinational enterprise. Some are no longer with us. The Canadian economist Stephen Hymer died young in 1974, John Dunning, my former Head of Department at the University of Reading, died in 2009, and my good friend and former colleague Alan Rugman died only recently in 2014. Others, I am pleased to say, are still going strong, and they are frequently cited in the chapters that follow. The study of the multinational enterprise seems to be addictive; once a person starts they never seem to give up.

My personal contribution, and that of my collaborators, has been focused on the development of ‘internalization theory’. This theory is noted for emphasizing two things: the significance of contractual arrangements and the importance of proprietary knowledge. Not everyone who highlights proprietary knowledge agrees with the focus on contractual arrangements, however. John Dunning, for example, promoted an eclectic approach that, whilst recognizing the importance of contracts, gave them a subsidiary role. His eclectic approach remains influential, and is still promoted today by my colleague Robert Pearce. Other colleagues from the University of Reading, past and present (e.g., John Cantwell and Rajneesh Narula), also consider that the role of contracts is overemphasized by internalization theory.

This book is part of a continuing research agenda, which has been pursued at the University of Reading for over 40 years. It began with the publication of *The Future of the Multinational Enterprise* (jointly with Peter Buckley) in 1976. This book set out the principles of internalization theory. Since then four books have appeared in which later developments of the theory are reported. Two report joint work with Peter Buckley: *The Economic Theory of the Multinational Enterprise* in 1985 and *The Multinational Enterprise Revisited* in 2009; while the other two appeared under my own name, and reported joint work with a range of other

scholars too: *The Organization of International Business* in 1995 and *The Economics of International Business: A New Research Agenda* in 2000.

My colleagues and I are actively working on further developments, which we hope to publish soon. But this is a good moment to consolidate recent developments into a single book. There is plenty of new material to report. This material has been published in a wide variety of journals in different fields, including not only international business, but economics, business history, marketing and logistics. This is a good reason to bring it together, because many libraries will not subscribe to all the journals we have published in. We have really enjoyed writing up our research and we sincerely hope that readers enjoy studying the results.

Finally, I would like to express my personal thanks to Daria Radwan and Janet Casson for their practical support.

Mark Casson
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