Business history and international business

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Business history and international business are cognate subjects. There are few, if any, studies of international business that do not require a proper study of context. International business decision making must be made relevant by a considered evaluation of the circumstances surrounding that decision. This often means putting it into its historical context. The contributions that the study of international business can make to business history are the input of appropriate theory and appropriate research methods. The best international business theory can illuminate the seemingly disparate strategies of firms in given historical circumstances and can provide an integrated, overarching conceptual structure of the study of business history. The research methods used in international business are also worthy of scrutiny by business historians. As David Cannadine (2008, p. 29) says,

as most historians recognise, analysis without narrative loses any sense of the sequencing (and unpredictability) of events through time, while narrative without analysis fails to convey the structural constraints within which events actually take place… there is in practice a long continuum extending from ‘pure’ narrative to ‘pure’ analysis, which means that the best history is situated somewhere between these extremes, seeking simultaneously to animate structure and contextualise narrative.

A critical assessment of business history by Hannah (1983, p. 166, quoted by Wilson, 1995, p. 2) centres on its narrative qualities: ‘Most business historians have clung to a tradition which, at its best, is a triumph of narrative skill, honest to the facts of the individual case, but at its worst is narrow, insular and antiquarian.’ The proposition of this piece (and the demonstration effect of this special issue) is that international business theory and method can complement business history and avoid the worst-case scenario described by Hannah. This cross-fertilisation has been occurring with increasing regularity over the past few decades and this special issue of Business History brings together some of the fruits of this conjunction of intellectual domains.

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ISSN 0007-6791 print/ISSN 1743-7938 online
© 2009 Taylor & Francis
DOI: 10.1080/00076790902871560
http://www.informaworld.com
Business history

Business history is clearly a subset of history, which Burrow (2007, p. 1) defines as follows: ‘History – the elaborated, secular, prose narrative (all these qualifications are necessary) of public events, based on enquiry.’ History (or at least ‘Western’ history) began with Herodotus in the fifth century BC (Herodotus, 2003). Herodotus – the father of history (or the ‘father of lies’, according to taste (Evans, 1968)) used narrative history but also clear conceptual analysis and geographical knowledge (Bury, 2006). Explanation, not description, became the true hallmark of a successful historian. Thucydides (1972) ‘analysed politics and ethics, and applied logic to everything in the world’ (Bury, 2006, p. 47) in his analysis of the Peloponnesian War. The humanist historians, including Machiavelli, sought to explain diplomacy, war and conflict in terms of a historically grounded analysis in which the motives of man, not blind fate, guided action (Machiavelli, 1979). The early eighteenth century Neapolitan thinker Giambattista Vico suggested that culture was a collective product of a whole people (Burrow, 2007, p. 391) and ‘decided that it ought to be possible to apply to the study of human history methods similar to those proposed by Bacon for the study of the natural world’ (Wilson, 1972, p. 9). The tradition of providing a ‘summary – not a narrative – of general European history’ dates back at least as far as James Harrington’s *Oceana* (1656) (Burrow, 2007, p. 318). This tradition laid the basis for the ‘philosophic history’ epitomised by David Hume. Indeed, the ‘Scottish Enlightenment’ whose key project was to address the problem of reconciling economic growth, based on entrepreneurial individualism, with virtue – moral behaviour (Herman, 2001) relied greatly on reflections from history – including those of Adam Ferguson, William Robertson and Adam Smith (Burrow, 2007; Smith, 1759, 1776). The growth of positivist analyses of history and the structuralist approach of the *Annales* school both bring theory to bear on historical processes as does ‘the grand narrative’ of Marxist and Whig historians (Butterfield, 1965).¹

An interesting bridge between history and business history was attempted by John Hicks’ (1969) *A theory of economic history*. This is essentially a theory of how market institutions evolved and builds on the Scottish economists (particularly Smith’s refined theory of the evolution of society through distinct ‘stages’ (Smith, 1776). The purpose remains to identify the underlying causes of economic growth (and development) and to provide a basis for useful generalisation.

Business history has a more confined remit. It has been defined as follows:

> The main aim of business history is to study and explain the behaviour of the firm over long periods of time, and to place the conclusions in a broader framework composed of the markets and institutions in which that behaviour occurs. On a more general level, business history can also provide a dynamic insight into the evolution of capitalism, bringing a comparative element to the field which can draw on material from firms, industries, or national groupings of businessmen. (Wilson, 1995, pp. 1–2)

Nor should we forget George Orwell’s dictum that those who control the past, control the future. The logic of historical writing has been a major influence on the organisation of knowledge across many cultures and time periods. This has particularly influenced methods of formulating problems, presenting arguments and drawing conclusions.² There are many business histories – notably those of Alfred Chandler (1962, 1977) that have influenced business strategy and therefore the
policies and actions of major multinational companies. Business history matters both as record keeping and as a guide to future action.

Jones and Khanna (2006) advanced four arguments on the way that ‘history matters’ to international business research:

1. History as a source of time series variation (‘augmenting the sources of variation’);
2. Dynamics matter (‘things change’);
3. Illuminating path dependence;
4. FDI and development in the really long run (‘expanding the domain of inquiry’).

All of these contributions feature in this article and in the special issue generally. The fourth argument is taken up in the section on long-run theories below.

**International business theory**

Until the 1960s, mainstream economic theorists treated multinational enterprises (MNEs) simply as ‘arbitrageurs’ of capital, moving equity from countries where returns were low to those where it was higher (Jones, 1996, 2005). A major theoretical breakthrough came in 1960, when Stephen Hymer expressed his dissatisfaction with the theory of portfolio capital transfers to explain the international operations of firms. Hymer stated that many of the predictions became invalidated once risk and uncertainty, volatile exchange rates and the cost of acquiring information and making transactions were incorporated into classical portfolio theory. This was because market imperfections altered the performance of firms and their strategy in servicing foreign markets (Dunning, 1993). Although Hymer had written his thesis in 1960, it was only published in 1976, when sponsored by his supervisor Charles Kindleberger. Follow-up developments to refine and test the ‘Hymer–Kindleberger hypotheses’ were only carried out in the early 1970s.

Hymer was also the first to recognise that FDI involved the transfer of a package of resources, such as technology, management skills, entrepreneurship, and not just capital. The most fundamental characteristic of FDI was that it involved no change in the ownership of resources, whereas indirect investment was transacted through the market. Hymer’s identification of the international firm as a firm that internalises and supersedes the market provided a useful prologue to the theory of internalisation as a means for transferring knowledge, business techniques, and skilled personnel (Hymer, 1960).

However, Hymer’s work is best known for its application of an industrial organisation approach to the theory of international production. In foreign markets, local firms were assumed to possess superior knowledge about the markets, resources, legal and political system, language and culture, and the many other things which distinguish one country from another. As far as this is true, foreign firms would have no incentive to locate in that market or have the ability to survive in it without an advantage. Hymer used Bain’s classic treatise on the barriers to competition in domestic markets (Bain, 1956). In extending this analysis to explain the cross-border activities of firms, he argued that such firms had to possess some kind of proprietary advantage. This reasoning led to the view that a foreign firm required competitive advantages over its local rivals to overcome the liability of
foreignness (Hymer, 1960). These firm-specific advantages, or ownership advantages, because they are exclusive to the firm owning them, imply the existence of some kind of structural market failure. Multinationals could not only exploit perceived market imperfections, but could use their ownership advantages to create market imperfections themselves (Caves, 1971).

Hymer examined the kind of ownership advantages that firms might possess or acquire, as well as the kind of industrial sectors and market structures in which foreign production was likely to be concentrated. Firms can possess any number of ownership advantages when they operate in a foreign market. The type of ownership advantage will differ considerably according to the products and industries. Within manufacturing, superior technology and innovative capacity are especially important in the case of production goods, while product differentiation will often be more relevant for consumer goods. Ownership advantages can be generated internally within the firm, or acquired by licensing a technology from a foreign competitor or buying an entire foreign firm. Hymer was also interested in the international expansion of firms as a means of fostering their monopoly power, rather than of reducing costs, improving product quality or fostering innovations. In his later publications, Hymer (1968, 1970) did appear to acknowledge that MNEs might help to improve international resource allocation by circumventing market failure. As such, Hymer’s work was a point of departure for the more rigorous work of the internalisation economists in the following decade.

Despite the invaluable contributions of Hymer, Kindleberger, and Caves, the credit for transforming internalisation into a theory of international production is usually attributed to Buckley and Casson (1976). They placed the work of Coase (1937) on the multi-plant firm in an international context. Parallel to internalisation theory, Oliver Williamson (1975, 1979, 1985) developed transaction cost analysis, which was later applied in an international context by Teece (1981, 1982, 1985) and Hennart (1982). While traditional economic reasoning concentrates on the operative consequences of changes in sales revenues and production costs, transaction cost economics calls attention to factors that influence the choice of foreign operation methods – which are mainly regarded as a question of the degree of control the firm should have over a foreign operation (Anderson & Gatignon, 1986). The underlying logic and analysis of the two approaches is characterised more by similarity than any substantial differences (Rugman, 1980).

Transaction cost theory provided a different perspective on the reasons for the growth of MNEs. The fundamental insight is derived from the pioneering article by Coase (1937), which sought to explain the boundaries of the firm. Coase’s focus was on the multi-plant domestic firm rather than on the international operations of firms. He argued that firms and markets represent alternative methods of organising production. This theory suggested that the market is costly and inefficient for undertaking certain types of transactions. The transaction costs of the market include the costs of discovering relevant prices and in arranging contracts for each market transaction. The existence of such costs means that whenever transactions can be organised and carried out at a lower cost within the firm than through the market, they will be internalised and undertaken by the firm itself. Firms will internalise transactions until the marginal cost of doing so exceeds the marginal revenue.

This theory attracted little attention from economists until the 1970s, when it was extended and refined by Oliver Williamson (1975, 1979, 1985). Williamson suggested...
that transaction costs could be examined systematically in relation to three factors, namely bounded rationality, opportunism and asset-specificity. Bounded rationality refers to the impossibility of anyone knowing all possible information, which means that people invariably make less than fully rational decisions. Opportunism refers to the tendency of some people to cheat or engage in misrepresentations. Asset-specificity reflects the extent to which certain types of transactions, in order to be carried out, necessitate investments in material and intangible assets (such as knowledge), which are dedicated to particular uses, and how much their value will be diminished if used in alternative ways. If it is difficult to measure the value of goods and services, and if the opportunities for bargaining and dishonesty are therefore high, there is an incentive to replace the market by hierarchy. The combination of bounded rationality, opportunism, and asset specificity produces the strongest incentive to internalise a transaction rather than to use contracts in the market.

Internalisation is concerned with imperfections in the markets for intermediate products, including technology, organisational know-how and marketing skills. Intermediate products embrace all the different types of goods or services that are transferred between one activity and another within the production process. The theory proposes that firms expand across borders because the transaction costs incurred in international intermediate product markets can be reduced by internalising these markets within the firm. Internalisation theory can be used to explain patterns of both vertical and horizontal integration across borders (Casson, 1987b). The internalisation of tangible intermediate product flows between upstream and downstream production explains vertical integration between mining and manufacture, agriculture and food processing, component production and final assembly. Vertical backward integration – for example, by steel firms into iron ore or rubber manufacturers into natural rubber plantations – can be seen as arising from small number conditions, when the number of parties to the exchange is small, which can often arise from the presence of physical asset specificity, and from information asymmetry, which can cause problems of quality control because of opportunistic behaviour (Hennart, 1991). The internalisation of intangibles such as knowledge and reputation can explain patterns of cross-border horizontal integration. Internalisation also avoids the difficulties of determining market prices and the proprietary problems associated with arm’s length transactions. Moreover, internalisation may allow the company to circumvent government-created market imperfections including trade barriers, differences in tax systems and levels, and restrictions on capital movements.

Although internalisation is a deviation from perfect markets, the internalisation of firm-specific advantages constitutes an internal transfer of intangible assets that might not take place otherwise. By replacing inefficient or non-existent external markets with internal ones, or by overcoming government-created market distortions such as tariffs, taxes, or exchange rates, MNEs produce a more efficient allocation of resources globally (Casson, 1987a). Thus, in internalisation theory, MNEs represent an integrating and welfare enhancing force in the world economy rather than a source of collusion, monopoly, and extortion.

One of the most frequently cited intangible competencies transferred through FDI is technology (Blomström & Kokko, 1996b; Blomström, Kokko, & Zejan, 1994). Technology transfer can trigger and speed up economic development, for instance, by facilitating the production of goods with higher value added content, by increasing exports and improving efficiency. MNEs possess the bulk of all patents
worldwide, much of the world’s R&D takes place within MNEs, and MNEs possess many of the technologies that are pivotal to economic and industrial development. Often these technological competencies cannot be obtained in the marketplace (e.g. via licensing) and FDI may therefore be the fastest, most efficient, and sometimes only way for developing countries to get access to these competencies. MNEs can also play a central role in the transfer of know-how, knowledge, and experience to the local workforce through its employment of indigenous professionals and managers (Blomström, et al., 1994).

MNEs provide highly efficient organisations that are characterised by a high degree of managerial efficiency arising from training, higher standards of recruitment, effective communication with the parent company and other subsidiaries, and a more global outlook. By virtue of these characteristics, they are able to think strategically on a global scale and to organise complex integrated production networks. The integration into this transnational production network can give developing countries advantages (Blomström, Kokko, & Zejan, 2000). MNEs bring with them improvements in storage, transport and marketing arrangements leading to cheaper delivery, better quality of products, and better information about products to consumers. More importantly, developing countries will be able to use the worldwide marketing outlets of MNEs, selling products where huge marketing investments would otherwise have been required. Hence, the presence of MNEs may assist developing countries in penetrating foreign markets.

At the macro level, the internalisation logic would imply that FDI by MNEs may encourage governments to adopt more rational and competitiveness oriented economic policies (Dunning & Narula, 1996). At the micro level, MNEs may produce various spillovers on the host economy. Two types of spillovers from MNE activity in developing countries have been identified, namely intra-industry spillovers and inter-industry spillovers (Blomström & Kokko, 1996a). Intra-industry spillovers are effects such as those that improve the competitiveness of national industries by forcing inefficient companies to adopt more efficient methods and invest in improvements of their assets. The presence of MNEs may force local companies to become more efficient and introduce new technologies earlier than they would otherwise have done (Kokko, 1994). They diffuse competencies when trained employees move to local companies where those skills are in short supply, and speed up technology transfer by forcing local companies to get hold of those technologies. Inter-industry spillovers are effects on suppliers and customers, as the growing use of subcontractors and suppliers by MNEs encourage backward spillovers in terms of diffusion of the standards, know-how and technology of MNEs. The entrance of MNEs may improve the technology and productivity of local firms, as they demonstrate new technologies; provide technical assistance to their local suppliers and customers; and train managers and workers.

Stephen Magee (1977a, 1977b), in a more detailed examination of technology as a valuable intangible asset, was primarily interested in the question of why the incentive of firms to internalise the market for technology varied over time. Magee coined the concept of the industry technology cycle, which built upon the Vernon hypothesis that the competitive advantages of firms were likely to change over the life of the product. According to Magee, MNEs distinguish themselves as specialists in the production of advanced and complex products and are better equipped to appropriate the revenues of sophisticated information and knowledge (Calvet, 1981). Magee argued that the incentive for firms to internalise the market for technology
varies over time. As such, firms were unlikely to sell their rights to new and idiosyncratic technology because the buying firm was unlikely to pay the selling firm a price that would yield at least as much economic rent as it could earn using the technology itself, and because the licensee might use the technology to the disadvantage of the licensor, and even become a competitor. As the technology matured, however, and lost some of its uniqueness, the need to internalise (‘or appropriate in Magee’s parlance) its use decreased and the firm would consider switching its modality of transfer from FDI to licensing.

In a similar yet contradictory vein, the process of gradually increasing involvement in foreign markets has been a widely noted phenomenon especially in Scandinavian (mostly Swedish) studies (Johanson & Vahlne, 1977; Johanson & Wiedersheim-Paul, 1975; Luostarinen, 1979; Welch & Luostarinen, 1988). Two types of increasing involvement are often implied: an increasing involvement in any one foreign market through an orderly process of exporting, agency establishment, sales subsidiary, and finally production subsidiary with the possible intervention of a licensing or other contractual form also being included. Second, orderly stepwise penetration of different foreign markets beginning with the closest market in terms of psychic distance (Hallen & Wiedersheim-Paul, 1993) and often physical distance, gradually extending to more distant and therefore more difficult markets. The proponents of the model hypothesise that commitment to internationalisation increases with each further step into the international arena. There is a feedback relationship between the level of internationalisation and commitment to further internationalisation. Many longitudinal, cross-sectional, case studies show that a growing international awareness in managers is a major motivating force in overcoming barriers to internationalisation. Psychic barriers are perceived to be lower as internationalisation proceeds. These stages are often tied to hypotheses on the learning of firms. At each stage, the firm acquires knowledge of the market, or it can transfer lessons learned in one foreign market to another one (Newbould, Buckley, & Thurwell, 1978). This orderly process and the gradualism and risk aversion it implies have been criticised (Hedlund & Kverneland, 1983; Turnbull, 1987). The gradual learning theory can be criticised on methodological grounds and in terms of its applicability. First, when looking back in time over the development process of foreign production subsidiaries, other ventures may have failed before reaching this stage and consequently will no longer be extant. Thus, a bias is induced toward success in longer establishment patterns (Hedlund & Kverneland, 1983). Second, the so-called Scandinavian model may apply more to inexperienced first-time foreign investors than to experienced companies. This is acknowledged by its proponents, who expect jumps in the establishment chain in firms with extensive experience in other foreign markets.

Despite these controversies, it is obvious that internationalisation patterns are influenced by the previous stages in the internationalisation of the company. The key barriers identified in stage models are the lack of knowledge and of resources. Their applicability to smaller firms is thus likely to be stronger. As such, barriers to internationalisation as seen by a small, inexperienced firm will be easily overcome by a well-established multinational (Vermeulen & Barkema, 2002). This means that different firms enter a market in different ways and at different moments in time.

The stages approach finds an echo in models of foreign market servicing because such models attempt to establish the conditions under which a firm will service a foreign market by a particular method (Contractor, 1981; Telesio, 1979). The generic
methods are exporting, licensing and foreign direct investment. Each of these methods has a variety of subtypes, and the interactions between the methods are, in practice, very important. However, although the scholars who subscribe to this view began to identify the circumstances in which firms might wish to control the use of the technological assets they possessed, they did not really come to grips with the more fundamental issue of the organisation of transactional relationships as part of a general paradigm of market failure. This task was left to another group of scholars, i.e. transaction cost economists, who had a positive influence on these market-servicing models.

Exporting is separated from the other two main forms of foreign market servicing by the location factor in that the bulk of the value-adding activities takes place in the home and not in the foreign market. International licensing appears to combine the best of both worlds, i.e. the advantage in technology and skills of the licensing multinational plus the local knowledge of the licensee. However, the same might be said of an international joint venture. The choice between licensing and direct investment is crucial in illustrating the choice between licensing, an external market solution, and direct investment, an internal solution (Buckley & Casson, 1976, 1981). Foreign investment is a decisive step in internationalisation. Just as there are many forms of contractual arrangements for conducting international business, so there are several forms of foreign direct investment. The major motives for conducting foreign direct investment are market oriented, cost oriented, and for control of key inputs, either low-end (e.g. raw materials) or high-end (e.g. strategic assets).

Buckley and Casson (1976) used a cost–benefit analysis to suggest an internationalisation path. Their claim was that, in normal conditions, the fixed costs associated with licensing are lower than those resulting from FDI. They are, however, higher than exports because of the need to guarantee that the licensing agreements are respected by the licensees. Since the opposite happens with variable costs, market servicing tends to follow the sequence: exporting, licensing, FDI. Buckley & Casson (1981) added that the switch in modes of market servicing is also affected by the life cycle of the product, the firm’s familiarity with the foreign market, and the firm’s degree of internationalisation.

Vernon and his followers at Harvard were the first to acknowledge the relevance of trade theories to help explain MNE activity. In a seminal article published in 1966, Vernon used the product life cycle to explain the foreign activities of MNEs. His starting point was that in addition to immobile natural endowments and human resources, the propensity of countries to engage in trade also depended on their capability to upgrade these assets or to create new ones, notably technological capacity (Dunning, 1992). In order to introduce the dynamics of technological change into the Heckscher–Ohlin model, the product life cycle theory was applied to international capital flows. It was argued that firms based in high wage countries had a greater propensity to develop new products because of high per capita incomes and high unit labour costs in their home economy. The model suggested that when a new product was developed, a firm normally chose a domestic production location, because of the need for close contact with customers and suppliers, because of uncertainties concerning the production and because of low price elasticity of the product. As a product matures and as the technology becomes more difficult to protect and as price elasticity grows, long-run production runs based on established technology become possible. The firm will begin to look for lower cost production locations in other industrialised countries with bigger market opportunities and the
firm grows from an inward oriented domestic firm to an outward oriented firm investing abroad. The decision to invest is thus seen as a strategy to sustain technological and managerial advantages before they become diffused in overseas markets. Vernon’s original article (1966), for instance, focused on post-war US investment in Europe. When it became economic for US companies to invest abroad, Western Europe was the preferred choice of location since demand patterns were close to the US and labour costs were relatively low at that time. When the product enters its standardised phase, the lowest cost supply point becomes a priority, and production can be transferred to developing countries, replacing exports from the parent company or even exporting back to the country of origin (Vernon, 1966). The third stage of evolution is referred to as the standardised product stage. Both the product and the production process are now completely standardised. Competition is extremely intense in both the local and developed countries’ markets. There is pressure to be price competitive in the face of this increased competition. In order to decrease the product’s price, production costs must be reduced, particularly if the process is labour intensive. Because the product and the production process are standardised, the company can now relocate manufacturing operations to a low labour cost country. The strategy is to serve both the home and developed countries’ markets from these developing countries.

The product life cycle theory of FDI introduced dynamics to the theory of comparative advantage, arguing that developing countries will enjoy comparative advantages with regard to mature and especially standardised products. Consequently, technology transfer through FDI will mainly take place where the products that the technologies are associated with are in the mature stages of the product cycle. This process favours developing countries in that they would get access to technologies without experiencing the mistakes and costs associated with the introduction of new products, or what is called the advantage of being backward. Moreover, the product cycle theory predicts that MNEs might assist developing countries in getting access to international markets. Mature products are subject to significant barriers to entry, especially at the marketing stage, and MNEs can help developing economies overcome these barriers. The influence of Vernon’s original model goes way beyond its original application to the development of US direct investment in Europe and in the cheap labour countries, and beyond Vernon’s own Mark II appraisal of its usefulness (1979) in response to critics (Giddy, 1978). The dynamics of the model lies in the interaction of the evolving forces of demand patterns and production possibilities. The twin rationales of cost imperatives and market pull are simply explained in Vernon’s model. In some ways, its simple, yet powerful, dynamic, resting on the interaction of demand and supply over time, has never been improved (Buckley, 1993; Buckley & Casson, 1981).

A group of Vernon’s doctoral students, notably Knickerbocker (1973), Graham (1978) and Flowers (1976), argued that it was not just locational variables that determined the spatial distribution of the economic activity of firms but their strategic response to these variables and to the anticipated behaviour of their competitors. Nowhere is this more clearly seen than in an oligopolistic market situation. Economists, for more than a century, have acknowledged that output and price equilibrium depends on the assumptions made by one firm about how its own behaviour will affect that of its competitors, and how, in turn, this latter behaviour will impinge upon its own position. Knickerbocker (1973) argued that oligopolists, wishing to avoid destructive competition, would normally follow each other into new
and foreign markets to safeguard their own commercial interests. This so-called bandwagon effect can be triggered not only by decisions of competitors but also of customers deciding to establish themselves in a certain market. Empirical evidence supports the follow-the-leader idea that FDI is subject to bunching. For instance, an analysis of FDI by US MNEs in European manufacturing industry in the 1960s seemed to support the hypotheses (Flowers, 1976). There has also been a stampede of Japanese MNEs in the US and European auto and consumer electronics industries (De Beule & Van Den Bulcke, 1998). Graham’s (1978) tit-for-tat hypothesis is that an MNE which found its home territory invaded by a foreign MNE would retaliate by penetrating the invader’s home turf. Examples of the so-called exchange of threats hypothesis abound in sectors such as tyre, automobile, colour television, advertising, banking and hotel sectors.

An organising framework—incorporating different theoretical approaches—has been put forward by Dunning (1979, 1993, 2001) in his eclectic paradigm in which he attempts to explain all forms of international investment. The eclectic paradigm maintains that firms will engage in international production if they possess ownership advantages in a particular market to overcome the liability of foreignness; if the enterprises perceives it to be in its best interest to add value to these ownership advantages rather than to sell them to foreign firms; and if locational advantages make it more profitable to exploit theses assets in a particular foreign location rather than at home.

In explaining the growth of international production, several strands of economic and business theory assert that this is dependent on the investing firms possessing some kind of unique and sustainable competitive advantage (or set of advantages), relative to that (or those) possessed by their foreign competitors. Since the 1960s, the extant literature has come to identify three main kinds of firm- or ownership-specific competitive advantages. A first set are those competitive advantages relating to the possession and exploitation of monopoly power, as initially identified by Hymer (1960) and Bain (1956), and the industrial organisation scholars (Caves, 1971; Porter, 1980, 1985). These advantages stem from some kind of barrier to entry in final product markets to (potential) competitors.

A second set of ownership advantages are related to the possession of a bundle of scarce, unique and sustainable resources and capabilities, which essentially reflect the superior technical efficiency of a particular firm relative to those of its competitors. The identification and evaluation of these advantages has been one of the main contributions of the resource-based view (Barney, 1991; Conner, 1991; Conner & Prahalad, 1996; Dierickx & Cool, 1989; Montgomery, 1995; Wernerfelt, 1984) and evolutionary theories of the firm (Cantwell, 1989, 1994; Dosi, Freeman, Nelson, & Soete, 1988; Dosi, Nelson, & Winter, 2002; Nelson & Winter, 1984; Saviotti & Metcalfe, 1991; Teece, Pisano, & Shuen, 1997).

The basis of the resource-based view of the firm is that it is the heterogeneity, not the homogeneity, of the productive services available from its resources that give each firm its unique character. As such, resource-based views of the firms tend to see differences across companies as the result of differences in efficiency, rather than differences in market power (Montgomery, 1995). In explaining these differences, resource-based theorists tend to focus on resources and capabilities that are long-lived and difficult to imitate (Conner, 1991). In the resource-based view history matters, profits are persistent, and change most often occurs slowly and incrementally (Peteraf, 1993).
The evolutionary theory of the firm – while accepting much of the content of resource-based theory – pays more attention to the process or path by which the specific ownership advantages of firms evolve and are accumulated over time (Dunning, 2000). In contrast, or in addition to internalisation theory, it tends to regard the firm as innovator and organiser of a repository of knowledge to promote its long term prosperity, rather than a nexus of treaties designed to optimise the efficiency of existing resource usage. Evolutionary theory is, by its very nature, a dynamic theory, which, like the resource-based theory, not only accepts but also seeks to explain the diversity of firms. However, unlike the latter, it concentrates on the firm’s long term strategy towards asset protection and augmentation, and the implications for its routines and the development of their dynamic capabilities (Nelson & Winter, 1984; Teece, et al., 1997).

A third kind of firm-specific advantages are those relating to the competencies of the managers of firms to identify, evaluate and harness resources and capabilities from all over the world, and to coordinate these with the existing resources and capabilities under their jurisdiction in a way which best advances the long term interests of the firm. These advantages – stressed by organisational scholars (Bartlett & Ghoshal, 1989; Prahalad & Doz, 1987) – tend to be management specific and are an acknowledgement of the fact that, even within the same corporation, managerial competencies may vary widely. While the focus of interest is similar to that of the resource and evolutionary theories, the emphasis of organisational related theories is on the capabilities of management to orchestrate and integrate the resources it can internally upgrade or innovate, or externally acquire, rather than on the resources themselves. But, as with the resource-based and evolutionary theories, the objective of the decision taker is assumed to be as much directed to growth of assets as to optimising the income stream from a given set of assets (Dunning, 1998).

The eclectic paradigm has also included location advantages of countries as a key determinant of the foreign investment of multinational corporations. Location advantages include the spatial distribution of natural and created resource endowments and markets, input prices, quality and productivity (e.g. labour, energy, materials, components, semi-finished goods), economic system and strategies of government, such as commercial, legal, educational, transport and communication provisions, as well as ideological, language, cultural, business and political differences (Dunning, 1981, 1988, 1992; Ghoshal, 1987).

While the observation that location-specific characteristics matter to firms is hardly novel (Marshall, 1890; Smith, 1776; von Thünen, 1826), for the most part, neither the economics nor the business literature has given much attention to how the emergence and growth of the cross-border activities of firms might be explained by the kind of location related theories which were initially designed to explain the siting of production within a nation state; nor to how the spatial dimension of FDI might affect the competitiveness of the investing companies.

There have been numerous context-specific theories of the siting of particular value added activities of firms and of geographical distribution of FDI. They include the location component of Vernon’s (1966) product cycle theory, Knickerbocker’s (1973) ‘follow-my-leader’ theory, which was one of the earliest approaches to analysing the clustering or bunching effect of FDI, and Rugman’s (1975, 1979) risk diversification theory, which suggested that MNEs normally prefer a geographical spread of FDI to having all their eggs in the same geographic basket. However, researchers extended, rather than replaced standard theories of location to
encompass cross-border value added activities. In particular, they embraced new location advantages, such as exchange rates, political risks, inter-country cultural differences, and placed a different value on a variety of variables common to both domestic and international location choices, such as wage levels, demand patterns, policy related variables, supply capacity and infrastructure. These add-on or re-valued variables could be easily accommodated within the existing analytical theories (Dicken, 1998). This marks off older explanations of the location specific advantage of nations from those of the ownership specific advantages of firms.

The emergence of the knowledge based global economy and asset-augmenting FDI is compelling scholars to take a more dynamic approach to both the logistics of the siting of corporate activities, and to the competitive advantages of nations and regions (Dunning, 1998). Firms need to take account not only of the presence and cost of traditional factor endowments, of transport costs, of current demand levels and patterns, and of Marshallian types of agglomerative economies; but also of distance related transaction costs (Storper & Scott, 1987), of dynamic externalities, knowledge accumulation and interactive learning (Enright, 1990, 1998, 2000; Florida, 1995; Malmberg, Sölvell, & Zander, 1996), of spatially related innovation and technological standards (Antonelli, 1998; Frost, 1998; Sölvell & Zander, 1998), of the increasing dispersion of created assets, and of the need to conclude cross-border augmenting and asset exploiting alliances (Dunning, 1995, 1998). As such, since 1990, location has been taken up in explaining the stickiness of certain locations in an increasingly slippery world (Markusen, 1994). Theories suggest that firms may be drawn to the same locations because proximity generates positive externalities or agglomeration effects. Economists have proposed agglomeration effects in the form of both static (pecuniary) and dynamic (technological) externalities to explain industry localisation (Baptista, 1998). Theoretical attempts to formalise agglomeration effects have focused on three mechanisms that would yield such positive feedback loops: inter-firm technological spillovers, specialised labour, and intermediate inputs (Marshall, 1890).

**Research methods**

International business theory has therefore been analytic, diagnostic and programmatic. There has been considerable debate as to the extent to which it has succeeded in being dynamic. The corpus of academic work on international business has been divided between quantitative studies and qualitative ones. Quantitative research has been largely cross-sectional in method, often using large scale datasets. Qualitative research is more normally single firm (or single industry) focused and longitudinal.

Historical research has been described as research driven versus theory driven. ‘Research driven’ refers to the study of archives or text filtered through the historian’s imagination to see its possibilities (see Burrow, 2007, p. 510). This is contrasted with (usually long term, overarching) studies inspired by theoretical conceptions of key drivers of events (Marxist theory being the epitome of such structuring).

Both international business and business history struggle with causality versus correspondence (or correlation). The role of chance – risk and uncertainty in business, fortune or fate in history is often underrated in a search for determinism. Both areas have attempted large scale comparisons and forensic studies in efforts to discern the real drivers of change.

There are however differences in approach. The use of archives and primary data continues to be a distinctive feature of business history (paralleled perhaps by
participant observation and case study methods in international business research). The foundation of business history is longitudinal study although methods of comparative statics have to be perforce employed regularly because of data deficiencies. Complementarities between the two intellectual domains therefore exist. The importation of ‘mid level theory’ from international business (internalisation theory, the eclectic paradigm, transaction cost theory, the resource-based view of the firm) enhances generalisation, explanatory power and classification of business historical data. Business history provides sources of testing for international business theory and like extension to ‘new’ sources of foreign direct investment (like China, e.g. see Buckley et al., 2007) provides some severe tests for generalisability of these theories.

The impact of Japan as the first important ‘non-Western’ (non-Judaeo-Christian) economic power gave a powerful impetus to comparative studies in international business research. There has been a long and fruitful tradition of ‘comparative management’ which has, in particular, drawn attention to the conceptual and empirical pitfalls in comparative work. Much of the difficulty and excitement of comparative research lies in the area of research methods (see Lonner & Berry, 1986). An illustration of the difficulties and frustrations of comparative analysis was given by Adler, Campbell, and Laurent (1989). The comparative perspective is particularly challenging because, as Etzioni and Dubow (1970, p. viii) point out, ‘the comparative perspective is more than a scientific technique – it provides a basic intellectual outlook.’ There can be few of us who do not believe that we have something to learn from other cultures and societies but the issues of how real differences are to be identified and how they relate to other elements in society are of crucial analytical importance. An illustration of this was the controversy over the transferability or otherwise of Japanese management practices. Are these practices rooted in unique Japanese cultural traits? Or can they be extracted, transferred and transplanted on a piecemeal basis? Such controversies are not new. In 1953 Arnold Toynbee opined that fragments of a culture, such as its technological advances, were much more likely to have an impact on another culture than an attempt to introduce a way of life en bloc (Toynbee, 1953). Social anthropologists would typically look sceptically at this idea, wedded as they are to holistic and contextual analyses; a fragment of one culture when transferred to another takes on a new contextual meaning. Toynbee concedes this contextual point, however, going on to note that the piecemeal absorption which he describes may have profound long term effects, pulling in related elements from the exported culture. How often have we observed developing countries’ desire to obtain advanced technology without the associated cultural dominance? Lest this be thought far removed from international business practice, note the increase in non-equity technology deals under pressure from this demand.

The basic problem in comparative research arises from the monumental nature of the task. The great strength of comparative research is that it provides a carefully specified ‘counterfactual’ – the situation existing in the country with which comparisons are being drawn. However difficulties arise from abstracting from the investigator’s own cultural bias which is likely to impinge on objectivity (Campbell, 1970). The method of comparative research can be very precise. Indeed it is analytically more rigorous than single country studies as it provides measurable counterfactuals. However the difficulty of carrying it out arises from the large amount of information necessary. Because of this a focus on ‘the local, the concrete,
the specific’ (Rokkan, 1970) is more likely to lead to immediate, short term results than the careful design of comparative work. A further obvious, but important difficulty exists. This is language difference in comparative research. Even the most expert translations and retranslations can produce differences of meaning (Brislin, 1986; Phillips, 1970). The underlying difficulty arises in the nuances of meaning as expressed through language. Cultural biases in language are not easy to exclude.

Of crucial importance to the comparative method in research is choosing the right comparator. There are three basic possibilities (Buckley, Pass, & Prescott, 1988, p. 195). First, there is the historical comparison – the situation relative to a different point of time. Second, there is the spatial comparison – relative to a different locational, national, cultural or regional point. Third, there is the counterfactual comparison – what might have been had not a particular action been taken or event occurred (this method has been used to good effect by cliometricians). Of great importance in this type of research method is to ensure that as many factors as possible are held constant other than the research object which is being comparatively analysed. International business lends itself to this type of analysis and it is relatively well developed. Analyses of firms and nations over time are well established. National comparisons are the stock-in-trade of the international business research community which often takes advantage of the uniqueness of the multinational enterprise – the same firm operating in different national environments. Paired groups of firms (e.g. of different national ownerships within the same market) are also utilised. Counterfactual comparisons are also frequent, particularly in the analysis of foreign direct investment outcomes. The actual situation is often contrasted with ‘the alternative position’ – what would have happened if the investment under scrutiny had not taken place. The difficulty, of course, lies in specifying the feasible (or most likely) alternative position.

For our purposes it is clearly the historical comparator that is prominent. Changes over time represent ‘in-case’ comparisons and of course it is the stock-in-trade of business historians to compare their main focus of analysis (the firm or firms being analysed) with other cases from similar times or other eras. Where the modern era is the comparator, we can allude to ‘the lessons of history’ but most business historians would treat such notions with massive ‘health warnings’! It is only under very tightly specified control of conditions that the forward projection of understandings (‘lessons’) from a past era can enlighten the present, tempting as such allusions are.

It is instructive that business historians use not only historical comparators but also geographical ones and counterfactual constructions.

A long-run theory of international business?

It is true that international business theory is either atemporal or, by implication, short run in its conception. Theories with a time dimension potentially include the product cycle hypothesis of Vernon (1966), the Uppsala approach (Johanson & Vahlne, 1977; Johanson & Wiedersheim-Paul, 1975) and, casting the net a little wider, evolutionary theories of firm (Nelson & Winter, 1984). In all of these theories the role of time and particularly of the timing of strategic changes is vague. Vernon’s approach has been termed ‘programmatic not dynamic’ (Buckley & Casson, 1976, p. 77) because it does not specify the timing of changes from exporting to direct foreign investment nor the temporal aspect of trigger variables that change the firm’s
foreign market servicing decision. The Uppsala ‘stages’ approach is descriptive in terms of the sequential development of the firm’s internationalisation (in both its choice of foreign markets and the deepening involvement in each of them) and its coherence is much disputed.

In order to produce, and to test, a long run theory of sufficient power, it needs to be confronted with appropriate set of historical facts.

In general, the historical record does not present an orderly set of facts that point to a single conclusion. In some cases, there is too much information, leading either to redundancy or to contradiction. Some standard must be used to choose the ‘useful facts’ from among the whole body of evidence. . . . Thus historians must use some organising principle, or even several principles, in order to make sense of their evidence. (Robertson, 1996, p. 132)

Buckley and Casson (1976, p. 31) took a set of stylised facts as ‘phenomena which require explanation’. For our purposes, these included: ‘the dating of the “take-off” of the multinationalisation of business to the immediate post-war world’ and ‘post-war international direct investments apparently do not conform to the theory that capital moves from capital-abundant countries to capital-scarce countries: the problem is not only that in certain cases capital flows in the “wrong” direction, but that in several cases substantial amounts of capital in fact flow between two countries in both directions at once’ (Buckley & Casson, 1976, p. 31). In fact part of the explanation for the latter point resides in other phenomena requiring explanation, the industrial structure of FDI and vertical diversification.

It is probably the case that many business historians would dispute the first proposition, that multinationalisation began post-World War II, but the context of this assertion is that FDI is being examined rather than international trade. Nevertheless it is possible to look at FDI and different types of international capital flows over the long run and to attempt a theoretical explanation. Many early post-World War II manufacturing multinationals conformed to product cycle type strategies, first developing skills, knowledge, brands and economies of scale in the home (largely US) market. Growth of rival metropolitan centres of FDI led to international oligopoly of the Knickerbocker (1973) type with Europe and Japan challenging US hegemony in several leading industries such as automobiles, electronics and machinery. In FDI statistics, this was overlaid on top of an earlier and continuing use of FDI to achieve control of key inputs, particularly raw materials.

A key shift occurred with the development of skills in multinational firms that allowed greater degrees of ‘fine-slicing’ of activities over time such that each sliver of activity could be optimally located and controlled (Buckley, 2007). This allowed a ‘global factory’ type of organisation to emerge which involves a combination of directly owned and controlled activities with outsourced and offshored facilities (Buckley & Ghauri, 2004).

These secular shifts of dominant types (or are they really ideal types) from extractive MNEs to integrated multinational manufacturers to more flexibly organised global factories can be considered as aspects within a single paradigm (as the OLI [ownership, location and internalisation] theory of Dunning would explain them (Dunning, 1979, 2000, 2001)) or as a response to changing imperfect external markets (as the internalisation theory would suggest (Buckley & Casson, 1976)) or as evolutionary adaptation (or more recently co-evolution (Murmann, 2003)) of the firm (Nelson & Winter, 1984).
Historical ‘facts’ which might present challenges to long run theories of international business include not only changes in the strategy organisation and existence of multinationals but also in their nationality of ownership and sector. The relationship between sector and internationalisation was a key issue in the product cycle explanation, taking new product, maturing product and standardised product (Vernon, 1966) or innovation based oligopoly, mature oligopoly, senescent oligopoly (Vernon, 1974) as stages of development. The challenge here is to specify carefully what is exogenous. In Vernon’s case, exogenous valuable were changing tastes, dependent on income, communication costs that increase with distance and an imperfect market in knowledge. The dynamic is given by predictable changes in technology and marketing. Perhaps here lies the key to a truly dynamic ‘historical’ or long run theory of international business – theorising on technological, marketing and wider types of knowledge. Knowledge based theories of the firm (Conner, 1991; Conner and Prahalad, 1996; Montgomery, 1995) and the multinational firm (Buckley & Carter, 2002, 2003, 2004; Magee, 1977a, 1977b; Vermeulen & Barkema, 2002) do not confront the exogeneity or endogeneity of knowledge in a complete fashion. However, theories of the firm that focus on the accumulation, acquisition, creation and retention of knowledge have promise for business historical theorising (Kogut & Zander, 1992; Nelson, 1991). A more grounded theoretical approach to dynamic capabilities (Teece, Pisano, & Shuen 1997), correctly specifying exogeneity, has the potential to be a key element in a long run theory of the development of firms over time (Langlois, 1991). Long run theories combining the need for flexibility (Buckley & Casson, 1998; Carlsson, 1989) with coherence (Teece, Rumelt, Dosi, & Winter, 1994) are a major challenge (see Hausman, Hertner, & Wilkins, 2008).

A second challenge comes from the rise of MNEs from emerging economies. International business theory has met this in one of two ways – either by asserting that these multinationals are entirely explicable by the judicious application of extant theories (Dunning (2006) and Narula (2006) using the eclectic or OLI approach, for instance) or by claiming that completely new theories are required (Mathews’ (2002, 2006a, 2006b) LLL (Learning, Leverage and Linkage) approach for instance). An intermediate stance is taken by Buckley et al. (2007) which argues that the emergence of Chinese multinationals can be explained as a special application of the general theory of the growth of the firm by internalisation of imperfect markets – the special application arising because of the peculiar imperfections in the Chinese capital market. In fact, emerging country multinationals are the latest in a long line of ‘unconventional multinationals’ that are frequently presented as challenges to established theory – a perfectly respectable means of attempting to refute orthodoxy.

There are, of course, exemplars of business historians which have influenced business theory. The prime example is Alfred Chandler (1962, 1977), who produced a series of hypotheses on the way in which business enterprises change their internal deployment of resources in response to changes in scope and in their external environment. Chandler unashamedly used theoretical categories to drive his case study material (see Chandler, 1962, p. vii, Acknowledgements). Indeed, Chandler’s theoretical innovations influenced in turn Thompson (1967) and Williamson (1985) and these adaptations were adopted in Chandler’s 1990 book. Cross-fertilisation with organisational sociology and organisational economics produced an improved synthesis (Robertson, 1996, p. 112). Since Chandler, ‘organisation theory has provided a battleground between advocates of ‘the one best way’ and contingency theorists, accompanied by disputes within each group over which way is best or what
contingencies are relevant’ (Loasby, 1996, p. 112). It is precisely this interface that business history theorising can illuminate.

The monumental works of Mira Wilkins (1970, 1974b, 1989; Wilkins & Hill, 1964) are exemplars of international business history. In the epilogue to The maturing of multinational enterprise, Wilkins (1974b, p. 414) provides a commentary on the then extant international business theory that ‘brings her squarely in agreement with those theorists who look at the dynamics of direct foreign investments and view such investments as part of a process – a process developing over time out of the requirements of the innovative business enterprise.’ This is, in effect, an Uppsala model avant le temps. Despite the usual historian’s caveat – ‘no inevitability is implied by the growth pattern that the author is about to describe’ (Wilkins, 1974b, p. 415), she produces a three stage model of the development of American multinational enterprise. Stage one is a ‘monocentric’ approach with little coordination or complexity in the organisation. In stage two the ‘monocentric relationship is shattered’ (Wilkins, 1974b, p. 417) and foreign units develop their own satellite activities. In stage three, ‘the parent company comes to have a number of foreign multifunctional centres, servicing overlapping geographical areas with various products’ (Wilkins, 1974b, p. 419). Wilkins explicitly describes this evolutionary approach as ‘a model’ and analyses the extent to which the model fits (and predicts) various sectors. These theoretical innovations draw on Hymer (1960), Kindleberger (1969) and Aharoni (1966), anticipate the Uppsala model and have a great deal in common with Buckley and Casson’s (2007) elaboration of Penrose’s Theory of the growth of the firm (1959).

Cross-fertilisation between business history and institutionalist economics is also a feature of Lazonick (1983, 1991, 1993), whose work on the role of technological and knowledge based discontinuities moving systems into new equilibrium is the basis for a long run theory of international business. The notions of ‘atomistic economic organisation’, ‘institutional rigidities’ and stages of the evolution of industrial capitalism are important building blocks for (comparative) theories of international business. Lazonick’s focus on the role of the changing knowledge basis of societies is a valuable link to knowledge based theories of the multinational firm. Strong theoretical links can be made between this tradition, the fundamental work of Schumpeter (1928, 1934, 1943) on innovation and its disruptive consequences and with the theory of the growth of the firm following Penrose (1959; and see Buckley & Casson, 2007).

The work of Piore and Sabel (1984) points in a different direction. If the tradition above suggests global firms are the future, ‘flexible specialisation’ points firmly in direction of theories of localisation. This is pertinent because international business theories have long tried to reconcile pressures for globalisation versus tendencies to localisation (Buckley, 2007). In times of extreme pressure of the environment (as with the current, 2009, ‘credit crunch’), firms are torn between maintaining their global networks and securing local strengths. The historical record on this balance (‘glocalisation’) is crucial and possibly predictive of future events (Buckley, 2007; Lazonick, 1993).

International business theory can therefore benefit from the work of business historians by the constant reminder that time, with all its implications, is a key variable in any analysis of MNEs and that a test of a good theory is how well it can account for time. (It may also serve as a reminder of the time-bounded nature of some theories.) This requires theorists to give careful thought to what exactly is exogenous in their theorising. When exogenous variables change (e.g. over time), the
system’s response has to be explained. Perhaps this is the easy part. Specifying changes in exogenous variables is more difficult. This section has attempted, in an extremely cursory and preliminary fashion, to provide steps towards a long run business historical theory of international business.

**This special issue of Business History**

The international status of business history is reflected here in papers from researchers in USA, Spain, Norway, England and Scotland. In 1974 *Business History Review* published a special issue on ‘Multinational Enterprise’, including a piece on ‘Multinational oil companies in South America in the 1920s’ by Mira Wilkins (1974a). Another piece by Charles Kindleberger on the ‘Origins of United States direct investment in France’ opens with the sentence ‘Most analysis of American direct investment abroad focus on the post-World War II era, and on manufacturing’ (Kindleberger, 1974, p. 382). Kindleberger’s paper examines pre-1950 developments with special attention to services (finance, insurance, trade, marketing). The focus of papers in this special issue of *Business History* is largely on foreign investors from Europe and the USA – the exception is Hang and Godley on overseas Chinese investors. The sectoral focus is predominately on service industries – insurance, general services, banking, the film industry, shipping and railways are included. The historical period covered is not uniformly post-World War II, with papers examining the pre-World War I period and analyses beginning in the mid-nineteenth century (see Table 1).

The richness of this special issue is brought out in Table 1. As well as the variety in host countries, source countries and industry or sector, the authors use both primary and secondary data, ranging from private papers to extensive data sets (some compiled *ab initio* for the purposes of analysis). The theory drawn up ranges from ‘traditional’ theories of foreign direct investment and international business to theories of economic integration, internationalisation, international management theory and theoretical concepts that have arisen from business history such as the ‘free standing company’. A wide time span is covered too, ranging from the mid-nineteenth century to the present. It is interesting that a number of innovative key concepts can be identified in each paper giving a unique take on the subject matter – these are internationalisation at the level of the (insurance) industry (Wilkins), capital market integration and its relationship with economic integration (Ferguson), the psychic distance paradox (Hang and Godley), subsidiary evolution (Dimitratos, Liouka, Ross, and Young), the liability of foreignness (Miskell), the internationalisation process (Amdam), internationalisation as applied to family firms (Puig and Fernández Pérez) and the free standing company (Boughey). All of the authors have combined theory with empirical analysis and enriched their material.

As Casson (1997, p. 151) has pointed out, ‘The institutional theory of the firm, derived from Coase and developed by Williamson and others, has only partly fulfilled its early promise. . . . It has succeeded in explaining where the boundaries of the firm are drawn, but has failed to relate these boundaries to what goes on inside the firm.’ The articles in this special issue go some way to answering the crucial, and difficult, issue of the relationship between the management and strategy within the firm and relating this to the firm’s boundaries and geographical extent. There is much more work to do in this area and business history research has a great deal to offer in further empirical findings and improved conceptualisation of the issue.
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Table 1. Contents of this special issue analysed.
Conclusion

It is conventional to suggest that empirically based subjects like business history can be used to test theories. This has been true and remains true. However, there is an opportunity to do more than that. In concert with international business theory and method, business historians have the potential to develop and extend existing theory and to produce new or improved theory. The comparative method is part of the contribution that the study of international business can make. Business historians are skilled at historical (over time) comparisons and international business historians have two key comparators (time and space) at their disposal. Given the imaginative conjectures of analysts, the third comparator – the counterfactual – is ready to be deployed. From careful use of new primary (archival) data, the construction of stylised facts is just a step away. The explication of these styled facts leads to new hypotheses and generalised structuring of hypotheses to new theory. Business history has long been a fruitful test bed of (international business) theory. The new business history could become a powerful generator of theory.

Acknowledgements

I am grateful for comments on earlier drafts of this piece by Mira Wilkins, Thomas Buckley, John Wilson, Paloma Fernández Pérez and especially to Andrew Godley for a thought-provoking response that led to substantial changes.

Notes

1. I owe the genesis of this paragraph to Paloma Fernández Pérez.
2. See ‘Historical knowledge in/on East and South East Asia Conference at Tallinn University, 13–15 September 2009.
4. For a fuller exposition, see Buckley and Chapman (1996).
5. The notion of the ‘free standing company’ is a theoretical innovation that has emerged from business history (Wilkins, 1988; Wilkins & Schrote, 1998). Its status and significance are not uncontested however (Casson, 1998; Corley, 1998) and it promises to be an interesting concept for the further refinement and testing of theory.

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