What the Fox Says, How the Fox Works: Deep Contextualization as a Source of New Research Agendas and Theoretical Insights

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ABSTRACT Using Isaiah Berlin’s distinction between foxes and hedgehogs, John Child’s approach to management research has been described as a fox in a community dominated by hedgehogs. I thus explore Child’s approach to conducting research on China-related phenomena, and place his new work into this trajectory. In doing so, I offer insights into the opportunities and limitations of developing research agendas and generating new theoretical insights from research that is deeply contextualized.

KEYWORDS Chinese multinationals, contextualization, home country effects, institutions, John Child

INTRODUCTION

Isaiah Berlin (1953) famously made the distinction between writers and thinkers by using hedgehogs and foxes in his analogy: hedgehogs know a single big defining idea and foxes ‘know many tricks’, drawing on a wide range of experiences when interpreting social realities. When conferring an IACMR life-time achievement award on John Child, Gordon Redding described Child as a fox who not only knows many facts about China, but also employs many methodologies and multiple theoretical angles. Indeed, Child’s research questions and methodologies are
relatively non-conventional among contemporary management researchers. Over the past two decades, management scholars have become more like hedgehogs: focused on narrowly specified research questions, and applying a clearly defined, highly sophisticated research methodology. Yet despite being an outlier in his methodological approaches, Child is one of the most respected – and most cited – scholars of business on emerging economies. How can there be such a discrepancy between what is clearly solid scholarly work with deep insights and mainstream work by scholars trained in leading business schools?

Child’s work is grounded in a deep and broad understanding of the empirical contexts of the phenomena he studies. He uses a much broader approach to studying context than most contemporary scholars, in at least two dimensions. First, Child considers not only the immediate environment of the organizations he is studying, but also the broader socio-political environment within which the organization and its industry are embedded. Second, Child adopts a multifaceted and qualitative approach to treating the context, which contrasts with the dominant approach of stylizing the institutional environment into a few key facets that are operationalized using a small number of quantitative indicators – such as institutional development, economic freedom or Hofstede’s culture indices. This enables Child to develop very rich descriptions of the context, specifically the Chinese transition economy, from which he draws insights of theoretical relevance beyond the specific context.

In the 1980s and 1990s, Max Boisot and John Child were the leading European scholars investigating the Chinese transition economy, aiming to explain how it functions despite the apparent contradictions with Western economies, and more importantly Western theories as to how an economy functions. Hence, they offer novel explanations of the mechanisms of the governance of transactions (Boisot & Child, 1988), develop the notion of network capitalism (Boisot & Child, 1996), and apply an advanced complexity theory (Boisot & Child, 1999), all with the overall objective of trying to make sense of how the Chinese economy actually works. The writing style of these influential pieces does not fit any of the writing styles favoured by contemporary journal editors; they can best be characterized as essays. Boisot and Child offer a solid argument for a particular theoretical interpretation of their phenomenon, using a variety of theories, arguments and, where appropriate, providing empirical support. However, at least the first two papers do not claim an explicit ‘contribution to theory’, nor are they very specific about their research methodology. The arguments and evidence are driven by their broad understanding of the context, and their ultimate aim is to explain what is happening in this context.

In later streams of work, Child and his co-authors use comparative case methodologies to shed further insights into the workings of Chinese organizations. They do this by contrasting organizations in Mainland China with organizations in a relevant other context that shares a lot with China, but is different on critical
dimensions. For example, Child and Markóczy (1993) compare the behaviour of managers in joint ventures (JVs) in China and Hungary, and trace the roots of behavioural differences to the systems of industrial governance in early stages of economic transition. Child and Tsai (2005) investigate and compare environmental management practices in China and Taiwan, explaining how different types of actors not only adapt to institutional constraints but engage with political players, such as governments and non-government organizations. These studies employ qualitative research methodologies with multiple enterprises cases, and the differences of the contexts from which the organizations originate are central to the research questions. However, they do not follow a conventional structure of research design, data collection and logical presentation of the research methodology as is advised by methodology experts; rather these papers are driven by the messages the authors wish to convey, and they offer deep insights as to how and why context matters.

In recent work on Chinese multinational enterprises (MNEs), Child and his collaborators also employ an essayistic style to argue their view on how the key questions should be addressed by a new research agenda. Thus, Child and Rodriguez (2005) distinguish three organizational forms used by Chinese businesses to internationalize their operations: original equipment manufacturing (by contract or JV), acquisitions abroad, and organic international expansion; on this basis; they develop a research agenda on Chinese MNEs. Child and Marinova (2014) build on this stream of research – in part implicitly – to argue for the multiple ways in which not only home and host contexts influence the context-bridging phenomenon at hand, but also how the interaction between contexts shapes the phenomenon.

This rich line of work, which I can only briefly sketch here, shows Child as a scholar who pursues management research not as a quest for theory, but as a quest for understanding broad social phenomena that are related to business. Theoretical contributions emerge out of the need for systematic explanations of new or puzzling real world phenomena, or what we could describe as ‘theory-to-practice gaps’. This style of contribution, however, is rare in the younger generation of management scholars, perhaps because today’s research training focuses on theories and methodologies, and journal editors and reviewers are quite pushy when it comes to articulating the theoretical contribution of a paper, and to explaining the rigour of the empirical data collection and analysis. Gaps between theory and practice that have motivated earlier generations of social science scholars to develop new theories and a deeper understanding of what is going on around them seems to play at best a marginal role in contemporary research training and journal editor guidance.

CONTEXTUALIZATION OF CHINESE OUTWARD FDI

Outward FDI (foreign direct investment) from China has attracted a huge amount of research in recent years owing to the combination of its novelty, its perceived
challenges to conventional theory, and its policy relevance. Strong evidence is emerging from this literature that the specific context of China influences the patterns and strategies of Chinese MNEs:

- They are technologically less advanced than their counterparts from Europe or North America, and in terms of international business they are in the early stages of their internationalization processes (Meyer & Thajjongrak, 2013). In consequence, the outward investment strategies of Chinese MNEs are usually not geared towards exploiting core competences overseas, but towards acquiring resources and capabilities through strategic asset-seeking FDI (Deng, 2009; Rui & Yip, 2008).

- Chinese MNEs, especially state-owned ones, benefit from preferential access to resources including, especially, financial resources (Morck, Yeung, & Zhao, 2008; Wang, Hong, Kafouros, & Wright, 2012). This resource access enables them to make large acquisitions overseas, even of companies that are technologically more advanced than themselves, and that entail considerable economic risks.

- The Chinese government clearly articulates economic goals, and firms that align their strategies to these goals find it easier to access resources (Morck et al., 2008). The acquisition of natural resources, especially energy-related resources, and of advanced technologies, are objectives of the government’s economic development policy, and hence firms that undertake overseas investment to buy oil wells, mines, or high-technology companies are likely to be supported.

This literature shows not only that home context matters, but also that many interrelated aspects of the home context influence the strategies of outward FDI. This multi-dimensionality of home context creates challenges for conventional empirical hypothesis testing, because those dimensions of context are highly interdependent and correlated. Theoretically, such an analysis should incorporate those multiple dimensions, perhaps using structural equations. That would, however, require a dataset with MNEs from a large number of different home contexts, a virtual impossibility when studying countries-of-origin as units of analysis.

A deeply contextualized approach, such as that of Child and Marinova (2014), overcomes these limitations and allows the mutual interdependencies of these various contextual effects to be explored. Moreover, they move their analysis beyond the institutions to the political sphere shaping the institutions faced by firms, which in China are highly interdependent. Businesses, especially state-owned enterprises, are subject not only to general institutional pressures of the society, but they are also subject to very distinct institutional pressures to align to the policy agenda of ‘the party’ (Brodsgaard, 2012; Lin, 2011).
The Interaction of Home and Host Contexts

The relevance of host contexts for inward FDI is also well established in the literature. Hence, it is no surprise that host country environments also influence where and how Chinese MNEs invest. What is relatively under-researched, however, is the interaction between home and host contexts.

It has been argued that Chinese enterprises because of where they come from and who owns them (especially state-ownership) face different sorts of obstacles in some host environments. This leads to the proposition that Chinese state-owned MNEs have to be more proactive than other investors in demonstrating their legitimacy in countries that take pride in their free market economy, and hence adapt their strategy accordingly (Cui & Jiang, 2012; Meyer, Ding, Li, & Zhang, 2014; Sauvant, 2010). Moreover, such home–host linkages are not unique to emerging economy MNEs entering free market economies. For example, in a study of international business in Myanmar during the international sanctions, we found extensive evidence of a variety of institutional pressures in MNEs’ home countries that interacted with host country institutions to create differential constraints on different MNEs (Meyer & Thein, 2014). The recognition of such home–host institutional linkages is fairly novel in international business research, although Stopford and Strange (1993) highlighted the importance of trilateral interactions of MNEs, home countries, and host countries two decades ago.

Child and Marinova (2014) move this research agenda forward by proposing a typology of home and host country context, in which different combinations trigger different types of strategies (their Fig. 2). The interesting idea here is that an aspect of the home institutional context can trigger different types of business strategies depending on the nature of the host context. Child and Marinova (2014) only use this general typology to explain why they focus on one particular home context, namely a context that has relatively weak regulatory institutions but is politically relatively stable (in the sense of low likelihood of change in political regime). MNEs originating from such a context will, so they predict, exhibit different types of strategies in the types of host context (their Fig. 3). In other words, the framework allows the contextual boundary conditions under which the subsequent arguments apply to be established. Their theoretical arguments are hence relevant (or generalizable) only to firms originating from category B in Figure 2.

The second theoretical contribution explains how MNEs adapt their strategies and practices to host countries, if they originate from an institutionally weak but politically stable country. This is methodologically interesting because most researchers of MNE theory implicitly assume that the home economy is both institutionally fairly developed and fairly politically stable, and then claim (or imply) the general relevance of the theory. Child and Marinova (2014) depart from this mainstream assumption, and essentially say, we are not aiming for a theoretical argument that holds generally true, but a theoretical argument that addresses the situation that we
have identified. They argue that MNEs originating from such a country investing in advanced economies would adapt to local competition and institutions, for example by pursuing loose integration of the subsidiary and appointing host country managers to leadership roles. In contrast, in countries with weaker institutions, such MNEs rely more on their political connections and develop their strategies on the back of government-to-government relations. Figure 3 summarizing this argument should stimulate further research on host country-level moderators on the entry strategies of emerging economy MNEs.

Third, Child and Marinova (2014) draw attention to the political embeddedness of Chinese MNEs. While this political connection plays a central role in political discourses, especially in the US (Sauvant, 2010), and has been picked up by research in political economy or sociology (Brødsgaard, 2012; Lin, 2011), it is often treated in an overly stylized fashion in the management literature. This suggests that management scholars ought to engage more directly with scholars in other fields, including anthropology, politics, and history, which provide insights into the inner working of the contexts which they are investigating.

Opportunities and Challenges of Deep Contextualization

Methodological pluralism critically contributes to the richness of understanding that social sciences can generate. Scholarly discourses live from well-argued ideas, backed up with a variety of different types of evidence. If we allowed reviewers to ‘kill’ ideas because they are not presented in a mainstream way of communicating ‘theoretical contribution’, or because the empirical data do not meet the latest methodology twists, then management research would enter a path to irrelevance. John Child’s work is interesting exactly because it pursues unconventional means of investigating new phenomena and communicating insights.

Child and Marinova (2014) demonstrate the power of a deeply contextualized discussion of a phenomenon to generate insights into that phenomenon, its antecedents, and its consequences. They also show how much such a phenomenon-driven approach can serve to outline research agendas, and to generate insights into new theoretical concepts. Last but not least, they show that important insights for theory can be gained not by searching for ‘gaps in theory’, but by identifying and probing gaps between theory and practice.

CONCLUSION

I have to conclude, however, with a note of caution. A deeply contextualized approach requires a deep knowledge of a local context as well as other contexts to which that context can be compared. Such deep knowledge entails a broad intellectual mind, extensive and diverse field research, and an engagement with scholarly work beyond one’s own field of specialization. It takes many years to acquire
the sort of deep contextual knowledge that enabled scholars like John Child to develop a ‘big picture perspective’ that provides the basis for his contributions to management scholarship.

REFERENCES


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