

International Business
Course Number: 26:553:601
Course Title: Theory of International Business

COURSE DESCRIPTION

This course provides a critical overview of the major theoretical approaches in the international business literature. These strands of analysis can be grouped under the five headings of the market power, internalization, eclectic paradigm, competitive international industry and macroeconomic approaches. We examine both the differences and the scope for complementarities between these alternative means of thinking about international business. Drawing upon this analytical background, the course then reviews the key areas of recent research focus. These crucial new research issues include the role of location in international business, the strategy and organization of multinational corporations, subsidiary level development, cross-border alliances and international mergers and acquisitions. The course concludes with an assessment of the role of methodological design and prospective new directions in international business research.

Requirements of students on the course:

1. To attend all weekly classes, and any other additional lectures as may be advised from time to time.
2. To complete a term paper by the end of the semester, to be submitted in week 15. Term papers should not normally exceed 2,500 words of text (the bibliography is not part of this word count). The title for the term paper must be chosen from the titles given below, each associated with a particular class topic (from topics 2-11; it is not possible to write on topic 1, which is a background introduction). The term paper must demonstrate an understanding of the issues raised in the relevant lecture and make reference to the readings set for that topic. The term paper must answer the question set, with reference to the key themes of the course articulated in the lectures and readings. It is not to be treated as an independent research paper. All students should read the chapters and articles indicated in the lists below, whether or not they are writing their term paper on that topic. The course has been designed as an integrated treatment of the subject with underlying connections between topics. The term paper should therefore also demonstrate an appreciation of how the answer to a specific question on a given topic fits into the broader context of the course. The course must not be regarded as a set of 11 separate topics that can be treated in isolation from one another. Thus, while students are welcome if they wish to undertake additional reading on the topic of their term paper, this must be related to or used to critique the central themes of the course in the term paper. Any such extra readings should not be used in the term paper merely to provide some other alternative essentially unrelated approaches to the topic, and in particular additional readings on a specific topic must not be regarded as a potential substitute for undertaking (and where they are relevant, referring to) the readings for other topics that are also part of the course. To reiterate: a term paper should answer the question set so as to (i) incorporate understandings derived from all the readings for the relevant topic and from the lecture on that topic, (ii) incorporate reference to other selected readings required in the course, and to general themes that recurred at various stages during the classes, and (iii) should only

incorporate other references not included in the readings for the course to the extent that these help build upon and consolidate (but not detract from) the key themes and content of the course.

3. For Ph.D. students, and selected M.S. students, to give a presentation on their chosen topic to the class towards the end of the semester, prior to the submission of the paper itself at the end of the semester. Presentations can last for a maximum of 15 minutes when given by just one student, and for a maximum of 20 minutes when a joint presentation is given by two or more students (the allotted time then being divided equally between them). Presentations are to be prepared in PowerPoint, and to ensure that the necessary time limits are observed they must be contained in a maximum of 12 slides per student for a lone presenter or 8 slides per student in the case of joint presentations (excluding a title slide, if there is one), and all the text of each slide must be in at least a minimum font size of 24. Any presentation that does not conform to these guidelines may be stopped before it is completed. A hard copy of the slides to be used is to be given to the course convenor prior to the oral presentation. Topics will be allocated in week 1 and presentations will be scheduled for specific slots during the classes in weeks 13 or 14. Where students give presentations, assessment will be 25% for the presentation, and 75% for the paper.

4. Those students that will give presentations are expected to consult the class materials for their topic ahead of the session to be held on that topic, and to prepare some comments on the readings for the week, and questions on the lecture to be presented at appropriate intervals in order to help begin class discussions during the class.

COURSE MATERIALS

Key texts

In various parts of the course, reference will be made to readings from the following books, citations to which below will rely on the abbreviations shown here:

Ietto-Gillies, G. (2019), *Transnational Corporations and International Production: Concepts, Theories and Effects*, Northampton: Edward Elgar (hereafter TCIP).

Dunning, J.H. and Lundan, S.M. (2008), *Multinational Enterprises and the Global Economy*, Northampton: Edward Elgar (hereafter MEGE).

Forsgren, M. (2008), *Theories of the Multinational Firm: A Multidimensional Creature in the Global Economy*, Northampton: Edward Elgar (hereafter TMF).

Rugman, A.M. (ed., 2008), *The Oxford Handbook of International Business*, New York: Oxford University Press (hereafter OHIB).

Pitelis, C.N. and Sugden, R. (eds., 2000), *The Nature of the Transnational Firm*, New York: Routledge, second edition (hereafter NTF).

Havila, V., Forsgren, M. and Håkanson, H. (eds., 2002), *Critical Perspectives on Internationalisation*, New York: Pergamon (hereafter CPI).

LEARNING GOALS AND OBJECTIVES

This course is designed to help graduate students to acquire advanced knowledge in the area of specialization of International Business. Students who complete this course will demonstrate mastery of some fundamental concepts used in research in the International Business field.

Students develop this knowledge through the following course activities and assignments:

(i) *Lectures*, that deliver basic concepts, arguments and methods used in research in the field, and explain how they are related, to provide an integrated perspective on the subject area. Some common themes are shown to apply in more than one context, and so the lecture materials ensure that the course is more than just the sum of its parts.

(ii) A *term paper*, in which each student is required to individually complete a paper which answers a specific question on a topic covered in the course. In doing so, the student is expected to demonstrate their understanding of some selected key research themes that have been highlighted during the course.

(iii) Doctoral students on the International Business major in the Ph.D. Program in Management need to successfully pass a *qualifying exam*, following the completion of their coursework.

ACADEMIC INTEGRITY

I do NOT tolerate cheating. Students are responsible for understanding the RU Academic Integrity Policy (<http://academicintegrity.rutgers.edu/>).

I will strongly enforce this Policy and pursue *all* violations. On all examinations and assignments, students must sign the RU Honor Pledge, which states, “On my honor, I have neither received nor given any unauthorized assistance on this examination or assignment.” I will screen all written assignments through *SafeAssign* or *Turnitin*, plagiarism detection services that compare the work against a large database of past work. Don’t let cheating destroy your hard-earned opportunity to learn. See business.rutgers.edu/ai for more details.

CLASS TOPICS

1. The main strands of analysis in the international business literature.

2. The market power approach.
3. The internalization approach.
4. The eclectic paradigm.
5. Competitive international industry, competence-based evolutionary and strategic approaches.
6. Macroeconomic, developmental and finance-based approaches.
7. Distinguishing types of foreign direct investment and locational issues.
8. Strategy and organization of the multinational corporation.
9. Subsidiary level analysis.
10. Strategic alliances and international mergers and acquisitions.
11. New directions in international business research, and how theories have evolved or emerged.

COURSE SCHEDULE

Week 1

1. The main strands of analysis in the international business literature.

(An introduction pertinent to each of the remaining topics; students should treat this as essential background material, but there is no term paper corresponding to this topic.)

Cantwell, J.A. (2000), "A survey of theories of international production", chapter 2 in NTF.

Dunning, J.H. (2008), "The key literature on IB activities: 1960-2006", chapter 2 in OHIB.

Pitelis, C.N. and Sugden, R. (2000), "The (theory of the) transnational firm", chapter 1 in NTF.

Dunning, J.H. and Lundan, S.M. (2008), "Theories of foreign direct investment", chapter 4 in MEGE.

Hedlund, G. (1996), "Organization and management of transnational corporations in practice and research", in J.H. Dunning and K.P. Sauvant (eds.), *Transnational Corporations and World Development*, New York: Routledge.

Week 2

2. The market power approach.

Paper Title: Describe and comment on Hymer's explanation of international direct investment as a means of establishing and exploiting positions of market power.

Yamin, M. (2000), "A critical re-evaluation of Hymer's contribution to the theory of the transnational corporation", chapter 3 in NTF.

Hymer, S. and Rowthorn, R. (1970), "The multinational corporation and international oligopoly", in C.P. Kindleberger (ed.), *The International Corporation*, Cambridge, Mass.: MIT Press.

Ghauri, P.N. and Buckley, P.J. (2002), "Globalisation and the end of competition: a critical review of rent-seeking multinationals", chapter 1 in CPI.

Forsgren, M. (2008), "The dominating multinational: a tale of market power", chapter 2 in TMF.

Ietto-Gillies, G. (2012), "Hymer's seminal work", chapter 4, and "Transnational monopoly capitalism", chapter 13 in TCIP.

Week 3

3. The internalization approach.

Paper Title: Assess the strengths and weaknesses of the internalization explanation of the existence of the multinational corporation.

Buckley, P.J. and Casson, M.C. (2002), "A long-run theory of the multinational enterprise", chapter 2 in *The Future of the Multinational Enterprise*, New York: Palgrave Macmillan (25th Anniversary Edition; originally published in 1976).

Hennart, J.-F. (2008), "Theories of the multinational enterprise", chapter 5 in OHIB.

Ietto-Gillies, G. (2019), "Internalization and the transnational corporation", chapter 9 in TCIP.

Kogut, B. and Zander, U. (1993), "Knowledge of the firm and the evolutionary theory of the multinational corporation", *Journal of International Business Studies*, vol. 24, no. 4, pp. 625-645.

Forsgren, M. (2008), "The coordinating multinational: a tale of cost efficiency", chapter 3 in TMF.

Week 4

4. The eclectic paradigm.

Paper Title: Examine the usefulness of the eclectic paradigm as a framework for combining and relating alternative theories of international business, and in coping with changes over time in the practice of international business.

Cantwell J.A. (2015), "An introduction to the eclectic paradigm as a meta-framework for the cross-disciplinary analysis of international business", in Cantwell J.A (ed.), *The eclectic paradigm: a framework for synthesizing and comparing theories of international business from different disciplines or perspectives*, London and New York: Palgrave-Macmillan; also accessible at <http://ssrn.com/abstract=2640705>.

Dunning, J.H. (2000), "The eclectic paradigm of international production: a personal perspective", chapter 5 in NTF.

Cantwell, J.A. and Narula, R. (2001), "The eclectic paradigm in the global economy", *International Journal of the Economics of Business*, vol. 8, no. 2, pp. 155-172; revised version reprinted as "Revisiting the eclectic paradigm: new developments and current issues", chapter 1 in J.A. Cantwell and R. Narula (eds., 2003), *International Business and the Eclectic Paradigm: Developing the OLI Framework*, New York: Routledge.

Dunning, J.H. (2001), "The eclectic (OLI) paradigm of international production: past, present and future", *International Journal of the Economics of Business*, vol. 8, no. 2, pp. 173-190; revised version reprinted as chapter 2 in J.A. Cantwell and R. Narula (eds., 2003), *International Business and the Eclectic Paradigm: Developing the OLI Framework*, New York: Routledge.

Letto-Gillies, G. (2019), "Dunning's eclectic framework", chapter 10 in TCIP.

Week 5

5. Competitive international industry, competence-based evolutionary and strategic approaches.

Paper Title: Examine the merits of analysing the multinational firm as an evolutionary and learning entity, which progresses in interaction with other firms and institutions.

Cantwell, J.A. (2008), "Innovation and information technology in the multinational enterprise", chapter 16 in OHIB.

Letto-Gillies, G. (2019), "Evolutionary theories of the TNC", chapter 12 in TCIP.

Letto-Gillies, G. (2019), "The product life cycle and international production", chapter 6, and "Oligopolistic reactions and the geographical pattern of FDI", chapter 7 in TCIP.

Graham, E.M. (2000), "Strategic management and transnational firm behaviour: a formal approach", chapter 7 in TNF.

Forsgren, M. (2008), "The knowing multinational: a tale of value creation", chapter 4 in TMF.

Week 6

6. Macroeconomic, developmental and finance-based approaches.

Paper Title: Compare and contrast the role of long term developmental and short term financial management influences on patterns of foreign direct investment.

Ozawa, T. (1992), "Theory of foreign direct investment as a dynamic paradigm of economic development", *Transnational Corporations*, vol. 1, no. 1, pp. 27-54.

Ozawa, T. and Castello, S. (2001), "Toward an 'international business' paradigm of endogenous growth: multinationals and governments as co-endogenisers", *International Journal of the Economics of Business*, vol. 8, no. 2, pp. 211-228; revised version reprinted as "FDI and endogenous growth: IB perspectives", chapter 4 in J.A. Cantwell and R. Narula (eds., 2003), *International Business and the Eclectic Paradigm: Developing the OLI Framework*, New York: Routledge.

Cantwell, J.A., Dunning, J.H. and Lundan, S.M. (2010), "An evolutionary approach to understanding international business activity: the co-evolution of MNEs and the institutional environment", *Journal of International Business Studies*, vol. 41, no. 4, pp. 567-586.

Letto-Gillies, G. (2019), "Currency areas and internationalization", chapter 8 in TCIP.

Bowe, M. (2008), "International financial management and multinational enterprises", chapter 20 in OHIB.

Week 7

7. Distinguishing types of foreign direct investment and locational issues.

Paper Title: Assess the reasons why location has again become a critical issue in the theory of international business.

Rugman, A.M. and Verbeke, A. (2008), "Location, competitiveness, and the multinational enterprise", chapter 6 in OHIB.

Dunning, J.H. and Lundan, S.M. (2008), "The motives for foreign production", chapter 3, and "Linkages, spillovers and clustering", chapter 16 in MEGE.

Dunning, J.H. (1998), "Location and the multinational enterprise: a neglected factor?", *Journal of International Business Studies*, vol. 29, no. 1, pp. 45-66.

Cantwell, J.A. (2009), "Location and the multinational enterprise", *Journal of International Business Studies*, vol. 40, no. 1, pp. 35-41.

Bathelt, H., Cantwell, J.A. and Mudambi, R. (2018), "Overcoming frictions in transnational knowledge flows: challenges of connecting, sense-making and integrating", *Journal of Economic Geography*, vol. 18, no. 5, pp. 1001-1022.

Week 8

8. Strategy and organization of the multinational corporation.

Paper Title: Examine how research in international business strategy has supported views of the theory of the multinational corporation as following a dynamic or evolutionary process.

Teece, D.J. (2014), "A dynamic capabilities-based entrepreneurial theory of the multinational enterprise", *Journal of International Business Studies*, vol. 45, no. 1, pp. 8-37.

Monteiro, F. and Birkinshaw, J. (2017), "The external knowledge sourcing process in multinational corporations", *Strategic Management Journal*, vol. 38, no. 2, pp. 342-362.

Tallman, S.B. and Yip, G.S. (2008), "Strategy and the multinational enterprise", chapter 12 in OHIB.

Westney, D.E. and Zaheer, S. (2008), "The multinational enterprise as an organization", chapter 13 in OHIB.

Dunning, J.H. and Lundan, S.M. (2008), "The organisation of MNE activity: the internal network", chapter 8 in MEGE.

Week 9

9. Subsidiary level analysis.

Paper Title: Discuss whether, and if so how, multinational firms can overcome the tension between the need for subsidiaries to be embedded in their own local environment, and the need for subsidiaries to be integrated in their multinational corporate group.

Birkinshaw, J. and Pedersen, T. (2008), "Strategy and management in MNE subsidiaries", chapter 14 in OHIB.

Birkinshaw, J. and Hood, N. (1998), "Multinational subsidiary development: capability evolution and charter change in foreign-owned subsidiary companies", *Academy of Management Review*, vol. 23, no. 4, pp. 773-795.

Andersson, U. and Forsgren, M. (2000), "In search of centre of excellence: network embeddedness and subsidiary roles in multinational corporations", *Management International Review*, vol. 40, no. 4, pp. 329-350.

Kutschker, M. and Schurig, A. (2002), "Embeddedness of subsidiaries in internal and external networks: a prerequisite for technological change", chapter 5 in CPI.

Forsgren, M., Holm, U. and Johanson, J. (2005), "Subsidiary power in the embedded multinational", chapter 10, "Transfer of knowledge in the embedded multinational - the role of shared values and business networks", chapter 11, and "Learning in the embedded multinational", chapter 12 in *Managing the Embedded Multinational: A Business Network View*, Northampton: Edward Elgar.

Week 10

10. Strategic alliances and international mergers and acquisitions.

Paper Title: Examine the extent to which inter-firm alliances and international mergers and acquisitions may arise for reasons other than increasing market power or reducing transaction costs. Have these other factors become more important in recent years, and if so, how and why?

Inkpen, A.C. (2008), "Strategic alliances", chapter 15 in OHIB.

Cantwell, J.A. and Salmon, J. (2019), "Increasing knowledge complexity and informal networks in the information age", in F.J. Contractor and J. Reuer (eds.), *Frontiers of Strategic Alliance Research: Negotiating, Structuring and Governing Partnerships*, Cambridge and New York: Cambridge University Press.

Dunning, J.H. and Lundan, S.M. (2008), "The organisation of MNE activity: the external network", chapter 9 in MEGE.

Lundan, S. and Hagedoorn, J. (2001), "Alliances, acquisitions and multinational advantage", *International Journal of the Economics of Business*, vol. 8, no. 2, pp. 229-242.

Dunning, J.H. (1995), "Reappraising the eclectic paradigm in an age of alliance capitalism", *Journal of International Business Studies*, vol. 26, no. 3, pp. 461-491.

Week 11

11. New directions in international business research, and how theories have evolved or emerged.

Paper Title: Evaluate what is new in recent international business research, and how much that is sometimes claimed to be new may be simply 'old wine in new bottles'. Assess how and why theories of international business have been adapted or developed as global business has evolved through to the present day.

Alcácer, J., Cantwell, J.A. and Piscitello, L. (2016), "Internationalization in the information age: a new era for places, firms, and international business networks?", *Journal of International Business Studies*, vol. 47, no. 5, pp. 499-512.

Dunning, J.H. (1999), "Forty years on: American investment in British manufacturing industry revisited", *Transnational Corporations*, vol. 8, no. 2, pp. 1-34.

Cantwell, J.A. (1992), "Innovation and technological competitiveness", in P.J. Buckley and M.C. Casson (eds.), *Multinational Enterprises in the World Economy: Essays in Honour of John Dunning*, Brookfield, Vermont: Edward Elgar.

Oviatt, B.M. and McDougall, P. (1994), "Toward a theory of international new ventures", *Journal of International Business Studies*, vol. 25, no. 1, pp. 45-64.

Chang, S.J. and Rhee, J.H. (2011), "Rapid FDI expansion and firm performance", *Journal of International Business Studies*, vol. 42, no. 8, pp. 979-994.

Week 12

Discussion of first set of student presentations.

Week 13

Discussion of second set of student presentations.

Week 14

No class; completion of term papers; submission of term papers is due, via the Canvas course site (under the tab "Assignment", you'll find an assignment named "Term paper", click "View/Complete", upload your paper there, and submit).

SUPPORT SERVICES

If you need accommodation for a *disability*, obtain a Letter of Accommodation from the Office of Disability Services. The Office of Disability Services at Rutgers, The State University of New Jersey, provides student-centered and student-inclusive programming in compliance with the Americans with Disabilities Act of 1990, the Americans with Disabilities Act Amendments of 2008, Section 504 of the Rehabilitation Act of 1973, Section 508 of the Rehabilitation Act of 1998, and the New Jersey Law Against Discrimination. More information can be found at ods.rutgers.edu.

[Rutgers University-New Brunswick ODS phone (848)445-6800 or email dsoffice@echo.rutgers.edu]

[Rutgers University-Newark ODS phone (973)353-5375 or email ods@newark.rutgers.edu]

If you are *pregnant*, the Office of Title IX and ADA Compliance is available to assist with any concerns or potential accommodations related to pregnancy.

[Rutgers University-New Brunswick Title IX Coordinator phone (848)932-8200 or email jackie.moran@rutgers.edu]

[Rutgers University-Newark Office of Title IX and ADA Compliance phone (973)353-1906 or email TitleIX@newark.rutgers.edu]

If you seek *religious accommodations*, the Office of the Dean of Students is available to verify absences for religious observance, as needed.

[Rutgers University-New Brunswick Dean of Students phone (848)932-2300 or email deanofstudents@echo.rutgers.edu]

[Rutgers University-Newark Dean of Students phone (973)353-5063 or email DeanofStudents@newark.rutgers.edu]

If you have experienced any form of *gender or sex-based discrimination or harassment*, including sexual assault, sexual harassment, relationship violence, or stalking, the Office for Violence Prevention and Victim Assistance provides help and support. More information can be found at <http://vpva.rutgers.edu/>.

[Rutgers University-New Brunswick incident report link: <http://studentconduct.rutgers.edu/concern/>. You may contact the Office for Violence Prevention and Victim Assistance at (848)932-1181]

[Rutgers University-Newark incident report link: https://cm.maxient.com/reportingform.php?RutgersUniv&layout_id=7 . You may also contact the Office of Title IX and ADA Compliance at (973)353-1906 or email at TitleIX@newark.rutgers.edu. If you wish to speak with a staff member who is confidential and does **not** have a reporting responsibility, you may contact the Office for Violence Prevention and Victim Assistance at (973)353-1918 or email run.vpva@rutgers.edu]

If students who have experienced a temporary condition or injury that is adversely affecting their ability to fully participate, you should submit a request via <https://temporaryconditions.rutgers.edu>.

If you are a military *veteran* or are on active military duty, you can obtain support through the Office of Veteran and Military Programs and Services. <http://veterans.rutgers.edu/>

If you are in need of *mental health* services, please use our readily available services.

[Rutgers University-Newark Counseling Center: <http://counseling.newark.rutgers.edu/>]

[Rutgers Counseling and Psychological Services–New Brunswick: <http://rhscaps.rutgers.edu/>]

If you are in need of *physical health* services, please use our readily available services.

[Rutgers Health Services – Newark: <http://health.newark.rutgers.edu/>]

[Rutgers Health Services – New Brunswick: <http://health.rutgers.edu/>]

If you are in need of *legal* services, please use our readily available services: <http://rusls.rutgers.edu/>

Students experiencing difficulty in courses due to *English as a second language (ESL)* should contact the Program in American Language Studies for supports.

[Rutgers–Newark: PALS@newark.rutgers.edu]

[Rutgers–New Brunswick: eslpals@english.rutgers.edu]

If you are in need of additional *academic assistance*, please use our readily available services.

[Rutgers University-Newark Learning Center: <http://www.ncas.rutgers.edu/rlc>

[Rutgers University-Newark Writing Center: <http://www.ncas.rutgers.edu/writingcenter>]

[Rutgers University-New Brunswick Learning Center: <https://rlc.rutgers.edu/>]

[Optional items that many faculty include:

- Students must sign, date, and return a statement declaring that they understand the RU Academic Integrity Policy.

- Students must sign, date, and return a statement declaring that they understand this syllabus.]