

Defining A Domain for International Business Study

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Editor's Commentary

WITH ISSUE 1 OF 2013, Daniel Rottig and I will assume the duties of Associate Editor and Editor of *AIB Insights*. We plan some changes over our tenure; one is the establishment of an advisory board that will be geographically oriented. We also plan on involving the board in diversifying *Insights* articles, to publish a greater number of thematic journal issues on specific topics and current events in specific regions around the world. The Board will also develop a more rigorous review process. *Insights* is a forum for presenting information and opinions dealing with issues of interest and value to international business academics and practitioners. We invite your contribution.

The focus of this issue is initiating further discussion of defining a Domain for international business study and the Academy of International Business.

Is Defining a Domain for International Business Study Necessary?

Prof. Lee C. Nehrt, retired Owens-Illinois Professor of International Management, College of Business, Ohio State University is identified as the first person to earn a PhD in International Business, at the Graduate School of Business of Columbia University in 1962 (Elahee, 2007). However, fifty years later, the AACSB (2012) reports only 6 percent of their members offer PhDs in International Business, 19.5 percent MBAs, and 16.1 percent Specialised Masters programmes in IB. *AIB Insights* is inviting interested parties to contribute manuscripts relating to defining a domain for international business study. International business refers to business activities amongst individuals and businesses that involve the transfer of resources, goods, services, knowledge, skills, or information across national borders. Reading through past academic publications I find (amongst several more of equally influential quality) several articles that address the issue, that you can read for your edification and ideas:

For the twenty-fifth anniversary issue of the *Journal of International Business Studies (JIBS)*: Wright, R.W. & Ricks, D.A. 1994. Trends in international business research: Twenty-five years later. *Journal of International Business Studies*, 25(4 (4): 687-701.

And:

Fayerweather, J. 1994. A personal odyssey through the early evolution of international business pedagogy, research, and professional organization. *Journal of International Business Studies*, 25(1): 1-44.

Buckley, P. 2002. Is the international business research agenda running out of steam? *Journal of International Business Studies* 33(2): 365-373.

Peng, M.W. 2004. Identifying the big question in international business research. *Journal of International Business Studies*, 35(2), 99-108.

Perhaps reading through these articles will inspire you to contribute your ideas to future issues of *Insights*.

Ruël, Lee and Visser provide an interesting discussion of the considerations and relationships between government and business, relating commercial diplomacy and international business success.

In response to requests from members attending AIB 2012 in Washington D.C. in the USA, we close the issue with a reprise of the plenary address at the conference, "Rethinking our Roles", by Ray Offenheiser, President of Oxfam America, and winner of the Academy of International Business President's Award.

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The Domain of International Business and the AIB

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AIB INSIGHTS HAS EVOLVED to feature the full range of IB scholars' interests, from teaching curriculum issues to current affairs that have a bearing on our research agenda, to reporting on the wide variety of research we undertake. The very scope of this journal raises the question: what is the domain of international business?

At the Nagoya AIB Conference in June 2011, following an ambitious initiative by AIB President Mary Ann Von Glinow and the AIB Executive, a set of working groups were created to examine some of the challenges facing our organisation. One of these was the AIB Strategy Working Group on the Domain of IB and the AIB.¹ The following is based around the report of this group and subsequent discussions of the AIB Board.

The Working Group focused on three distinctive areas of the IB domain, led by the following three broad questions:

1. What distinctive, distinguishing characteristics and features, what boundaries and benchmarks define and differentiate the field of international business (IB)?
2. What would comprise a legitimate curriculum for the teaching of IB globally? What would be the criteria and benchmarks for accreditation of any IB teaching programme?
3. Who are the main stakeholders and interest groups that we are (or should be) connected to?

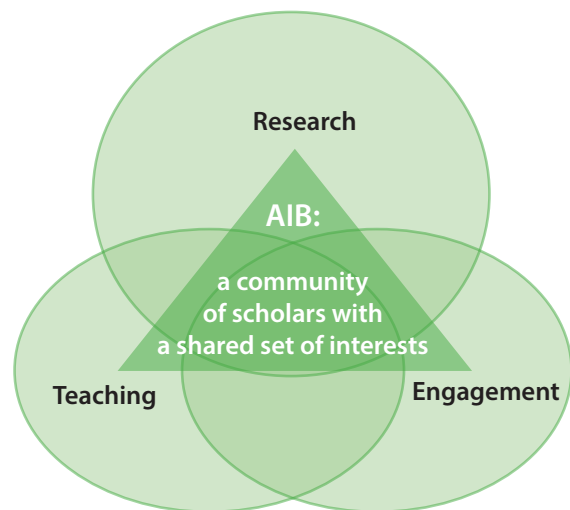
For each of these we aimed to:

- a. Capture some kind of consensus from past analysis and discussions
- b. Identify where new challenges might prompt a revision of the IB domain
- c. Outline any implications for the scope and activities of the AIB

1. What Distinctive, Distinguishing Characteristics and Features, What Boundaries and Benchmarks Define and Differentiate the Field of IB?

As predicted this proved to be the most challenging question, given it is both open-ended and strongly contested. It has, however, been the

The Domains of the AIB



subject of many articles and AIB panels in the past. (See other definitions and characterisations in the articles listed in the references at the end of this report. Note, though, that this list is not only incomplete, it is not particularly representative.) Whilst there is no general agreement on the defining characteristics and boundaries of the domain, our discussions led us to the view that many of the past definitions have become outmoded. The ongoing debate needs to prioritise a number of contemporary influences, as does any reshaping of the AIB remit.

The most recent JIBS statement of editorial policy, citing six areas of the field, does take a more contemporary and eclectic approach and would be our preferred benchmark. However: (1) it is still implicitly or explicitly closed to a number of areas of research (e.g., single-country studies), and; (2) there is still a gap between its aspirational aims for the field (via topic-specific research papers) and our currently realised scope and the activities of the AIB.

At the heart of the field, the boundaries of the MNE have changed substantially since early definitions. Past distinctions between firm and market and distinctions between public and private, for example, have become blurred. A greater variety of organisational forms and a greater

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complexity of interrelationships now constitute international organisational life. These and other phenomena present challenges to the theoretical boundary conditions and assumptions of the past.

Rather than expand on this we chose to focus on the contested periphery of the field in three specific areas: disciplinary legitimacy and interdisciplinarity; universality; relevance and user engagement. These are connected to the remaining two topics under our stated remit: teaching curricula and stakeholders.

Disciplinary Legitimacy and Interdisciplinarity

IB scholars have reflected for some time on the legitimacy of the field in relation to more established and accepted disciplines. These include economics, geography, political science, sociology, anthropology, and other disciplinary areas referred to in association with IB.

We support an emerging view which advocates the development of IB as both a distinctive and differentiated field of studies in its own right and one which helps to bridge, integrate, and link other disciplines and/or sub-disciplines. IB research can provide greater explanatory power through this integrative role, but it also needs independent credibility. This recognises the IB field as a body of knowledge, a set of empirical data, analytical frameworks, tools, and techniques that add value in either manifestation, alone and in combination with other disciplines. This added value should be judged in terms of the improved robustness of explanations of the international dimension than individual subjects achieve on their own.

In addition, by applying other disciplines to the IB and MNE contexts, IB can contribute back to those fields by challenging their assumptions and boundary conditions and modifying and expanding their main theories. To some extent, despite having the potential to contribute, IB has been traditionally overlooked by other disciplines. The phenomenon of asymmetric referencing (us citing them, but them not citing us) provides some evidence to show we are rather peripheral as a field of enquiry.

Therefore the same rule-of-thumb should apply in relation to our own “core theories.” Where more robust explanations can be achieved through disciplinary integration this should be encouraged. Dogmatism is arguably retarding the evolution of our field and those of other disciplines.

Many of these points have been made in discussions elsewhere. Our main proposition is that the IB field should encompass both, rather than one or the other of the above domains. It should be proactively developed as both a distinctive field of studies in its own right and one which both incorporates and informs other disciplines.

If this is accepted by the leadership and membership of AIB, it has implications for our strategy and activities, in terms of our interface and interaction with academics and academic organisations in other disciplines and subject areas.

Recommendations

We propose that the AIB:

- More proactively encourage acceptance of a broader range of papers at AIB conferences and journals and foster the participation and presence of under-represented disciplinary views. Such efforts might usefully be focused thematically, around different phenomena/issues over time.
- Examine the viability of disciplinary subgroups within AIB (economics, geography, political science, sociology, anthropology), which would be able to engage with parallel groups outside of the AIB. At the same time (however contrary this appears) it seems necessary to facilitate dialogue across disciplinary subgroups.
- Look to connect more frequently with other academic organisations to develop the interface and integrative potential between our subject fields.
- Emphasise the need to not only apply existing theories from other disciplines, but in so doing, to extend and modify these theories in light of the conceptually distinctive nature of the IB context. This may entail a more deliberate and proactive outreach agenda, including the promotion of joint conferences and targeted journal special issues.

Universality

A central theme in IB studies—as in all scientific and social science research—is the search for “universal truths” or general principles. This sits alongside a second IB theme, that locations or places vary and context matters. As part of the question of the domain of IB we need to also ask how “universal” are our “universal theories,” and what are the scientific processes by which universals are discovered?

These are even more relevant questions today, given the rise of alternative forms of capitalism, the knowledge economy, and other empirical shifts. To some extent, these challenge accepted theories that have largely evolved to explain Anglo-American or Western firms, institutions, and national systems, but they fail to fully explain the empirical realities of other contexts. Similar issues exist at the behavioural and cognition levels. This has, in part, led to recent calls for “deeply contextualized” or indigenous inquiry as a source for more robust or novel theory building. Such efforts dominantly result in localized or context-specific theory. However, universals may still emerge by synthesizing and abstracting across context-specific results, rather than imposing such expectations *a priori*. And more important from an IB perspective, perhaps the most advanced understanding of a given phenomenon will emerge as we embrace universal forms of explanation alongside explanations that are local in character.

In parallel with the empirical realities referred to above, the actual and potential membership of the AIB is expanding to encompass scholars from different intellectual contexts. These should rightly be the source

of new influences over the definition of these universalities and the IB domain as we define it. Currently we see a tendency to “shoehorn” alternative perspectives into an Anglo-American dominated view of legitimate universalities.

This debate also encompasses some common areas of constructive tension within our scholarly community, including, for example:

- The relative importance of qualitative and quantitative approaches
- Whether emerging economies merit new IB theories
- The legitimacy of single-country studies
- The centrality of the MNE (or private firms per se) as the core unit of analysis

Recommendations

Despite the importance of this to the domain definition of the IB field, it is not clear what specific steps can be taken to improve our openness to this kind of change.

One idea is for the AIB to facilitate, perhaps at the annual conference, large-scale comparative international research programs involving the membership. Another is for AIB to support indigenous inquiry that spans across the “intellectual borders” that surround our concepts and theoretical logic.

There are links to both relevance and user engagement, given that failure to adapt our theoretical foundations threatens to undermine our relevance and legitimacy. There are also obvious links via this to the stakeholder question below.

Relevance and User Engagement

Concerns that the IB research agenda could be “running out of steam” have been examined by many, including Liesch et al. (2011), who map the evolution of field from a focus on macro-environmental issues to a more recent focus on micro-economic, firm-level issues. They observe that the field has established a “justifiable claim for relevance, participating actively in the interdisciplinary exchange of ideas.”

In a paper published in JIBS in 2004, Buckley and Ghauri argue that international business research succeeds when it responds to the need to answer a series of what they call “big questions” in the world economy. They proceed to say that such a “big question” is the changing strategy of multinational enterprises (MNEs) and the way it affects globalisation and its geographical expression through the location of the activities of MNEs.

We would extend the principle well beyond this (rather mainstream IB) example to encompass more of the “grand challenges” that face us all. These could extend from climate change or poverty alleviation to corporate ethics or the “crisis of (Western) capitalism”; however, the scope will not be determined by issuing an agreed list, it will evolve from the focus and actions of engaged researchers.

These are also the kinds of problems that are likely to benefit from a more interdisciplinary approach and a questioning of accepted universalities. Moreover, robust solutions are likely to be found through engaged scholarship which includes research users (practitioners and policymakers) at an early stage in the research (not just as targets for the distribution of semi-relevant findings).

Currently there are a number of institutional constraints that limit IB researcher’s ability to focus on the ‘big questions’ and fully engage research users. These vary by country and context and most are beyond the scope of the AIB. But there are some steps the AIB could take to prompt a shift in the IB domain to meet the above challenge (see below and in Section 3 related to stakeholders). The alternative may be for less credible research organisations to take the lead in these highly prominent areas and arenas.

Recommendations

We propose that the AIB:

- Develop more ways of engaging with particular stakeholders at the annual conference and beyond. The existing links with UNCTAD and the involvement of IB scholars in the development of annual WIR may provide useful lessons to build on.
- More specifically engage in reaching out to policy makers and practitioners, targeting for example government agencies and large enterprises in emerging markets. Develop collaborative initiatives with them that are beneficial for both, researchers—to gain new insights based on studying those contexts, and countries—providing knowledge to those constituents.
- There may well be some overlap with the recommendations of the “outreach” working group in terms of concrete proposals for improving engagement with research users.

2. What Would Comprise a Legitimate Curriculum for the Teaching of IB Globally? What Would Be the Criteria and Benchmarks for Accreditation of Any IB Teaching Programme?

Our main conclusion in response to this domain question is that the AIB should develop its role in this area and actively seek to become an organisation that oversees the accreditation of international business and management programmes globally. This could also connect with an advocacy role in relation to other academic and teaching-related organisations (AACSB, EFMD, EQUIS, ABS, and so on; see Section 3 below on stakeholders). The role could also extend to providing advice on, even lobbying for, a greater level of international content in functional courses and the internationalisation of programs, for example.

However, no single curriculum but rather a defined range of topic ar-

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eas, theoretical approaches, analytical frameworks, and tools should be compiled. This would provide the basis for both accreditation purposes and for providing input and advice to faculty and schools that seek guidance on curricula matters. The range of subjects, theories, frameworks, and tools included within an “AIB-approved” curriculum should be developed through further consultation. This should be continually open to revision in line with the changing empirical realities, the needs of teaching faculty and users (see Section 3 below).

We expect that several models will emerge from such an exercise—with topic options, assessment modes and accreditation criteria varying depending on the target group of students and the teaching context. Appendix 1 provides an obvious starting point for such an exercise.

More specifically we advocate that an agreed subset of existing teaching resources, including JIBS (and perhaps other leading journals) alongside a selected number of established IB textbooks, should be agreed upon as the foundation for an “AIB-approved” IB pedagogy.

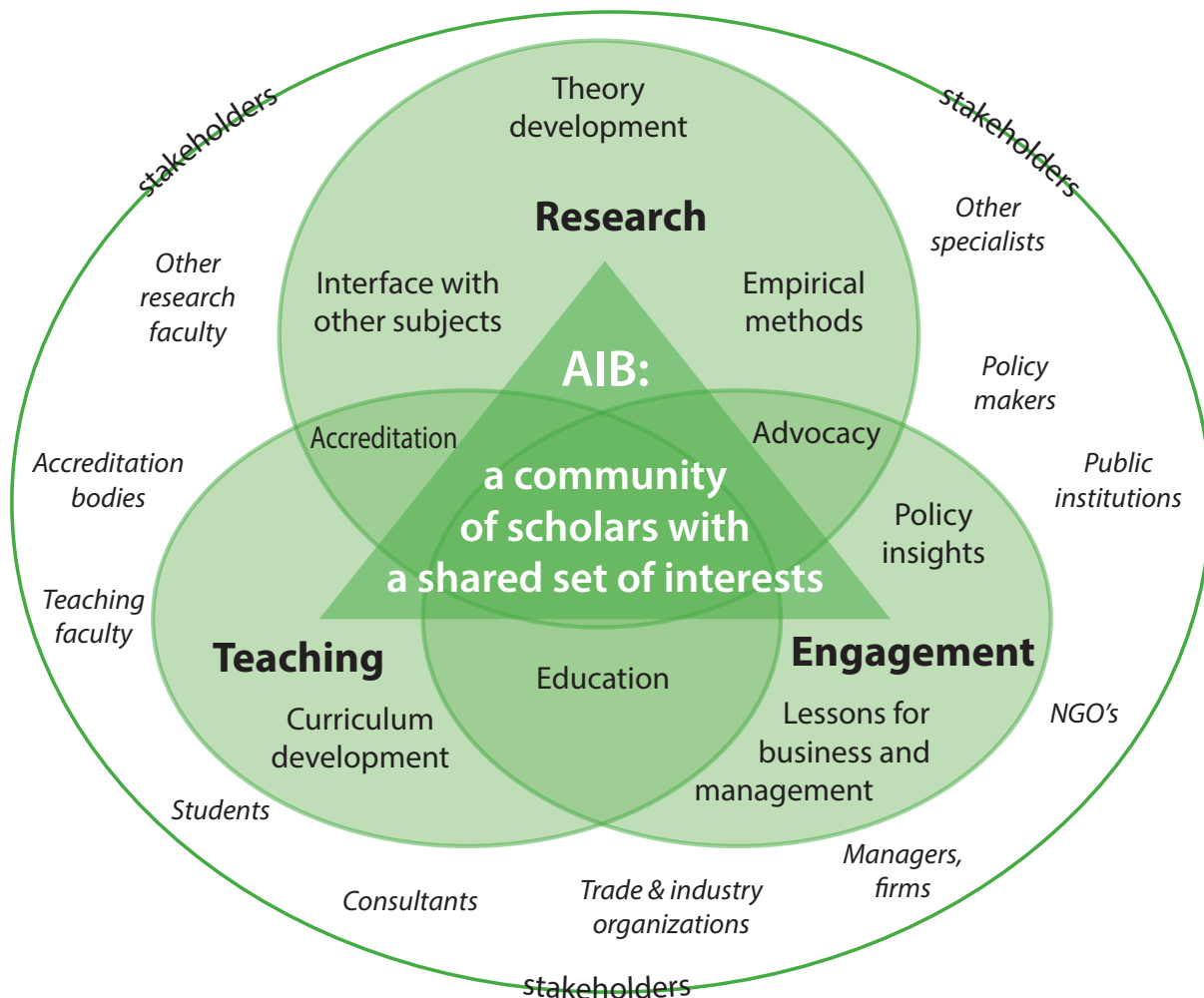
Recommendations

Assuming there is wider support from the membership for the AIB to extend its activities into this area (which should be confirmed) we propose the AIB establish a working group to develop this further. Three related sets of actions need to be taken:

- Define and agree on the core “AIB-approved” curriculum,
- Establish criteria, benchmarks, and a process for managing accreditation of IB teaching programmes (if demand exists),
- Examine opportunities and specific institutions to approach to promote AIB-approved teaching programmes as part of the AIB outreach function.

At a subsequent stage, AIB should engage with the relevant accreditation organisations such as AACSB, EFMD, EQUIS and ABS, to develop any necessary affiliation or partnership.

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3. Who Are the Main Stakeholders and Interest Groups That We Are (or Should Be) Connected to?

The figure below captures elements of the above discussion and lists some obvious stakeholders in relation to AIB.

Our membership, encompassing research-active faculty that regularly attend AIB events, is the primary stakeholder group. Other research and teaching faculty, researchers, and students in the IB area and beyond are a secondary constituency.

AIB members are individually and institutionally linked more or less strongly to a range of stakeholders. In simple aggregate terms these also comprise the wider latent population of AIB stakeholders. The simple dilemma, however, is that most of these are positioned at the national level, despite having concerns that may be more or less international. This applies to the three generic groups outlined in the above figure: other, non-IB faculty, researchers, and teachers; government-related policy makers, NGOs, charities, and advisory groups; private sector practitioners in multinational (or would-be multinational) enterprises.

Given the above dilemma it seems to make sense for AIB Chapters at the regional or country level to play a role in specifying and connecting with appropriate stakeholders at their level. This still leaves a central role for AIB to identify and connect with supra-national stakeholders. This means targeting the major MNEs and well-known transnational NGOs. Obvious candidates are: the World Economic Forum, the World Bank and the IMF, OECD, IMF, WTO, and possibly regional trade and economic organisations such as the EU and APEC.

The AIB's evolving relationship with UNCTAD perhaps provides some lessons on how links with stakeholders could be developed and this role extended.

The key "hook" in terms of potential areas of mutual interest partly relates to the "big questions" point above. Raising the profile of the AIB and building our credibility as the pre-eminent group of IB scholars can only be done by taking more proactive steps to connect with the challenges and agendas of high-profile policy makers and corporate leaders. This is also a test of our own superior ability to add valuable insights through our expertise as IB scholars.

Finally, should the membership support this remit extension, a parallel effort should be made in relation to establishing the AIB as the foremost accreditor of IB teaching programs through engagement with relevant stakeholders (see Section 2 above).

Recommendations

We propose that the AIB:

- Develop specific ways to bring research insights on key issues of the day to the attention of policymakers, practitioners and the public. This would inevitably involve a degree of proactive development and marketing of press-releases. "Pushing" feeds via vari-

ous online professional and social network media would be part of this effort.

- Examine the possibilities of establishing a new category of associate membership to bring non-academics into the AIB.
- Explore seriously a change in the annual conference to comprise sessions that not just include abovementioned stakeholders but are explicitly led by them and their agendas, presenting tangible problems as challenges for IB scholars.
- Look into the options for developing an advisory role with government organisations and NGOs through the AIB outreach function.

Conclusion

In conclusion, the AIB should aim to further legitimise IB and advocate IB as a field of study. In the process of domain definition we should be looking for opportunities to extend our domain, to encompass the new realities of our field, theoretically, empirically, and institutionally. The ambition is to realise the full potential of our superior insights into the influences and impacts of international business through a stronger role in advocacy via both teaching and stakeholder engagement.

This requires:

- (1) Clarifying the theoretical, analytical, and empirical domain of AIB as a field of study;
- (2) Defining and accrediting a standard set of IB teaching curricula, based on (1) above;
- (3) Identifying and proactively engaging with research users and stakeholders to bring the additional insights and problem-solving potential of the IB field to bear on the concerns of people beyond our immediate peer group.

Finally, to encompass the principal ambitions outlined above, we propose a domain statement for the AIB.

A Domain Statement for the AIB

The Academy of International Business (AIB) is a global community of scholars and specialists interested in the real-world phenomena, problems, and puzzles that arise from, or relate to, the activities of firms and other organisations that cross national borders or are undertaken in more than one country, and the economic, social, and political consequences of these activities. They seek a better understanding of the problems and opportunities that these activities and consequences create, drawing upon the full suite of disciplines that informs the strategies, structures, and processes within firms, institutions, and other organisations, their locations, and the motivations and behaviours of people working for them. To deliver on its research purpose, the field of international business is multidisciplinary in

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scope, interdisciplinary in content, and methodologically pluralistic. Through scholarly publication, teaching, consultancy, and advocacy, the AIB community reaches a global constituency to improve the performance of internationally active firms and other institutions, and the well-being of people affected by their activities.

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Appendix: Generic Example of an International Business Curriculum

This is an example list of topics taken from three leading IB textbooks (by Rugman & Collinson, 2012; Daniels, Radebaugh & Sullivan, 2011; Hill, 2010). Their contents are not dissimilar from most other IB textbook offerings. It is not meant to be comprehensive illustration, merely a starting point for development.

THE ENVIRONMENT OF INTERNATIONAL BUSINESS

Regional and global strategy
The multinational enterprise
The triad and international business
Global institutions and varieties of capitalism
Corporate ethics in the international business environment

INTERNATIONAL BUSINESS STRATEGIES

International politics and institutions
International culture
International trade and trade theory
Global patterns of foreign direct investment
International financial markets and institutions
Multinational strategy
Market entry, international alliances, and joint ventures
Organising strategy internationally
International corporate strategy and national competitiveness
International R&D and innovation
International entrepreneurship and “born global” firms

FUNCTIONAL AREA STRATEGIES

International production strategy
International marketing strategy
International human resource management strategy
International political risk and negotiation strategy
International financial management

REGIONAL STRATEGIES

European Union
Japan
North America
Emerging economies
Brazil
Russia
India
China

Endnotes

- 1 Its members were: Simon Collinson (Chair), Yves Doz, Peter Liesch, Tatiana Kostova, and Kendall Roth.

Simon Collinson is Dean of Birmingham Business School and Professor of International Business and Innovation at the University of Birmingham. He was previously at Henley Business School, University of Reading and Warwick Business School, where he held the post of Deputy Dean. Simon's current research is on collaborative innovation in China and he is a Visiting Professor at Zhejiang University in Hangzhou. He is also co-author of the FT / Pearson *International Business* (6th Ed.) textbook with Alan Rugman.

Yves Doz is the Solvay Chaired Professor of Technological Innovation at INSEAD. He received his Doctoral degree from Harvard University and he has taught at the Harvard Business School, Stanford's Graduate School of Business, Seoul National University, and Aoyama Gakuin University in Tokyo. He was President of the Academy of International Business in 2008-2010. His most recent research is featured in his new book, *Managing Global Innovation*, co-authored with Keeley Wilson, published in 2012 by Harvard Business Review Press.

Tatiana Kostova (Ph.D., University of Minnesota) is the Buck Mickel Chair and Professor of International Business at the University of South Carolina's Darla Moore School of Business. Her research is at the intersection of MNC management and organization theory and addresses

questions of institutional and cultural embeddedness of MNCs, cross-border transfer of management practices, organizational legitimacy, and social capital in MNCs. She has served as AIB Vice President and is an AIB Fellow.

Peter Liesch is Professor of International Business in the UQ Business School at The University of Queensland, Australia. His current research interests include firm internationalisation processes and international business operations in their entirety. He is a Professional Member of the Economic Society of Australia, a Fellow of the Australian Institute of Management, and Vice-President (Administration) of the Academy of International Business.

Kendall Roth is Senior Associate Dean for International Programs and Partnerships at the Darla Moore School of Business, University of South Carolina. He holds the J. Willis Cantey Chair of International Business and Economics and is a Fellow of the Academy of International Business. He is a member of the editorial boards for the *Journal of International Business Studies*, *Academy of Management Journal*, *Strategic Management Journal*, and *Global Strategy Journal*.

What Is, and to What Purpose Do We Study, International Business?¹

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IN THE GLOBALIZED, “FLAT” WORLD, do we still need a special field of study called “international business” (IB)? Yes, we do, and more than ever, as I will argue in this essay. Opportunities to engage across national borders are rapidly growing in scope and complexity, while only marginally reducing the challenges of managing across borders. IB scholars explore how and why cross-national differences matter and how businesses are able to transcend national (and other) differences. To this end, we integrate context and general theory, which allows us to not only advance theories but also use our research to contribute to major debates in management practice and politics.

IB Matters Because Local Context Matters!

On the international stage, businesses encounter a wide variety of opportunities and challenges that arise from their position as (initial) outsider to a local context different than their home country. They thus develop organizational structures and processes to exploit opportunities and to manage challenges arising from the exposure to multiple contexts. IB scholars investigate such businesses that engage with, and bridge, multiple contexts.

Business, like any social activity, is shaped by its context. Hence management scholars, like other social scientists, deal with phenomena taking place in a specific social context. Identifying, describing, and assessing the context-bound nature of a phenomenon, however, requires researchers to step outside that context. In other words, when empirical scholars are embedded in the same context as the subjects of their research, they do not have the tools to identify, let alone assess, the influence of context. An insider will (normally) share many of the implicit assumptions with the subjects and thus will not be able to make these assumptions explicit. By stepping outside, IB scholars are able to provide deep knowledge of contexts in comparative perspectives, reflect how phenomena are shaped by national contexts, and offer critical self-evaluation of a home context.²

IB researchers looking beyond single countries can recognize these contextual issues, make them explicit, and thus enable systematic analysis. This process is essential for theory development because it allows specifying the contextual boundaries of theories. Only when theories have received empirical support in a variety of contexts can we confidently assume their general (or “universal”) validity. Moreover, multi-country studies enable identifying and testing how context-level moderators impact on relationships proposed by theory.

This multi-functional and multi-disciplinary research agenda involves all aspects of business—from “macro” themes such as the interaction of businesses with national government and supra-national organizations to “micro” themes such as the cultural adjustments of expatriates or consumer attitudes to foreign brands. In fact, for me personally, the interaction with scholars analysing businesses from a wide range of perspectives, yet with a common interest in the international dimension, is one of the most stimulating aspects of AIB events. What we share as a scholarly community is an acute awareness that national differences matter for individuals and organizations engaging in business.

This focus on how differences in (national) contexts matter for business, and how individuals and organizations deal with such differences, is the basis for most contributions of IB research to mainstream management scholarship. They relate, firstly, to concepts and theories that help explaining the relevance of national context for business, for example (national) institutions such as culture, rules and regulation, political risk, economic systems, legal systems, psychic distance, and variations of these concepts. Secondly, they relate to businesses bridging across contexts, for example, the theory of the multinational enterprise, process models of internationalization, the integration-responsiveness framework, or contemporary work on knowledge management in MNEs and on global value chains. Third, they relate to individuals crossing borders in the pursuit of business, for example as negotiators, cross-cultural teams, expatriates, global careers, or other roles.

These research agendas serve at a primary level to better understand, and hence enhance, the operations of businesses that cross borders, or wish to learn from business practices observed elsewhere (Peng, 2004). However, at a higher level, IB scholarship goes beyond helping firms perform better. Internationally operating businesses make an important contribution to all the societies they engage with—which can be positive or negative (Meyer, 2004). By better understanding and explaining these interactions, IB scholars can lay the foundations for improved business practices—and perhaps even governmental regulation—that enhance the potential of business to make a positive contribution to society.

Indigenous Research and International Business

Like IB scholars, indigenous management researchers are acutely aware of the importance of local context. Indigenous research, or context-bound research, investigates business in a single context, while relating

explicitly to global scholarly conversations, notably by exploring new phenomena through the lens of established theory, or by applying existing theories in novel contexts with the aim to deepen or extend them (Meyer, 2007; Tsui, 2007). The growing recognition of such indigenous research is reflected in the rising status of two journals dedicated to indigenous research in Asia, the *Asia Pacific Journal of Management* (APJM) and *Management Organization Review* (MOR), which achieved SSCI impact factors of respectively 3.1 and 2.4 in the journal citation report 2011 (released June 2012), which ranked them 21st and 29th among management journals.

Indigenous research is more than studying business in a particular country, such as the country the researcher originates from. For young scholars, a focus on a single country may be a good starting point for a scholarly career in the field. In fact, I continue to believe in the importance of geographic replication studies as a means to establish the contextual boundaries—or generalizability—of our theories (Meyer, 2007), notwithstanding the dismissive attitude of some esteemed colleagues. However, single country studies are often insufficient to generate knowledge of more than local value because they fail to identify what this context has in common with other contexts, and what is truly unique. I observe two common fallacies: one is to assume everything is the same unless proven otherwise (a *general theory illusion*); the other is to reject the applicability of experiences elsewhere and develop entirely new models that almost invariably “reinvent the wheel” (an *exceptionalism illusion*). What brings us forward is the middle ground, research that deeply contextualizes yet engages with theoretical insights from elsewhere and thereby develops theoretical propositions relevant across contexts.

An interesting case of a successful indigenous researcher with global reach is Ikujiro Nonaka, who was named Eminent Scholar of the AIB at the 2012 conference in Washington, DC. Most of his empirical research investigated Japanese organizations and identified organizational principles of knowledge management that in the first instance apply in the specific cultural context of large, Japanese firms. However, over a series of studies he developed concepts and theoretical frameworks (e.g., Nonaka, 1994) that made his work relevant beyond Japan, eventually making him one of the most cited scholars in his field.

Indigenous research is complemented by area studies research offering deep and integrative knowledge of specific countries. Some business schools locate area specialists within an IB department because not only can area studies and IB mutually benefit from intellectual exchange, but many of the wider missions of a business school – especially teaching and policy advice – often require integrating deep understanding of local contexts with the conceptual perspectives of IB scholars.

Such integration is, however, not meaningful for a scholarly association. Most business schools have a clearly defined home base (not withstanding exceptions such as INSEAD), and hence it is feasible to define “international” as “everything outside our national borders.” In contrast, scholarly communities operate globally without focal home base, and hence there is no “home” and “abroad.”³ Including area studies in the

scope of a scholarly IB association would imply that it covers any study in any business discipline anywhere in the world, which would result in the word *international* losing its meaning. The fact that the *Academy of Management Journal* uses such a definition of international in some of its statistics (Kirkman & Law, 2005) speaks to the ethnocentric nature of that association; in fact some non-US-based scholars find it rather insulting as it seems to imply that their domestic research is somehow distinct or less relevant than US-focused research.

While IB scholarship focuses on cross-border and comparative research questions, there are rich potential synergies among IB, indigenous research, and area studies. As IB scholars, we need to continuously deepen our understanding of the contexts we engage with. This provides great opportunities for AIB, especially its Chapters, to develop new meeting forms such as specially-themed Chapter conferences or joint conferences with other organizations focused on particular regions.

International Business and the Quests for General Theory

The ambition of leading journals in management is to publish papers developing “general theory” that is supposed to be valid context-free. Yet IB researchers know that context is essential for explaining what businesses do, and hence context is central for most of our research questions. Both, general and the specific are important; they should be complementary, but they seem to be at odds in management research. Thus, I have recently been asking myself, *is the quest for general theory holding back advance in IB research?*

General theory is by necessity highly abstract: transaction costs make it less likely that a market is used for transactions, divergent objectives induce agents to behave differently than what principals want, institutional pressures induce individuals to obey social norms. Yet in the application of these high level theoretical insights—be it for empirical testing or for developing advice for practice—we need to contextualize the relevant concepts to operationalize and measure them. Hence, we need informed opinions on what features increase transaction costs, what objectives motivate agents, or what social norms people follow. In other words, empirical studies always contain an element of contextualization. The problem is that this is often not made explicit (or researchers may be oblivious of it, a likely scenario when they and their subjects are embedded in the same context). Likewise, when using general theory to generate advice for managers, we need to offer an informed view on what transaction costs, incentives, or social norms are most relevant in the context in which the company is operating.

Hence, theoretically, general theory and contextualization are different aspects of the same process: generating higher level knowledge that helps practice. General theorizing ought to make explicit the assumptions on which it is built, and contextualization can then assess these assumptions for a particular context, thus enabling the testing and application of the general model. The problem is, in my humble opinion,

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that this is not how management research is actually done, or communicated. Authors in management journals often respond to the quest for general theory by going to great length to deny the relevance of local context to argue for the “general” relevance of their findings, even scholars whom I know to be very knowledgeable about the contexts they are studying. What is worse, this writing style is actively pushed by many reviewers and even editors, as I can see from my sizable collection of rejection letters.

To illustrate the point let me share a typical conversation in Asia. I am frequently asked by scholars at Asian universities for my advice how to publish in “international” journals. On one recent occasion, they told me of an AMJ editor – diplomatically omitting the name – who told them that the appropriate way to write a scholarly paper was to write the theory part in a general way, and not to mention that it is a study in China until they reach the method section. I bluntly told them that this was very poor advice and really disqualifies the speaker as social scientist—in fact such an attitude likely attracts ridicule from other academic disciplines.

Any social phenomenon is shaped by its context, and it would be hypocrisy to pretend that anything observed in China would be the same elsewhere (unless you have very solid evidence otherwise), just like it is hypocrisy to pretend that empirical findings in the US would equally apply universally—unless such an assertion is very carefully demonstrated (an essential topic for a discussion section). There are lots of reasons why firms and people in the US would behave distinctly: the specific legal system, Anglo-American cultural values, the lack of deep history, low interpersonal ties, high geographic mobility, etc. All of these issues profoundly moderate management practice. Even if a concept can be translated to another language, the meaning of the translated concepts may be substantially different, especially for the sorts of abstract constructs used by management theorist, such as trust, legitimacy, fairness, and even the basic notion of corporate performance.

The answer to my earlier question thus is, unfortunately, a qualified yes! It would be great to have general theories, yet a lot of what is published just pretends to be general theory but actually offers context-specific theory that fails to identify contextual boundaries. Worse, the guidance from certain journals steers authors away from examining the contextual boundaries of theories, and is thereby inhibiting the development of truly general theory. IB scholars can offer a more promising route forward by studying multiple contexts, which enables separation of truly general from the context-specific, and hence of the advance of general theory as well as the application of theory to practice.

IB Scholarship Enhances Practice

Scholars of IB face great opportunities to translate their insights to both management practice and policy debates. The dual pressures for general theory and for practical relevance may be perceived by many management scholars as conflicting. Yet in IB scholarship these two

objectives find natural ways of integration. International themes create opportunities both for developing practically relevant theory, and for developing tools to operationalize and possibly modify the supposedly general theories for application in a given local context.

In my view, the perceived lack of relevance of scholarly research by many practitioners arises in major part because they (and intermediaries, such as teachers and consultants) are given no guidance on how to apply the “general” abstract concepts in their specific context. With our understanding of how and why context of business matters, we as IB scholars are—potentially—in a good position to act as bridge between theory and practice.

The integration of general and contextual knowledge puts IB scholars in a strong position to contribute to contemporary public debates. Businesses and media approaching IB departments with requests for advice often ask questions that require such integration, for example: “What strategies allow MNEs to cope with the global financial crisis?” (Meyer, 2009), or “What is happening in India/Mexico/USA today, and what are the implications of that for businesses from our country doing business there?” As IB scholars, we ought to be able to offer informed opinions on such questions—because if we can’t, who can?

We could do even better in explaining phenomena of concern to business today. Specifically, we ought to devote more attention to new challenges faced by business, or new real world phenomena. It is theory-practice gaps that should drive new research projects and new theory development, not gaps in the theory per se. The identification and description of new phenomena plays an important role in this research agenda, though it may not be valued as much as it should by many management journals. In contrast, leading journals in, for example, economics frequently publish paper that are motivated by a real world question, a new phenomenon, or an empirical puzzle in a specific context, without the need to justify the research by “a gap in theory.” Such phenomenon-driven research applying theory to new phenomena helps generating new insights relevant to trigger new theoretical work.

Conclusion

IB scholars examine how and why national business contexts matter and how individuals and corporations manage such contextual variations. With an acute awareness of local context, IB scholars integrate context and general theories to generate new theoretical and practical insights. In pursuit of this agenda, they actively engage with specialists of both specific business contexts and of functional business disciplines.

Globalization accelerates business interfaces across countries, while only marginally reducing differences in national contexts. Therefore, IB scholarship becomes more important than ever. As IB scholars, we should pursue our research agenda more confidently in view of this broader agenda, and thus shape not only scholarly debates but both management practice and government policy.

Endnotes

- 1 The framing of the title question draws on Friedrich Schiller's inaugural speech as Professor of Philosophy at the University of Jena, 1789: "Was heisst und zu welchem Ende studiert man Universalgeschichte?" (What is and with what purpose do we study universal history?)
- 2 Context is a broad concept. IB scholars focus mostly on national context, though for some research questions the appropriate unit of analysis may be lower geographic levels such as provinces within countries or higher levels such as the European Union. In addition, industry (especially differences between manufacturing and services) and historical time explain many of the differences observed by businesses and empirical studies. For ease of argument, I focus in this essay on national contexts, though many arguments apply equally to other dimensions of context.
- 3 Within the AIB, even the largest national group by university affiliation is a minority; US-based scholars accounted for 34.9% of the membership in June 2012.

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Commercial Diplomacy and International Business: Inseparable Twins?

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The world economy is a dynamic environment full of opportunity and risk for international business. Such dynamism creates new political and economic space for the development of international business opportunities in fast developing economies including Brazil, China and India (Salmi & Scott-Kennel, 2012), but it also increases economic risks for international businesses with investments in declining or even crisis ridden developed economies such as Greece. The dynamism is evident in the growth of new international businesses in the East such as Etihad (United Arab Emirates) as well as a new wave of developing country international business investments in the older economies of the West. Consider, for example, the 2010 purchase of the US food producer Keystone Foods by Brazilian firm Marfrig. This purchase is representative of the increasing tendency of fast developing country business acquisition (backed by their own governments) of major economic interests in the traditional sectors of the older economies (Benard, 2012). In many ways it is astonishing to consider that a Brazilian company now produces all of the meat in the MacDonalds burgers and Subway's sandwiches eaten by Americans. Similarly Tata Motor's purchase of Jaguar Land Rover from Ford Motors is further evidence of the new opportunities emerging economy businesses are exploiting in order to invest in the manufacturing sector in developed.

Navigating this dynamism successfully, competing in new and unknown markets while avoiding the risks inherent in familiar but now volatile markets, is crucial for new and old businesses and governments alike to ensure growth and even survival (Kalotay & Filippov, 2009). The shift of economic opportunity from developed to developing economies means that international business has to navigate growth in economies where the formal regulatory and institutional context for doing business is very different from that which the business is used to and with often a very active role for the state. This is certainly the case with China and is a characteristic of the political economies of India, Brazil and Russia. It is in this context, the unfamiliarity of the political contexts of new market opportunities, that commercial diplomacy driven by close nation-state –business collaboration and diplomatic support for international business is needed and, moreover, that 'the need to expand and develop commercial diplomacy is all the more important' (Lee & Ruël, 2012: xiv).

The idea that successful international business is just a matter of a clear business strategy and good business management is naive and outdated. Benard's (2012) illustration of China's success in employing diplomatic means to secure a prime position in foreign markets for its businesses as opposed to the lack thereof in the USA is a recent and practical example of how diplomacy and business go hand in hand in this new political and economic environment.

In this short article we will call for more research on commercial diplomacy by international business scholars. We consider commercial diplomacy to be 'the work of a network of public and private actors who manage commercial relations using diplomatic channels and processes' (Lee 2004: 51), implying a 'shift' in what diplomacy is. We will present a short description of what commercial diplomacy is and most importantly, how, from an international business point of view, research should be undertaken in terms of business-government communication as well as the organization and value creation process of commercial diplomacy.

The Old and New Significance of Commercial Diplomacy

To understand how commercial diplomacy and international business go hand in hand, one only needs to consider how trade and aspects of diplomacy have propelled civilizations into becoming great economic powers. From the Mesopotamians employing trade as an aspect of diplomacy and the Romans using trade to spread their culture even beyond the borders of the Roman Empire to Medieval times when English trade with the German Hanseatic League was supported by continuous diplomatic bargaining, trade and diplomacy have been closely related. In somewhat more recent times, the Dutch established an embassy in China in 1655 with the specific objective to improve trade and a new country called the USA would significantly change global economic and commercial relationships. A quite modern version of commercial diplomacy was adopted by the USA as Page (1902: 167-168) notes: 'through the principle of reciprocity she proposed to abolish exclusions, monopolies, and preferences, and thus to promote the advantages of both nations rather than "by outwitting the other" to secure some ex-

clusive advantage for herself'. All in all, commercial diplomacy has in some sense been around for a considerable amount of time and the concept is nothing new.

What is Commercial Diplomacy?

Diplomacy typically involves information gathering, lobbying, advocacy, and the representation of interests in a negotiation. Commercial diplomacy involves all of these activities and focuses on negotiations around commercial deals. It is a multi-stakeholder activity involving public and private actors negotiating a business deal that will likely involve public as well as private commercial interests. A huge commercial deal such as the aforementioned Tata purchase of Jaguar Land Rover touches on the economic and political interests of the nation-state (it has implications for governance reputation as well as key economic indicators such as employment and GDP rates) as well as the reputation and economic development of the business. In order to capture such deals businesses often rely on the nation-state to provide commercial intelligence (information gathering) support (lobby for) and promote (advocacy) the business in both formal and informal negotiations in a variety of settings. In essence this often includes Ambassadors and foreign ministry staff organising and hosting trade fairs, but also includes direct lobbying on behalf of or accompanied by the CEOs or staff of businesses. From this, and the definitions that have been developed so far, Lee's definition of commercial diplomacy is an *e pluribus unum* one which states that commercial diplomacy is 'the work of a network of public and private actors who manage commercial relations using diplomatic channels and processes'. (Lee 2004: 51). This statement finds resonance in Lee & Ruël (2012), who add to it by specifying public actors as nation-state and private actors as businesses operating in domestic, regional and systemic environments so satisfying both public and private needs.

There are plenty of reasons why public and private actors together can and should lead commercial diplomacy in new and unfamiliar markets and open up diplomatic networks for commercial reasons. First, embassy contacts generate economic intelligence that would have otherwise not been available. Second, diplomats are usually more visible in media and may thus draw attention (marketing) at relatively low costs. Third, diplomats usually have easier and influential access to high-level contacts than most businesses. Fourth, diplomats are usually seen as highly credible, making it easier to attract foreign direct investment. Fifth, intelligence gathered by foreign missions is centralized and this creates efficiencies for the sector; it keeps businesses from reinventing the wheel.

Commercial Diplomacy at the Intersection of International Business and International Relations

The definition given earlier shows how commercial diplomacy lies at the heart of the intersection of international relations and international business. As an integral component of entrepreneurial development it is key to economic success by providing governments and businesses

with a means to interact within specific institutional settings so as to facilitate trade and investment growth. Using the diplomatic network, governments can highlight new markets and (inward) investment opportunities, and provide direct access to government (this is particularly significant where the state plays an interventionist role in the domestic market such as China) and business through the close links that diplomats have developed in their day to day jobs in overseas embassies. In so doing, commercial diplomacy combines the functions and interests of both government and business. They stimulate and reinforce each other: governments can strengthen political relationships by supporting entrepreneurship to and from home and host countries and international businesses are more likely to gain access to foreign markets if a foreign mission with a commercial presence is established in the host country. But the resource expenditure needs to go both ways (not least to satisfy public concerns about using public gains for private interests). Businesses will themselves need to commit resources and invest in developing personal relationships to react to, anticipate, and try to influence public decision making.

How Effective is Commercial Diplomacy in Supporting International Business?

Several quantitative assessments on the topic suggest that commercial diplomacy is effective. For example, Rose (2005) finds that bilateral exports rise by approximately 6-10% for each additional consulate abroad. Wilkinson & Brouter (2000a; 2000b; 2006) come to much the same conclusions for specific activities such as trade shows and export promotion efforts. In addition, Ruël & Zuidema (2012) show that commercial diplomacy is highly relevant and valuable in markets which are very different from the one at home. While helpful in highlighting that commercial diplomacy per se creates business growth, existing studies offer few if any insights into how to expand and develop this entrepreneurial activity beyond the obvious advantages to opening more overseas posts and organising more trade fairs from them.

In light of what we know and especially what we don't know, we argue that a research agenda needs to be set to elucidate the concept of commercial diplomacy. Three specific topics are of particular interest. First of all, the big picture (by which we mean the international and national context) in which commercial diplomacy takes place has hardly received any attention even though it is obviously a major influence on commercial diplomacy for nations, businesses and individuals. Second, we have an idea of specific activities of commercial diplomacy, such as trade missions and investment promotion, but what we don't have is an idea of how such activities are best organized and why a portfolio of activities is more adequate in some situations than others. Furthermore, at the individual level it is interesting to get a better understanding of how diplomats and business actors 'team up' together in pursuing business deals while at the same time serving public economic interests. What we do know of commercial diplomacy does not, unfortunately, constitute a very integrative understanding. We know bits and pieces

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of, for example, the commercial diplomat, government involvement in export promotion, the context of commercial diplomacy, the national commercial policy and specific activities of commercial diplomacy (e.g. trade shows and trade missions). If the need for an integrative approach wasn't clear already, it probably is by now. The first step in developing such an approach would be the development of a full set of commercial diplomacy instruments and an assessment of how they support or inhibit each other.

Such patchy knowledge could at the very least be strengthened by a thorough approach toward research. Alas, here too, we discern a small variety in research methods and a severe lack of comparative research. Most studies concern either specific case studies or the presentation of data. New models will need to be explored using relevant examples from international business studies and do so in the context of identifying links between the grand total of zero integrative views we have on commercial diplomacy.

Having an idea of the kind of perspective and scope future research to adopt is only half of the picture. Equally important is knowing what to actually investigate. Here, we advocate that based on what commercial diplomacy is and what we don't know yet, the adoption of an international business perspective would be very beneficial to both governments and businesses. To kick-start research, we would like to bring forth the following research questions to form a bridge between commercial diplomacy and international business. The first one of these is showing how the interaction between business and government takes place so as to point out effective means of communication and expectation management strategies for businesses. The second one is the manner in which governments and businesses can most effectively organize commercial diplomacy so as to facilitate the activities of businesses in foreign markets. The third one is the identification of the value creating process of commercial diplomacy so as to allow governments and businesses to recognize and benefit from mutual goals and practices.

Concluding Remarks

It is high time that we knew more about commercial diplomacy, which is defined as the work of a network of public and private actors who manage commercial relations using diplomatic channels and processes. Specifically, we need to know more about the complex interplay between governments and businesses, the organizational arrangement of commercial diplomacy and how value is created. This is to be done with reference to models and theories/insights from international business studies. Considering that the most urgent focus is on organization, communication and value, there is no way that international business can ignore commercial diplomacy any longer.

In this short article, we shared our view with you to raise a dialogue between those that study and practice international business and those that study and practice commercial diplomacy. To illustrate why this dialogue is needed, we need only point to Benard (2012: 101), who con-

tends that 'the United States needs to find a happy medium in which business promotion again becomes a strong pillar of its foreign policy, although not its sole focus.' In a world where the USA is called upon to get its act together in terms of commercial diplomacy, it would be wise to provide insights to help decision-makers in businesses and governments design the most effective structures for commercial diplomacy to best support and enhance entrepreneurial activity.

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Reprise of: “Rethinking our Roles”

Address to the Academy of International Business 2012 Annual Meeting – Opening Plenary

Ray Offenheiser, President, Oxfam America

GOOD MORNING. Thank you for the kind introduction and the warm welcome. And thank you, too, for the Academy of International Business President’s Award.

I’m proud to accept it on behalf of my colleagues, who are fighting for social justice and economic empowerment in 110 countries with some 4,000 local non-profit partners. And who are seeking innovative ways to bend markets and market actors toward becoming forces for development and positive social change. I know they will be very gratified to know that their work has been recognized in this way. So again, I thank the Academy for honoring their work with this award.

We’ve come together here in Washington to think and talk about the changing relationships among businesses, governments, and NGOs in the global economy. And, clearly, these roles are changing. Dramatically.

Because of globalization, boundaries between the efforts and objectives of businesses, governments, and civil society are dissolving.

Segments of our economy sometimes defined in opposition to one another—some for profit, others for purpose—are under increasing pressure to align in common cause.

And during these last few years, we at Oxfam America have invested in both challenging corporate interests and behaviors and in catalyzing a remarkable convergence among the interests of businesses and the interests of NGOs like us around norms and more pro-poor business practices.

The consequences of this confluence are immense.

If done right and guided by new normative frameworks and business models, the potential for tangible progress and promise are substantial: unprecedented growth in international commerce and business;

And new possibilities for economic empowerment and opportunity among the world’s poor.

And, this afternoon, I’d like to talk about the forces and factors behind these phenomena – and about how we can work together to make the most of them.

An Illustration: Extractive Industries

The evolution of—and within—these changing relationships may best be illustrated by one particular industry, an industry long-noted for being combative rather than collaborative in the communities where it works. I’m talking about the extractive industries, which produce oil, coal, gas, and minerals.

Consider two snapshots from my career—still lifes of moments some three decades apart.

First, picture the late 1970s. There I was, clad in khaki, starting out as a field officer with the Inter-American Foundation in South America’s Andean region. At that point, many extractive companies were in the beginning stages of exploration for natural resources in the Peruvian, Ecuadorian, and Colombian Amazons. Their approach was as direct as it was destructive: Bribe the governments. Secure a charter. Cut the trees. Build roads. Move locals out and colonists in. Dig a hole. Ignore the waste. And call in the army if you had a problem. These corporations were totally blind to the environmental damage they were causing. They were deaf to the concerns of native communities they were uprooting and alienating. But business was business. And this was the way that business—at least the mining business—was always done.

Now, fast-forward ... through the fall of the Berlin Wall, the rise of the iPhone, the collapse of the global economy. Fast-forward to just a few weeks ago, in 21st century Brazil—where I attended a conference on mining in Belo Horizonte, Minas Gerais. Northwestern University’s Kellogg School had organized this conversation with a number of leading industry players. The big and small mining companies were there along with the major suppliers: Caterpillar and Komatsu. And then Mark Cutifani, the President of AngloGold Ashanti – the world’s third largest gold-mining company—took to the podium and addressed the industry’s emerging opportunities and obligations. He talked about, quote, “host communities,” not drilling sites. He talked about creating, in his words, “shared value,” about minding the health and well-being of employees, about respecting human rights. He spoke, at some length, about AngloGold Ashanti’s pioneering approach to stakeholder “engagement.” And he candidly acknowledged the hard lessons the company had learned by not always being on the right side of these issues in the past. Frankly, it was a presentation that Oxfam could have written.

AngloGold Ashanti and many other companies are still in the business of extracting minerals, oil, and other natural resources. But the way they work – the way they conduct that core business – is under serious challenge all over the world and is albeit slowly changing from their early exploits and exploitation. Just to mention one “for instance,” I have now joined a working group with Mark, with representatives from the industry and academy and others to try to develop a compelling vision for the 21st century mining company.

And so, what these two snapshots represent—the first from the 1970s; the second from just a few weeks ago—is quite an extraordinary journey: A journey *from* an era when organizations like Oxfam and companies like AngloGold Ashanti were on opposite sides of the issues and the table ... *to* an era:

- when mining companies appreciate our role as a constructive critic;
- when they seek out our advice and counsel;
- and when they pilot consent agreements that explicitly spell out what indigenous people can expect in exchange for their resources.

What’s Going On?

So, how can we explain this evolution? What was—and is—the rationale for companies in the extractive industries and elsewhere to start seeking out a new and more socially driven approach to doing business?

From Oxfam’s perspective, we see three forces at work—a push, a pull, and a shifting sense of purpose and priorities.

First, the *push*. Today’s global corporations have unprecedented power, but their very size makes them very big targets. Their brands and reputations face new risks in our interconnected Information Age. Just look at Mattel, which, in 2007, saw its stock value drop 18 percent in the wake of revelations there were high levels of lead in toys sourced from China.¹ Or BP, whose market value plunged by more than one-third,

““ *Today’s global corporations have unprecedented power, but their very size makes them very big targets.* ””

and its brand value by more than \$2 billion, in the aftermath of the Deepwater Horizon explosion in the Gulf of Mexico. BP also felt its own kind of pain at the pump, when some of its gas stations reported sales losses of up to 40 percent in the months after the disaster. Or Starbucks, which found itself in proverbial hot water in 2006 when it resisted the efforts of Ethiopian farmers to trademark their coffees.

As you may be aware, Ethiopia grows some of the finest coffee beans in the world. At one point, Starbucks was selling gourmet Ethiopian beans for as much as \$26 a pound. Meanwhile, the farmers were getting paid less than \$1.50 a pound for their product.² The Ethiopians realized the advantages of participating in securing rights to intellectual property so they decided to trademark and license their regional brands. But Starbucks, concerned about the impacts of this on their business model, tried to block them from exercising their economic rights. So Oxfam, after reaching out to corporate leadership to broker negotiations between Starbucks and the Ethiopian government, launched an advocacy campaign on the farmers’ behalf. We didn’t have a venti-sized budget. It felt like David vs. Goliath. But it challenged us to get creative with social media and civic activism. At a grassroots level, Oxfam worked with a coalition to organize members of the Ethiopian Diaspora, students, Starbucks employees, and our own supporter base. By the campaign’s end, more than 100,000 people had gotten involved, the *Wall Street Journal* ran a front page article on the conflict, and Starbucks had learned a lot about the power of YouTube to shape their brand value. Ultimately, Starbucks founder Howard Schultz invited the Ambassador of Ethiopia to Seattle. They resolved the issue, and in fact, they signed a significant marketing, distribution, and licensing agreement that could be a model for other cases like this, in other countries and other industries that are part of the global fair trade movement. Two years of work capped with a victory is today benefiting millions of coffee growing families in Ethiopia. (By the way... you might be amused to know that at the end of this process, we both commissioned independent reviews of this whole experience that we shared with each other. Today, we are lobbying with Starbucks government affairs representatives on climate change and other development issues.)

And, although Starbucks had to be *pushed* to the table, the outcome reflected a shift in their thinking—and a recognition of the *opportunity* at hand, or what I would call *the pull*. In a world of global supply chains, companies like Starbucks have to make sure that suppliers can produce and deliver volume over the long-term. They need to think about local suppliers’ personal welfare—their health, their education, their security.

And they’re becoming more mindful of treating their local producers fairly so those local *producers* can become happy local *consumers*.

In our global economy, corporations see windfall opportunities to do business—both harvesting raw materials from resource-rich places in the global south and selling products to billions of potential new purchasers who live in these same developing economies.

Just think about the continent of Africa, home to some of the world’s fastest growing markets.³ Some 400 million of the world’s poorest people

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ple live on the land. But that land itself represents 60 percent of the world's undeveloped arable soil. Underground, the continent's extractive sector was worth \$246 billion in 2009, according to the ONE Campaign. That's six times more than the total amount that its 47 countries accepted in development aid.⁴ Paul Collier, the Cambridge University development economist, in a panel in this town two weeks ago, predicted that over a trillion dollars will be extracted from Africa in the form of oil and minerals over the next decade and how the revenue from this windfall is used may be the biggest challenge and opportunity that African nations and the development community face over the next two decades. In short, Africa is a bonanza opportunity—as is much of the developing world—and countries and companies are responding accordingly by reevaluating all aspects of their supply chains and seeking to make them more reliable, resilient, and sustainable. Just last week the International Council of Mining and Minerals, the mining industry trade association released a report entitled: Human Rights, Social Development and the Mining and Minerals Industry. These are topics that it would have been unthinkable for the sector to be discussing so publicly even 5 years ago.

Take PepsiCo's "Performance with Purpose" initiative, and the company's work in India, as an example. Because Pepsi develops its line of beverages using water, the company is actively putting programs in place that give more water back to society than it uses in its manufacturing and bottling processes. Pepsi calls this a "positive water balance." As PepsiCo CEO Indra Nooyi says, this isn't charity. It's about Pepsi securing the social license to operate their plants and sell their soft drinks in markets like India, home to more than a billion potential new customers. It's the cost of doing business—and building a business that they hope will be even more profitable in years to come.

So, I talked about the *push* and *pull* that are bringing businesses and NGOs like Oxfam together. Finally, there's what I call the shift in companies' sense of *purpose and priorities*. When you think about what business wants—they're looking for new markets. They need *calm political environments* in which to invest. They want *predictability*. But as a foundation for these things, you need a social contract between a state and its citizens—a social contract that is respected, and believed in, and delivered on. And when you look around the world today, including here in the U.S., you see that social contract coming apart. The 99 percent are under serious pressure, social safety nets are being challenged and shredded, and that is creating profound pressure on civil order. Which means it's no longer just organizations like Oxfam that worry about social ills.

Today, the World Economic Forum—the venerable headquarters of Davos Man—is focused on the very same challenges. In fact, if you flip through the WEF's 2011 Global Risks assessment, you'll see words and phrases like "resource volatility," "supply-side scarcity," and "economic disparity and social fragmentation."

These are the concerns that are keeping global CEOs up at night. And while, a generation ago, corporate executives thought government

was responsible for tackling these issues, now, increasingly, they believe that their businesses—that they, themselves—have an active role to play in encouraging and creating more democratic and inclusive economic outcomes with equitable, sustainable growth.

Our Current Development Efforts: Necessary, Not Sufficient

So, how can we support and accelerate these trends, and create a true win-win, where companies and citizens can prosper together in peaceful, stable, sustainable societies? I think it begins by moving the discussion from the premise that "all growth is good" to the more complex and constructive question: How can we achieve "good growth"? Inclusive growth? How can we allow more people to participate in global markets in a fair and meaningful way? I'm sure you're familiar with many of the approaches that businesses, philanthropists, and governments have promoted in recent years: bottom of the pyramid, social entrepreneurship, impact investing, shared value, corporate social responsibility. But so far, these market-based approaches have not delivered on their promise. Where markets have grown, the benefits have not trickled down, which has resulted in greater inequality. And where poor communities have been targeted, too often, the successes have not been scalable.

The reason connects to something development experts increasingly understand: That poverty is not fundamentally about the *absence of public goods or growth*, but rather about *the presence of injustice and the persistence of marginalization*. That's why Oxfam has moved away from poverty reduction strategies that depend on delivering services directly... and moved toward strategies that remove the barriers and obstacles that hold people back and limit their access to opportunity and pathways out of poverty. Give a man a fish, he eats for a day. Take down the walls separating him from the water and, well, you know the rest.

The Alternative: Empowerment and Transparency

As we see it, there are two key elements essential to the development enterprise, and to achieving the kind of good growth that benefits society and business alike.

First, we need to do a better job *empowering* the people we're trying to reach. Businesses call them workers and consumers. NGOs call them citizens and communities. And, with greater frequency, both businesses and NGOs believe that they should be involved in shaping solutions to their own problems. And more commonly today, we are both calling them stakeholders.

Take our EquiTABLE Food Initiative—an alliance among businesses and NGOs that's leading the way to fairer, safer, and more sustainable produce at big retailers like Costco. Recent studies show that socially conscious consumers make up 40 percent of the U.S. market. So through

our coalition, we've created a voluntary certification system. If companies are good stewards of labor, food safety, and the environment, then consumers will know about it, and – through their purchasing decisions—can reward companies that do right by their workers. It's a great incentive for companies to help make our food system better for everyone. So, empowerment—giving people agency and voice—is a critical part of the equation.

“*When governments and businesses make deals, the people affected by them ought to know what those deals are.*”

The other essential aspect is *transparency*. When governments and businesses make deals, the people affected by them ought to know what those deals are. One major legislative victory in the fight for transparency came as a component of the United States' Dodd-Frank financial reform law. Now, extractive companies are required to publish what they pay to overseas governments. Product by product. Project by project. Amazingly, the Newmont Mining Corporation, one of the most forward thinking of the major global mining enterprises, joined us in lobbying for this new measure. We hope that other companies will follow Newmont's lead.

For Oxfam's part, another way we've been promoting transparency in partnership with businesses is through our Poverty Footprint studies—reports that analyze the full range of impacts that multinational corporations have on poor communities and then provide a platform for engagement around those impacts for Oxfam as well as other stakeholder groups. We conducted the first such footprint study in partnership with Unilever Indonesia. Together, we unpacked, inventoried, and scrutinized the company's investment policies, the employment its operations supported, and its impact in the marketplace. We also dissected Unilever's value-chain—from supply to distribution—through in-depth conversation with soya bean and sugar farmers, factory workers, rural villagers, drivers and traders, and even government officials. What we learned is that while workers on Unilever's payroll were treated relatively well, the company needed to improve working conditions among sub-contracted staff. We also learned that the Poverty Footprint Methodology is a powerful tool for all kinds of applications.

Last fall, we released a similar Poverty Footprint Study with Coca-Cola and their bottler SABMiller. We knew we took a risk in co-branding such a study. We knew that it might look like we were compromising our integrity. But we believed that working with the companies, we'd be guaranteed greater access, more nuanced understanding of power dynamics in the supply chain, and more opportunity to promote en-

gagement on the ground. In our negotiations with Coke, we insisted that the research be people-centered, that the process be participatory, and that the report's public release be followed by stakeholder events in each country.

We believe the report has paved the way for greater transparency around these issues going forward. Already, the companies and stakeholders are in discussion around new initiatives and changed practices.

Call to Action: Here's How You Can Help

So, we're cautiously optimistic about the prospects for greater collaboration among NGOs and corporations. And I'm here to ask you, the academic community, to help us move this agenda for change. There are many ways that you can contribute—but let me suggest three. First, make it your mis-

sion to educate a new kind of business leader. Talk and teach about 21st century ethics, because companies will need to think and act more ethically to prosper in the 21st century markets. And help tomorrow's executives develop the skills to relate with stakeholders throughout their society—from policy makers to industry colleagues and competitors to the public to NGOs. The 21st century executive needs to be a strong relationship manager across all varieties of social, economic and political boundaries. Second, conduct research that makes the business case for sustainable practices, for empowerment, and for transparency. It won't be enough for a few corporate pioneers to test out their experiments. We need proven methodologies for others to learn from, to follow, adapt, and apply. To borrow Malcolm Gladwell's challenge, we don't need one or two "tipping point" experiences, we need scores of them. Third, business schools could help scale up the concept of Poverty Footprint Studies—and other forms of scholarship that measure the social and human rights impacts of business practices.

As expert academics, you can offer legitimacy and impartiality to the reports while providing students with hands-on, real-life opportunities to see how value chains impact poverty and to explore what companies can do to address social challenges within their business and the communities where they operate.

Conclusion

Which brings me full circle—to the mines of high Andes, not far from the indigenous communities where I began my career, and to a story that's now become a case study for the *Harvard Business Review*. A dozen years ago, the world turned its attention to Peru and watched with horror. What people saw at places like BHP Billiton's massive Tintaya Copper Mine were corrupt land deals, violent forced evictions, vile air and water pollution, all met with protests and upheaval. This was no

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small matter for the planet's second largest copper-producing nation. So, Oxfam got involved at the request of local community organizations. We conducted an investigation of the communities' concerns and presented our findings to BHP's leadership. We educated company executives. We helped to open dialogue between the company and indigenous peoples. We joined in establishing commissions charged with resolving disputes over land, human rights, the environment, and sustainable development. And many displaced residents earned some compensation for their losses. They even received development dollars for a new hospital.

Now, my point in sharing this story is not to hold it up as a complete success. It wasn't one. Too many people lost too much—on both sides of the conflict. My point in recounting this episode is that it should be a cautionary tale for all of us. Today—together—we must rethink the roles of business, government, and NGOs in the global economy. If we don't, then we'll all suffer—not just the communities that have long been poor and vulnerable, but also the *companies* that rely on their resources, their labor, and their consumption. These are the new facts of business. But if we start by understanding that—with increasing frequency—businesses, governments, and NGOs can share the same aims and aspirations, then we can continue building a world that's more just and equitable for the poor—and, yes, more profitable for the private sector simultaneously. For my money, I think that's a vision of equitable growth and shared progress that we all can be excited about bringing to life. And with your help, that's exactly what we'll keep doing.

Thank you all very much.

Endnotes

- 1 http://www.pwc.com/en_GX/gx/operations-consulting-services/pdf/value-sustainable-procurement-practices.pdf.
- 2 These numbers come from Ray's speech at Notre Dame some years ago.
- 3 World Economic Forum on Africa, "Meeting Overview," http://www3.weforum.org/docs/AF12/WEF_AF12_MeetingOverview.pdf.
- 4 Bono, "The Resource Miracle," *TIME Magazine*, 5/28/12, <http://www.time.com/time/magazine/article/0,9171,2115044,00.html>. Also see: <http://www.guardian.co.uk/business/2012/feb/16/bill-gates-pressures-obama-energy-legislation>.

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