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## **The future of international business research: theorising on unfolding phenomena in a complex dynamic world**

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### **Introduction**

According to Delios' (2017) assessment of the international business (IB) research community's activities, "*In strict counterpoint to the real world of in IB, contemporary research in IB is outdated, staid and boring [...] the interesting in IB is to be found in non-quantifiable phenomena*" (pp. 391–393). This evaluation is painful and stimulates reflections. IB is an enormously dynamic and fruitful field of inquiry (Pitelis and Teece, 2018), with complexly intertwined and exciting empirical phenomena. From the beginnings of the young field, empirical observations have given reason to ask why the world is how it is. For instance, economist John Dunning (1958), an early and influential contributor to IB, observed that US-owned manufacturing firms in Britain achieve higher productivity than domestically owned producers did. This triggered exploration and actions, leading to explanations for originally counterintuitive facts as a starting point for a phenomenon-driven field of inquiry. The purpose of this chapter is to outline and discuss a *futures-oriented perspective* of IB research to enhance its relevance and practical utility. Our use of the plural *futures* is intentional, as we subscribe to the view that the *Future* is not determined; contrary to the present and the past, it contains no facts. Instead, it consists of possible trajectories and outcomes, many of which can and are influenced by our actions.

To start, we should look at the surrounding changes, take notes, ponder the connections between unfolding events and wonder how they will affect the thinking and actions of students and practitioners of IB. We need to confront the world of concepts and explanations with the

empirical (cf. Piekkari, Welch and Paavalainen, 2009) and changing world around us. We should seek the statistical outliers and ask whether this is a “talking pig” (Siggelkow, 2007, 20) – a phenomenal occurrence observed in a single case that challenges our generalised assumptions. However, where should we start?

Students of IB often appreciate the holistic phenomenal richness and dynamics. They are passionate about challenging ethical phenomena at the fringe of our mainstream consciousness, for instance, in dealing with issues like modern slavery (see Chapter Ten), global structural violence, international money laundering or organised crime, corruption and ruthless opportunistic behaviours and “neglected crises”; despite their enormous importance, such issues are mostly treated as niche topics (Ahen and Zetting, 2015; Dörrenbächer and Gammelgaard, 2019). At the same time, the mainstream IB research community favours reductionist examinations, often eliminating the surprising elements. We need to ask *what emerging phenomena* are important, interesting and awake our curiosity. Do we need to rethink the ontological and epistemological traditions of IB and widen rather than narrowing the scope of research (cf. Buckley, Doh and Benischke, 2017)? *How* do we study important emerging phenomena when they are still in the making? What *theorising approaches* do we need for dealing with the time, dynamics, richness and uncertainties involved when interested in ongoing change? What *value* can IB research provide for a broad variety of constituencies? How do we take the *future* into account?

### **Emerging phenomena**

IB as a research field has a healthy tendency to question its relevance and debate what the big research questions are that shape our disciplinary curiosity (e.g. Buckley, Doh and Benischke, 2017; Delios, 2017). One example of a potentially rising research question is the role of multinational enterprises (MNEs) in the future. According to a *The Economist* (2017) article,

although MNEs dominate many industries, global firms are starting to retreat. Interestingly, as Eleanor Westney (2019) notes, the same magazine published a survey in 1972 stating that MNEs are facing a period of decline. Westney (2019) states that the reasons given in both articles are remarkably similar and can be attributed to three sets of factors, which are as follows: (1) growing internal complexity is challenging effective control in MNEs, (2) national governments are threatening the openness of the global business environment and (3) MNEs' advantages are diminishing in terms of their scale economies and geographic dispersion due to technological advances. The analysis (*The Economist*, 2017) is considering a downward trend in the share of exports that participate in cross-border supply chains and a decline in total foreign direct investment (FDI) flows as a percentage of global gross domestic product since the 2008 crisis. Moreover, the article takes note of the falling rate of return of FDI by MNEs over the past 30 years and illustrates the developments from 2016 to 2017 because MNEs' overall return on equity (ROE) is increasingly resembling local firms' ROE levels.

The outlined explanations are conclusive within the chosen timeframes, evidencing less room overall for arbitrage in globally integrated business models. Raising incomes in major transition economies like China are decreasing their attractiveness as production locations but increasing their attractiveness as markets. Further, due to the development of transition economies' institutions, other previous arbitrage advantages are diminishing for MNEs. Yet, this perspective underemphasises the changes MNEs are undergoing. The MNE as an organisational form is not passively waiting for evolutionary selection to take its toll; rather, it is a highly adaptable entity. As such, it develops new strategies and sources of competitive advantages and generates structures that reap the benefits provided by environmental changes (Pitelis and Teece, 2018).

A recent report from the McKinsey Global Institute (Bughin, Manyika and Woetzel, 2019) describes changes in value chains between 2007 and 2017 and finds that global trade intensity

has decreased by 5.6 percentage points (from 28.1% to 22.5%, while growing in absolute terms). Simultaneously, services trade has grown 60% faster than goods trade. According to the report, this is due to the following factors: (1) the rising share of emerging markets of global consumption, (2) reduced cross-border transfers because of the self-sufficiency of emerging markets and (3) the increasing importance of cross-border data flows and new technologies (i.e. digital platforms, automation, artificial intelligence [AI], Internet of Things). These documented changes mean that *MNEs are not only adapting to a global transition but are also part of driving it* as they shift to more localised operations (resulting in similar performance to domestic actors), as research on emerging economies' MNEs is showing (e.g. Buckley et al., 2018).

MNE global activities have changed, locations are evolving, and at the same time, new business models and technological advances are generating new means for creating value. Moreover, some cross-border activities may go undetected due to a lack of measures for identifying when immaterial value flows are transferred across borders. Complex value-creation setups have emerged, and knowledge, capabilities and technology are developed at multiple locations and transferred within MNEs and to strategic partners. Many of these flows are currently not seen as MNEs' cross-border activities; they appear to be local generation of value. This also implies that less of the value creation deployed by MNE is to reap labour-cost arbitrage because the realisation of value uses high local input by locally collaborating firms. These changes have resulted from the interactions between dynamics of developments in the macro-environment (institutional and non-institutional) and actions by MNEs and their stakeholders. They have produced a fast-paced global business environment in which traditional strategic planning is challenged and proactive or reactive behaviour is increasingly rewarded (Wiltbank et al., 2006), making local or regional value creation in collaborative settings more important. However, this has led to an environment in which uncertainties are growing and where alertness, flexibility

and resilience are key capabilities. Therefore, according to Bughin, Manyika and Woetzel (2019), firms are more selective of the positions along the value chain at which they want to compete, including geographic locations.

To respond to changes, MNEs favour localised value chains with collaborating partners rather than transactional relationships, which has far-reaching implications for MNE structure and suppliers' strategies. It also partially explains why the ROEs of MNEs and local firms may increasingly align (*The Economist*, 2017) in several industries. The increasing intertwining of firms' value-creating activities in collaborative arrangements also suggests the need to gain new understandings of governance models between them (e.g. Strange and Zucchella, 2017; see Chapter Two) and how international cooperation is coordinated and controlled through alternative modes. In sum, these trends favour advanced economies and firms with strengths in knowledge-intensive industries that are driven by technology innovations and service-based market approaches, which require a highly skilled workforce. Developing economies that may benefit from these changes are those near large consumer markets because responsive production systems seek to move closer to consumer demand (Bughin, Manyika and Woetzel, 2019).

The MNE as an organisational form is adaptable, but the capability to shape the environment does not mean that all firms thrive as some have better fit with the changing environment. A PWC (2018) publication comparing the “*Global top 100 companies by market capitalization*” 2009–2018 gives some indication of this (see Table 1).

**Table 11.1** Global top 10 by market capitalisation

March 2018			March 2009		
<b>Technology Firms</b>	<b>Country</b>	<b>Number in Ranking</b>	<b>Natural Resources</b>	<b>Country</b>	<b>Number in Ranking</b>
Apple	USA	1	Exxon Mobile	USA	1
Alphabet	USA	2	PetroChina	CHINA	2
Microsoft	USA	3	Royal Dutch Shell	UK	9
Tencent	CHINA	5			
Facebook	USA	8	<b>Telecommunication</b>	<b>Country</b>	<b>Number in Ranking</b>
			AT&T	USA	7
<b>Consumer Services</b>	<b>Country</b>	<b>Number in Ranking</b>	China Mobile	CHINA/HK	5
Amazon	USA	4			
Alibaba	CHINA	7	<b>Retail</b>	<b>Country</b>	<b>Number in Ranking</b>
			Walmart	USA	3
<b>Financial Services</b>	<b>Country</b>	<b>Number in Ranking</b>			
Berkshire Hathaway	USA	6	<b>Financial Services</b>	<b>Country</b>	<b>Number in Ranking</b>
JPMorgan Chase	USA	9	ICBC	CHINA	4
<b>Healthcare</b>	<b>Country</b>	<b>Number in Ranking</b>	<b>Consumer Goods</b>	<b>Country</b>	<b>Number in Ranking</b>
Johnson&Johnson	USA	10	P&G	USA	10
			<b>Technology Firms</b>	<b>Country</b>	<b>Number in Ranking</b>
			Microsoft	USA	6
			<b>Healthcare</b>	<b>Country</b>	<b>Number in Ranking</b>
			Johnson&Johnson	USA	8

**Source:** Adapted from PWC (2018).

In 2018, only Microsoft and Johnson and Johnson remained on the list, with four current firms not being among the top 100 a decade earlier. While we accept that such listings are selective<sup>1</sup> and indicative of changes, this finding supports the idea of transforming business landscapes. Knowledge- and technology-intensive service MNEs (i.e. building business platforms; Van Alstyne et al., 2016), which are less focussed on labour-cost arbitrage and more focussed on intra-regional geographies (Bughin, Manyika and Woetzel, 2019), have been on the rise. Yet, MNEs with a focus on goods trade and globally integrated value chains have become less appreciated, including from an investor-centric perspective.

The value-creation models of MNEs deserve our attention. The firms that enjoyed investors' future confidence a decade ago integrated asset-heavy operations at a global level. In particular, firms in natural resource production and distribution were proportionally overrepresented. These firms – in the words of Van Alstyne et al. (2016) – deployed a linear *pipeline value chain* that relied heavily on scale economies' effects on the unit cost, resource-seeking activities on

the supply and market-seeking activities on the demand side. However, investors' affection has shifted to firms that build heavily employ ecosystem-centred business models relying on highly scalable technologies that create economies with often negligible variable unit cost and build the bulk of their value by utilising network economies. These models produce increasing returns exponentially through growing network membership. These changes at the business model level have altered the bases of MNEs' competitive advantages and influenced strategy; consequently, they have modified the organisational forms and relational governance modes (Kano, 2018) required to reap benefits from the business.

According to Westney (2019: 5), what has remained the same can be expressed as follows:

*What the 21<sup>st</sup> century IB models [i.e. developed through IB research] have in common with 20<sup>th</sup> century models is the assumption of convergence from variety towards a single "ideal type" (in both the Weberian and the normative sense) of the MNE.*

In her view, this aspect stems from the strong economist tradition in IB aiming to develop "*the theory of the firm*" as one general model, and maybe empirically, the assumed shared global institutional and competitive pressures, which may lead to convergence over time. Another aspect that may influence this in IB is the aim to uncover universal knowledge, which assumes generalisations across contexts (Meyer, 2007; Tsui, 2004), and ironically, has been accused of mostly ignoring context or being context-free (Michailova, 2011; Oesterle and Wolf, 2011), along with a wide neglect of *time* (and implicitly, change).

After pondering these empirical changes in the world of IB and MNE in this *setting the scene section*, on which purposefully leans on analysis by consultants and other practitioners of IB, in the next section of this paper, we reflect on two exemplary conceptual approaches in mainstream IB research. These provide shared reference points for a discussion on theorising approaches that may be able to take time, changes and multiple perspectives into account.

### **Theorising with envelopes**

We start this section with initial considerations on the question of relevance, which is a tricky item. While calls to become more relevant are frequent, and the IB community's greater influence on decision makers is desirable (e.g. Collinson, 2017; Corley and Gioia, 2011), relevance is not a generalisable characteristic. Rather, it depends on the audience, which has idiosyncratic interests and concerns. Stakeholders are biased by at least their situational, geographic, political and temporal contexts. Their meaning is created within organisational and social communities and relies on their experiences with questions on "what is happening" or "what to do next" (Wiltbank et al., 2006). However, relevance-as-perspective is a sensitive issue. When researchers *take* perspective, we may also be prone to biases or neglect of others' perspectives, often deeming managerial relevance to be inferior to scholarly interests, where it is added as an afterthought in the final discussion section of papers. However, as for many research disciplines dealing with complex social phenomena, this is a well-known problem and part of the decisions that needs to be weighted when balancing theorising between parsimony and comprehensiveness and to clearly establish boundaries and discuss limitations.

Inspired by Dunning's (2000) reflections on the "*envelope*", our discussion focusses on central IB theories and frameworks as widely shared references in the community of IB scholars. Here, envelopes serve as organising vehicles to investigate complex phenomena, and we utilise them as integrative categories for a variety of extant and future explanations developed within IB or other disciplines. This approach has the advantage of analysing emerging phenomena commencing from established explanations, but instead of establishing a theoretical paradigm, remaining open for extensions to consider inclusion of new theoretical explanations that emerge and develop over time. In early stages of a new theoretical development, the focus is often less on rigour and more concerned with the constructive potential of theorising, which can also generate novel relevance. Dunning suggested that O, L and I of the eclectic framework can be used as envelopes for emerging theories to contribute to explanations about MNEs. An



envelope approach can be used to form probing questions that engage curiosity and frame the complications seen by practitioners in a stated *relevance-as-perspective* problem setting, depending on whose point of view we take. It serves to interpret and define phenomenal challenges *sufficiently* while being theoretically *loose* enough to provide plasticity that depends on a perspective purpose.

Dunning's (2000) envelope discussion engaged in questioning how the Eclectic Paradigm relates to some context-specific economic and business theories, allowing the framework to be agile for adopting new theoretical insights and appropriate for identifying and understanding newly emerging phenomena. The three-part paradigm (consisting of ownership [O]-specific advantages, location [L]-specific advantages and attractions of places and regions and the internalisation [I] choices of organisational modalities) was originally developed to analyse the complex constellations of competitive advantages of enterprises vis-à-vis their peers seeking to engage or expand their foreign direct investments. For our purpose, each of the three factor sets serves as *categories* of explanations to pay attention to what contributing factors *may* matter than a simple reductionist model. Claims of a universal reductionist model have been a major source of criticism of the paradigm (e.g. Itaki, 1991), due to the inseparability of ownership and location advantages or issues of modelling related to balancing *parsimony and comprehensiveness* (see Whetten, 1989). However, when envisioning it as a sufficiently framing and necessarily theoretically loose framework, it can be a source of inspiration on how to progress new research questions for emerging phenomena and a ground for potential relevance. In a similar vein, and exemplary for the strategic, organisational and managerial trajectories treated in IBM, the *global integration* (GI) and *local responsiveness* (LR) dimensions (e.g. Bartlett and Ghoshal, 1987, 1991; Prahalad and Doz, 1987) can be seen as envelopes. The framework focusses on core strategic dimensions and the choices formed by sources of efficiency and differentiation. The two dimensions form conceptual ideal types,

defining possible strategic positions. These ideal types are immensely useful because they are not limited by empirical occurrences, but instead, are open to positions that may emerge in the future, providing a range of possibilities and choices regarding the strategic journey on which to bet. Furthermore, the subsequent requirements of a selected strategic direction can be defined by outlining the implications organisational solutions can deliver and how to manage them.

The framework is an outcome of a long-term research project in which scholars and practitioners worked in close collaboration to better understand how MNEs *should* operate (Westney, 2019). During the framework's development, it could capture pioneering MNEs' choices and even foresee, or influence, the strategies MNE would develop subsequently in the *then* future.

The framework was a response to the rise of Japanese MNEs in Western countries. At the time of framework development, Japanese MNEs were conquering the world, and Western MNEs were desperate to understand how they did it, for instance, by investigating the nexus between strategic imperatives that could explain how organisational heritages influence organisational choices. This allowed decision makers to define the features of organisational models that are necessary to deliver the benefits of strategy. The GI dimension, seeking to generate efficiencies based on standardisation, diverse sets of economies and advantages found in different locations, is a way of establishing where certain MNEs' competitive advantages originate when comprehending the international playing field as one market. The LR dimension contrasts how certain MNEs produce viability by adapting their models to specific market settings that require, for diverse institutional reasons, a differentiated approach that relies on local integration of productive factors. The research community working on this conceptual *ideal typology* established that the result of MNE gradually engaged in both dimensions, unifying the benefits of global efficiencies with LR, envisioned early and predicted largely before the fact, that most MNEs would aspire to transnational solutions realised by corresponding

organisational structures. The interactions between scholars and practitioners during the development of the conceptual typology assured practical relevance because it was directly useful for managers to base their decisions regarding the future on a logical set of rationales. In return, it created the conceptual basis to engage in empirical work and generated shared schemata that allowed new research questions to emerge (e.g. the emergence of the neo-global corporation; Mees-Buss, Welch and Westney, 2019). The GI/LR framework is still considered by many as “the model” in the field of international management, and it has had an enormous effect on subsequent research, practice and education (Kostova, Marano and Tallman, 2016). As recent examples, it has been used by Banerjee, Venaik and Brewer (2019) to investigate the non-market corporate political strategies of MNC subsidiaries and by Venaik and Midgley (2019) to identify the archetypes of marketing mix standardisation–adaptation in MNC subsidiaries.

Both envelope frameworks, OLI and GI/LR, can serve as *examples* when pondering how to focus on relevance, producing dynamic explanations in changing environments and serving as the engines to generate research questions that put the IB community in a proactive role, establishing legitimacy for important stakeholders. This is not only important for MNEs but also for policymakers, civil society leaders and others who have gained important roles in the unfolding of IB. While these are central, “blockbuster” theories in IB, we use them here, due to their fame, to illustrate how envelopes could be useful for integrating theoretical advances and practical perspectives. Similarly, other real-world problems, such as the increasing influence of the platform business model–based MNE discussed in the previous section, could be served by organising them through different theoretical envelopes. For instance, one problem taken from a critical perspective on MNE management is the question of power in organisations and management of precarious work practices, often discussed in platform

models, which create different forms of organisational realities in different institutional settings (cf. Geppert, 2015).

Table 2 constitutes an outline of categories that could be developed for an envelope approach to design an IB research programme. The envelope categories are anchor points for questions concerning *emerging phenomena* that are unfolding. The envelope categories are organising frameworks to structure abstract problems in complex dynamic settings, which are intertwined and often require decision making under uncertainty. Envelope categories inspire practical questions about unfolding phenomena and may provoke perspectives on the relevant level of engagement with the phenomenon leading to pre-research questions. These questions aim to identify which levels of analysis are concerned in the explanation of phenomena in the making. These pre-research questions help in determining what parsimonious explanations may be useful, which aspects to consider and what boundary conditions to set. However, before engaging in forming research questions, this approach suggests instituting a relevance test asking, “Who cares?”.

**Table 11.2** Theorising through envelopes

<b>Unfolding phenomena</b> (illustrative examples <sup>2</sup> )	<b>Exemplary envelope categories</b>	<b>Pre-research questions</b> (-> following)	<b>Who cares?</b> (Relevance-as-perspective <sup>3</sup> )	<b>What? How? Why?</b>
<i>MNEs with fewer assets appear to grow bigger, dominate own markets</i>	Ownership-specific advantages	What drivers for internal advantages reshape the competitiveness of MNE?	Which perspectives create utility and for whom?  How do these perspectives relate/contradict?	Which concepts allow us to explain certain aspects?  How do these concepts anchor in our frameworks and interrelate?
<i>Knowledge and capabilities types of resources are more effective than location-bound assets</i>	Location-specific advantages	How are location advantages shaping in ecosystems?	What vested interests create which biases?  How are future interests shaped by current actions?	Which are necessary and sufficient?

<i>Roles in value chains and nets are more defined, partners are kept closer, cooperation is more critical</i>	Internalisation choices	What governance models gear value creation? How do value-creation models influence governance choices?	What are the relevant constituencies that shape our purpose? How do we maintain integrity and independence?	Are the resulting frameworks holistic enough? Do they consider situational and temporal contexts?
<i>MNEs' internal GI models are less favoured by current changes that shape globalisation</i>	Global integration			Are they providing useful working explanations for exploring futures and determining meaningful actions?
<i>MNEs define their competitive positions based on internal resources/capabilities and those they access through their partners locally</i>	Local responsiveness	What contextual factors drive value creation on global, local and ecosystem levels?		

The exemplary framework presented in Table 2 leans on Whetten's (1989) list of valuable questions to work towards making a theoretical contribution. However, instead of the initial focus on theoretical reduction (what, why and how), we may initially consider the relevance perspective and the question of "Who cares?" before determining final research questions. This helps avoid leaving the "practical implications" section to degrade into an ex post addition. Instead of being initially focussed on the research communities who will find theoretical work useful, we should aspire to ask *who the stakeholders are* within the unfolding phenomena. Whose angle do we take (or not take)? Who is our theorising creating value for? What provides real-world meaning to our work? Framing theorising perspectives to provide answers for someone has an *explicit quality* to generate relevance and value. It considers idiosyncratic viewpoints, situational and temporal features and even assignments of meaning and experience. It may also allow us to build new bridges between economic perspectives dominating much of the IB discourse on MNEs' success and failure and the human agency perspectives that fundamentally wonder about "what people do" in the context in which they find themselves

(Dörrenbächer and Geppert, 2017). Once we take a stance on *who we create value for with our explanations*, we can commence asking what constructs may be useful and how they are intertwined and complement other explanations. This will help to answer why these constructs generate value, considering parsimony and comprehensiveness, and how they anchor in larger theoretical organising frameworks that allow specific explanations to contribute to more complex and dynamic phenomena. To constitute a disciplinary core requires a fundamental theoretical platform on which to build the quest for theoretical development. This platform is concerned with particular types of phenomena. In the case of IB, these are systemic, dynamic and highly contextual in space and time.

There is one element missing that practitioners who are in roles of determining the fate of MNE are interested in. Where are we going? How do unfolding phenomena create the situations we will need to deal with in future, and what do we need to do now to set a positive trajectory? These kinds of concerns deal with questions of *agency* and *foresight* (e.g. Wiltbank et al., 2006), and the implicit nature of what knowledge we are certain about allows us to plan what actions we need to take to shape our understanding, and at the same time, influences how the environment in which we can succeed changes. The future orientation of research is implicitly assumed and as inherent in our theories as it is for natural sciences. Theories' function is to explain, and at least in a strict view, predict future instances. Newton's apple is subject to gravity. However, our research does not build natural science theories. The intertwined political, social, economic, technological and other systems create complexity and interdependencies. All these systems are driven by human agency, and they do not integrate into one inescapable outcome that can be readily predicted, and this is even less the case the further into the future we are looking. How can we bring this future orientation to a relevant research programme and approaches to carry out research?

### **An epistemology for theorising**

We like to suggest, besides being attentive to ongoing changes and unfolding phenomena, strengthening a *futures* orientation in developing our field. The plural *futures* refers to the view that the future is not determined; it is in the making. Beyond the present and the past, no facts exist.

In the context of ice hockey, Wayne Gretzky is said to have commented, “*Skate to where the puck is going, not where it has been*”. To increase relevance and influence, we need to entertain the implications for the field of IB when reflecting on the utility function of a theoretical contribution. The scope of utility, scientific or practical, is one dimension when assessing a theoretical contribution; the other is originality, whether incremental or revelatory (Corley and Gioia, 2011). Corley and Gioia (2011) ponder the question of how to increase the scope of utility by suggesting a *prescience* approach, leaning on Kuhn’s (1962) terminology related to the post-positivist ideas of *Scientific Revolutions*, to fulfil “our scholarly role of facilitating organisational and societal adaptiveness” (p. 12), applying that knowledge to the practice of management (Van de Ven, 1989).

According to Kuhn (1962), prescience is the first stage in the development of a disciplinary field, where paradigmatic pluralism prevails without dominating theories, practices or even a shared understanding of the key issues that would form a common or unifying direction for theoretical work. Corley and Gioia (2011) use numerous instances showing that organisational scholarship has become excessively distanced from practice such that language – and subsequently, understanding – has been divorced from the real-world context; it is to the point where practitioners have lost interest in academic papers due to missing value propositions. This is not concerning if we think that these are parallel worlds that do not need to be interacting. However, if our research activities should produce value beyond justifying the own existence, something needs to be done. As already discussed, the value of a theory and its relevance is perspective-based, idiosyncratic, situational and contextually and temporally

inclined – a position we term *relevance-as-perspective*. How can we develop an approach to gain relevance and be more influential? What needs to be done to be part of the solution for important problems in significant organisational areas?

Our suggested trajectory is to acquire a *futures research orientation* that, rather than claiming possession of a crystal ball, develops and deploys potent epistemology about events and trajectories in the future, where no facts are yet available. It is a quest for truth-in-the-making. The foundation of an epistemology for future studies has been compellingly discussed in great detail, reviewing the major philosophical schools of thought of the last century, by Wendell Bell (2009). Spanning from the received view of positivism to post-positivist thought, including ideas of scientific revolutions, Bell (2009) derives the agreeable position that the future can be studied scientifically with the effect of pragmatically aligning scientific and practical utility. The philosophical stance generating this approach is *critical realism* (CR)<sup>4</sup>, in which Bell (2009) articulates a post-Kuhnian theory of knowledge (p. 207). This philosophical perspective has been used by different researchers in IB (for a review, see Welch et al., 2011) and discussed by some who share similar concerns and agree that CR “*offers an ontological position suited to illuminating organizations which operate at multiple levels, as exemplified by the MNC*” (Rees and Smith, 2017: 267). This allows creating bridges between different perspectives on the MNE, cross-fertilising and integrating research interests in IB and International Management (see Dörrenbächer and Geppert, 2017).

It is fair to ask why CR is a useful approach for producing utility in futures-oriented research. The response is that it assumes ontological realism or the idea that reality exists independent from human constructions and knowledge of it (Skagestad, 1981). This perspective rests on the assumption that senses, and devices used for inquiry, are a source of “reasonable beliefs” (Bell, 2009: 211) rather than certain (and justified) knowledge. Reasonable beliefs imply that valid evidence exists in support of the belief. It differs from a positivist stance, which requires



certainty of evidence, and shifts the criterion to the investigator who establishes valid evidence. While this alone is not a strong reason to assert trustworthiness, it assigns the responsibility of assessment to the scientific community to *critically* evaluate claims, and if validity is *reasonably questioned* and if needed based on evidence, to refute them, for instance, by applying a strategy of falsification. Thus, in CR, science is a collective effort to gradually improve an explanation through corrective means, producing a pragmatic quest for unveiling truth (Archer et al., 2013).

In our view, the philosophy of science described above is well suited for application in futures-oriented research. The future contains no facts but shares similarities to inquiry respecting uncertainties when studying the present and the past. Even if a proposition cannot be justified as being true, the belief in it “can be justified as being reasonable” (Bell, 2009: 221). The assessment of the proposition is an evolutionary, “fit-increasing process” driven by scrutiny of the scientific community. The mechanisms of selection, adaptation and retention increase the value of a proposition over time as the justified beliefs about the future in the past are compared with the emerging facts of the present. Yesterday’s predictions, which are speculations, can be compared with and tested against today’s facts.

This procedure eliminates far-reaching negative consequences in the quest for knowledge as it avoids what Popper (1957) termed historicism, or falling victim to the assumption that past trends or historic stages *as such* are valid foundations for predictions. Instead, they should be considered as facts that need to be understood in their situational, contextual and temporal setting; it should be recalled that they were produced by complex idiosyncratic *conditions*, and therefore, cannot be considered to imply a universal law. A stance well suited for IB research’s knowledge about the future, however, is different compared to knowledge about the present and past because we only know the truth about future events after they occur, and at this stage, our knowledge will have become knowledge of the present or past.

The general idea of this application of CR towards futures research is that it “is reasonable to believe unrefuted rather than refuted hypotheses” (Musgrave, 1993: 172). It is pragmatic to *tentatively* accept them, even if they are unjustified in a strict sense, as in a view of “certainty of truth”, because they survived critical examinations up to that point. They provide the best available basis for deciding “what to do next” (cf. Wiltbank et al., 2006), while acknowledging implicit uncertainties, which are treated with a collective corrective, as facts emerge and are subjected to critical examination. Thus, predictions that are based on reasonable beliefs are understood as reasonable because practitioners need to make decisions today that concern the uncertain future. Managers need to make plans from their own contextual understanding and carry them out with their best available knowledge and beliefs; in this way, they can adapt, control or alter the futures through their actions.

What is different here from most research undertaken in IB to date is the concern for this important function of research (to be useful in the real world) and becoming part of the active, exploratory sensemaking that goes into the process of understanding what is happening. We have many specific explanations that can be useful if we relate them to other specific explanations we know and we anchor them into larger organising frameworks, as illustrated above.

If we can accept this philosophy of science, then the next step is to think of methodological means that allow us to develop reasonable beliefs about possible futures. A useful concept for this futures research endeavour has been the concept of *posits*, developed by Reichenbach (1951). Posits can be used as statements about the future and treated *as if* or asking *what if* they were true, without knowing to what extent they will be true (Bell, 2009: 224). In principle, all posits are useful irrespective of their origin if they contain an imaginable possible future for which we can assign an estimate of the probability of their occurrence<sup>5</sup>.

The critical-realist scrutiny applied to posits and serious attempts at falsification sorts out those which constitute conjectural knowledge under the given initial conditions, and they remain as hypotheses that are adjusted and subject to revision while conditions change and phenomena unfold. Therefore, this approach constitutes an ongoing judgement of the reasonability of belief in a proposition about the future while events occur. This procedure acknowledges the additional threats to their validity due to greater uncertainty about the future than what we find in explanations about the past and present. The result is surrogate knowledge, as the posits contain the surviving propositions about the future after serious falsification attempts.

The result is also a wide range of *possible future outcomes* with diverse sets of probabilities assumed for them (Patomäki, 2006). In futures studies, not only are the most probable futures valuable, but quite improbable posits are also important to prepare for the unknown contingencies of the future. As practitioners act on these posits, some important effects come into play. The justified belief in future proposition may produce self-fulfilling prophecies for desirable future states, or alternatively, self-altering prophecies for negative outcomes because the projected negative outcomes produce reasons for changing the initial conditions under which posits were created. For instance, if we draw posits with the justified beliefs of negative outcomes of climate change, we might change the validity of the prophecy as such through the constitution of the prophecy. This is because human actors create actions to avoid such negative outcomes. At least, this remains what we should hope for, and ultimately, it shows the potential of futures research<sup>6</sup>.

To return to the question of utility of knowledge in our field, a futures research epistemology, with its many methods and techniques (e.g. Heinonen, Kuusi and Salminen, 2017), opens up new possibilities for creating relevance and regaining voice for the IB research community. In light of the challenges humankind is facing, there should be no shortage of applications, if we consider the powerful role MNEs are playing in the world. The approach allows us to assist in

the development of reasonable justified beliefs and theories about the future with posits of possible, probable and desirable outcomes and to establish how initial conditions, from a particular stakeholder's perspective, may create self-altering prophecies that set in motion the actions to avoid some of the most undesirable of these propositions and hypotheses. This would allow us to define what, how, why and for whom we develop knowledge, as illustrated in Table 2.

The strength of this approach is its inherent quest for self-correction of posits, when surprising outcomes emerge (Lawson, 2003). It allows us to return to the initial assumptions and reconsider how the contextual understanding might have changed, creating alternative causes of effects (cf. Welch et al., 2011) and altering conceptualisations when new facts emerge. This approach is different from mainstream IB research<sup>7</sup> because it takes situational, spatial and temporal contexts and ongoing changes seriously; it does not rely only on the given empirical observations but accepts that new evidence, including non-confirming evidence, will surface and allow us to change our best understanding, and subsequently, alter our explanations. This meshes with the theorising through envelopes idea outlined above, an approach that we accept as being as enabling as it is limiting due to initial choices based on relevance perspectives. Envelopes and the relationships between them are open for theorising in the sense that they give room to consider adding new theoretical ideas, which emerge as useful explanations when the world is changing in unexpected ways.

### **Concluding remarks**

Closing the loop from this epistemological excursion back to the IB research thematic, we discuss the suggestions made in this chapter by presenting our overall thesis, which has the ambition for IB to regain influence on important stakeholders (who might find they cannot afford not to listen to us), respecting the question of the scholarly and practical utility of

theorising. We prefer, as the previous section may have revealed, the idea of theorising (Weick, 1995) as a process of developing our understanding, and subsequently our explanations, over the end product of a theory; this is because social systems are open, not operating in isolated, recurring or stationary systems, as Popper (1957) characterised, for instance, the solar system and physicists trying to understand the underlying laws of how it functions.

In conclusion, our paper commenced with a view that the world of IB is continuously changing, and these changes have far-reaching consequences. Changes generate systems level effects through human agency (and its reactions to changes in the natural world) in political, economic, social and technological systems' interactions and based on interdependencies, which can create unforeseeable consequences and new developmental trajectories. Against this backdrop, it is apparent that even our theoretical knowledge is rich; it cannot be complete for all possible occurrences that may emerge in the future. Therefore, it must be open for revision, refutations, extensions and repurposing.

Theoretical knowledge is dispersed, and at the same time, focussed on specific and partial phenomena. However, our discipline is arguably based on two main interests. First, it deals with the complexities of organisations and their international activities, across many variants of externally intertwined systems; second, it is about business, taking a stance to serve as integrator, among other related disciplines, to understand how partial and specific explanations relate to each other and the bigger picture. In this way, it puts forth the criteria for choices that have to be parsimonious and comprehensive.

IB is an integrative field of investigation dealing with complex phenomena, such as globalisation, and activities of complex types of organisations, such as MNEs and their responses to the environments that enable or limit them in often uncertain ways. Exploring in this context is critical because it drives us to gain a better understanding when conditions

change. As Bateson (1972) notes, “An explorer can never know what he is exploring until it has been explored” (p. xvi). Therefore, we see theorising as an action that allows us to make assumptions about the future, which has not yet happened, and base our actions on them to later see, once facts emerge, which assumptions have turned out to be useful and which have not.

Theorising requires a perspective; otherwise, relevance – as well as parsimony – is difficult to achieve. There is no theory of everything. If we make choices regarding which envelope frameworks serve a perspective, then we will have anchor points that allow us to establish new integrated theoretical posits that are linked to international and business phenomena, rather than theorising in a vacuum. Instead of becoming political, in the form of fiercely defended paradigms, these frameworks need to remain open and inclusive for new ideas that may explain how the world is changing; they need to be proactive but critical when the future of yesterday produces the facts of today.

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<sup>1</sup> Share prices are constantly changing for numerous reasons and therefore such comparisons provide limited information.

<sup>2</sup> Compare this with the section on emerging phenomena.

<sup>3</sup> Stakeholders’ perspectives include those of owners, managers, employees, governments, government agencies, society at large, nongovernmental organisations and future generations.

<sup>4</sup> This philosophical point of view has been discussed under a number of terms, including *fallibilist realism*, *critical rationalism* and *critical empiricism*.

<sup>5</sup> In 1916, Albert Einstein predicted the existence of gravitational waves based on his general theory of relativity; in 2016, they could be observed the first time due to technological advances made over the past 100 years.

<sup>6</sup> See the Club of Rome predictions of 1972 and the possible self-altering effects they may have had on policymakers to avoid the dark scenarios the report was drawing (Meadows et al., 1972).

<sup>7</sup> Welch et al. (2011: 12) showed that this type of research constitutes a clear minority of articles in the highest ranked journals publishing IB research (i.e. case studies in *AMJ*, *JIBS* and *JMS*, 1999–2008).

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