

# International Business: Past, Present and Futures

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## Abstract

This article provides the context for futures thinking in the field of international business (IB). The article begins by considering the nature of IB. Its historical development is then elaborated, before its current significance and trends are considered. Building on the review of past and present we speculate briefly on the possible futures of IB. In so doing, we provide a basis from which the contributions to this Special Issue on the Futures of IB can be understood and situated in a broader context.

**Keywords:** International Business; Foreign Direct Investment; International Trade; Multinational Enterprise (MNE); Futures

## 1. Introduction

Today international business (IB) is ubiquitous. In the advanced world the lives of individuals are enmeshed in a web of products and services produced by a wide variety of IB interests: from the alarm clock that wakes many of us up in the morning, the food and medication we consume and the mobile telephone that accompanies us through our day to the work and leisure that occupies our lives, the utilities that give comfort and convenience to our home and the bed we lay down to rest in at night. Even locally produced goods and services depend on IB whether it be for tangible inputs like raw materials or intangibles such as financial and business services.

International business touch every aspect of our lives whether we are resident in the advanced world surrounded by the cornucopia of desirable products and services or in developing countries besieged by the debris of IB activity, like the ship-breakers of Chittagong in Bangladesh [1] or the Ogoni people enduring the environmental devastation wrought by Oil production in Nigeria [2]. International business is evident in all sectors of the economy from agriculture and minerals extraction and processing to the manufacture of consumer and producer goods and services. It is present in private and public sector activities as well as in voluntary and not-for-profit organisations. Indeed, IB also pervades black markets and criminal activity, from the production and distribution of illegal drugs to people trafficking and beyond [3,4].

International Business is intimately related to the economic, social and environmental welfare of people around the world. The current economic crisis demonstrates the negative impact of IB with the activities of financial sector multinationals bringing the financial system close to total collapse in the autumn of 2008. Yet IB can also be a force for good spreading knowledge and contributing to economic growth and prosperity as it did in the post World War II (WWII) Western world. The early years of the 21<sup>st</sup> century have offered challenges to IB that will impact on its future development. Given the pervasive influence of IB and its power to effect positive and negative change we should all be concerned with how IB develops in the years ahead. For there can be no doubt that the future forms that IB takes will touch on all our lives in many varied ways.

This article provides the context for futures thinking in the field of IB by providing an understanding of its historical development and present forms. In so doing, the article provides a basis from which the contributions to this Special Issue on the Futures of IB can be understood in a broader context. The article begins by considering the nature of IB. Its historical development is then elaborated, before its current significance and trends are considered. Building on the review of past and present we speculate briefly on the possible futures of IB. A number of the future scenarios raised will be taken up in other articles in this Special Issue.

## **2. The Nature of International Business**

Before progressing further it is necessary to define international business. We can begin by examining the constituent parts of the term. Firstly, ‘international’ refers to something of concern to, or involving, two or more nations or nationalities. Secondly, ‘business’ can be used to refer to an industrial, commercial or professional operation or a commercial or industrial establishment, and, more generally, the term business can be used to refer to any activity. Popular IB textbooks define IB as a firm that engages in international activity, namely through trade or investment [see for instance, 5, p. 709]. In this sense, IB is defined as a commercial business enterprise. However, such a definition neglects international activity that is non-commercial in nature even though such activity may mirror and, indeed, support mainstream IB activity and have a significant impact on the economic, social, cultural and natural environment. Activities of this sort are varied and include the work of charities and humanitarian organisations like Médecin Sans Frontières as well as international professional organisations such as the Association of Chartered Certified Accountants (ACCA).

Moreover, IB is more than a commercial entity, it is also an activity. If we explore IB as an activity we need to explore beyond individual enterprises, whether commercial or not, to examine all cross-border activity. Such a broad definition of IB requires consideration of a wide IB system – incorporating elements impacting the business environment, such as, the regulatory and financial system, and the political and socio-cultural context. Such an approach to IB presents difficulties in term separating the study of IB from the broader field of international political economy. Consequently, for the purposes of this article we focus on IB defined in terms of the diverse international activities undertaken by a wide range of commercial organisations.

International business as a business entity is often seen as synonymous with Multinational Enterprise (MNE) [6]. However, MNE – a term often used interchangeably with Multinational Corporation (MNC) and Transnational Corporation (TNC), has been variously defined [7-10] with key characteristics

including Foreign Direct Investment (FDI)<sup>1</sup> and/or control over production facilities in overseas locations. Indeed, IB is most often associated in popular discourse with the activities of giant global corporations, including for example General Electrics, British Petroleum, Shell, Exxon Mobile, Toyota, Honda, Ford, Nestlé, McDonald's, Microsoft, News Corporation, NIKE, Vodafone and Wal-Mart, to name but a few. Yet, it is important to recognise that IB takes many forms from international trading activity and international investment flows to collaborative agreements between organisations from different countries including, for instance, franchising, licensing, alliances, joint ventures and subcontracting. Consequently, IB incorporates much more than the activities of the traditional MNE.

Furthermore, IB is also evident in the movement of people whether it is to consume goods and services abroad, as in tourism, or working overseas, such as expatriate managers or low cost migrant workers. Much IB activity is hidden from view, conducted as it is by local and seemingly independent organisations. Hence, the traces of IB that visibly populate our everyday activity are only parts of a much more pervasive mesh of activity. Even some huge corporations have a low profile in the popular consciousness. Who, for instance, is familiar with Cargill, a privately owned international producer and marketer of food, agricultural, financial and industrial products and services? Founded in 1865, Cargill employs some 159,000 people in 68 countries and enjoyed sales and other revenues of \$116.6 billion and net earnings of \$3.33 billion in the fiscal year 2009 [12].

International business then includes a wide range of business organisations and activities from global corporations to cross-border networks of nationally owned businesses engaging in trade and various mutually beneficial contractual and collaborative arrangements. Moreover, the IB organisations of today may be the result of the lengthy evolution of local firms into regional, national and finally international businesses or, alternatively, from the emergence of born global businesses that exploit niche markets at an international level and employ technology and networks to realise their global ambitions rapidly [13]. Information and communication technologies (ICTs) have certainly influenced the scope and reach of IB activity. For instance, by enhancing communications across distance ICTs increase the span of control and

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<sup>1</sup> FDI differs from international portfolio investment in that it is investment made to acquire a lasting interest in an overseas enterprise with the aim of acquiring an effective voice in the management of the enterprise [11].

facilitate the development of new organisational forms and the construction of loose international network structures [14].

The development of IB is, of course, intimately connected to the development of national and international economic systems. In the current era IB both contributes to and is shaped by the process of globalisation. Globalisation refers to the growing economic interdependence and integration between countries brought about through the increasing cross-border mobility of goods, services, capital and people facilitated by technological change, the rise of MNEs and the liberalising policies of nation states and international regulatory institutions [10, 15, 16]. Before giving further consideration to contemporary issues, we turn now to the antecedents of IB.

### **3. International Business: Past**

International business activity has a long history. Trade has existed since the earliest civilizations long before the idea of the nation existed and therefore before such trade could be conceived of as international. Moore and Lewis [17, 18] trace early forms of IB back to the trading activities of the Ancient Egyptians and Phoenicians. The antecedents of IB as we know it today can be found in the cross border activity of banking families such as the House of Medici in Europe in the 15<sup>th</sup> century [19] and the trading companies of the 17<sup>th</sup> century, such as the East Indian Company, Hudson Bay company and the Dutch East India Company [20]. Chartered by their national governments to undertake trading activities in their colonies, the interests of such companies were very much determined by the imperatives of state.

Although it is commonly believed that the rise of IB took place following the WWII, economic historians have clearly demonstrated that FDI and the modern multinational emerged in the second half of the 19<sup>th</sup> century [6, 21]. Up until this point much IB activity was sporadic and opportunistic and rarely long-lived. Direct investment during the 19<sup>th</sup> century was primarily concerned with the extraction of raw materials from colonial territories, but by mid-century FDI in manufacturing began to grow [21, 22]. Through the late 19<sup>th</sup> and early 20<sup>th</sup> centuries the organisation of IB became more complex as companies first expanded across nations and then borders aided by new transportation and communication technologies including the steam train and the telegraph. As companies grew they often extended both their

geographical scope and the range of products produced, requiring the development of increasingly sophisticated organisational structures to ensure effective management and coordination of activities [23, 24].

Without a doubt the development of IB was disrupted in the first half of the 20<sup>th</sup> century by the two World Wars (1914-1918 and 1939-1945) as well as the great depression in the intervening years. The post-WWII period witnessed a surge of IB activity. Yet this was far from a global phenomenon as the end of the WWII saw the world divided into the two opposing ideological blocs of Western Capitalism and Eastern Socialism - a separation that lasted for more than 40 years. Nevertheless, under the Western capitalist system IB flourished.

The post WWII period of IB expansion and economic integration in the Western hemisphere was promoted by collaborative international efforts to manage the world economy with the aim of avoiding the destructive protectionist policies that had contributed to the severity of the economic depression in the early 1930s and the rise of extreme nationalist movements in the years preceding the outbreak of WWII. A number of international institutions were established, which sought to stabilise the international economic environment and facilitate the growth of international trade and investment. The International Monetary Fund (IMF) and International Bank for Reconstruction and Development (IBRD), which later became known as the World Bank, were established as part of the Bretton Woods agreement to construct an international monetary system with a view to bringing stability to exchange rates and managing balance of payments difficulties in an orderly and cooperative manner. In addition, the General Agreement on Tariffs and Trade (GATT), an organisation that was incorporated into the World Trade Organisation in 1995, sought to develop a liberalised international trading regime promoting the benefits of free trade and preventing the damaging effects of the adoption of protectionist policies.

From the late 1940s until the late 1960s these institutions together with the demand management policies adopted by major Western governments brought about a period of stability, economic growth and international integration. During this period IB in general, and, specifically in the form of the MNE, prospered. Western European markets offered significant opportunities for US firms; opportunities that were enhanced by tax incentives and reconstruction funded by the Marshall Plan. European MNEs developed rapidly following the post war reconstruction and

recovery and by the late 1960s Japanese MNEs were developing as competitive rivals to those in the West.

Impacting upon economies both in terms of wealth creation, employment, technology transfer, innovation and regional development, IB began to attract the attention of academics and policy makers during the 1950s and 1960s. So much so that it was in this period that the academic discipline of IB came into being firstly in the US before spreading to Europe. For instance, Columbia University introduced the first a Masters of Science Programme in International Business in 1955 [25]. In 1959 the Association for Educators of International Business was established, which later became the Academy of International Business [26, p. 146]. In addition, a number of IB research journals were established in this period.<sup>2</sup>

Major contributions to the understanding the economics of IB were also initiated during this period including Stephen Hymer's [28] seminal contribution on the determinants of FDI and Raymond Vernon's [29] product-life cycle approach, paving the way for later theoretical developments from Knickerbocker [30], Aliber [31], Buckley and Casson [32], Rugman [33] and Dunning [34] among others<sup>3</sup>. The power and influence amassed by MNEs also stimulated a critical strand of research concerning the impact of MNEs on, for instance, national sovereignty, development and dependency and labour practices [36 - 40]. A stream of work that has continued and developed stimulated by the more widespread concern over the impact of globalisation [41 - 45].

The post WWII period of economic growth came to an end in the 1970s with the collapse of the Bretton Woods system, the oil price increases and subsequent recessions in the major Western economies. In addition to falling demand in their traditional markets, Western MNEs faced competition from emerging multinationals from the Far Eastern Asian Tigers. Despite the efforts of GATT new forms of protectionism emerged in the West. To overcome trade barriers MNEs from Japan and other Far Eastern nations began to invest and establish production facilities in their major Western markets. Western MNEs were therefore compelled to restructure

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<sup>2</sup> Three IB journals originate in this period, namely, *Thunderbird International Business Review* (TIBR), formerly *The International Executive* (first published in 1959), *Management International Review* (MIR) (1961) and *Journal of World Business* (JWB), formerly *Columbia Journal of World Business* (1966). Today's top academic IB journal, *Journal of International Business Studies*, was not established until 1970, [27, p. 1].

<sup>3</sup> For a review of theoretical development concerning IB see Ietto-Gilles [35].

to improve efficiency and become more competitive. The result was a shift from Fordist mass production systems to more flexible and customised post-Fordist production system [46].

The restructuring of production at a global level since the 1970 has resulted in a move towards international production and the adoption of a complex international division of labour and increasingly sophisticated supply chains. These developments were made possible by new ICTs that allowed the efficient management of global production systems. Further technological developments encouraged the growth of offshoring and outsourcing of labour intensive manufacturing and service activities in the 1990s.

While the 1970s presented challenges for IB it also opened up new opportunities. The economic difficulties of the period reduced concerns about the power of MNEs as governments focused on their positive impact as potential providers of jobs and engines of growth [47]. National and local governments competed against one another to attract FDI with tax and other incentives. Even those developing countries that turned against MNEs in the late 1960s and 1970s in the pursuit of nationalist economic policies were forced to reengage with foreign capital as the economic environment took its toll. Many developing countries established Export Processing Zones (EPZ) in which MNEs are able to operate free from all government interference [41].

Moreover, the economic turmoil of the early 1970s paved the way for the change from demand management to supply side economic policies. The 1980s usher in a new era of economic integration as, following the lead of President Reagan in the US and Prime Minister Thatcher in the UK, national governments and international institutions embraced neo-liberal economic policies [48]. With the collapse of Soviet Union and the opening up of Eastern Europe and China at the beginning of the 1990s, technological developments combined with neoliberal policies to facilitate the integration of a truly global economy. In this new environment, unfettered by protective national economies and regulation, IB was able to achieve its present day ubiquity.

Importantly, as Letto-Gilles [49, THIS ISSUE] notes, the neoliberal policies of privatisation and deregulation opened up new opportunities for IB in fields previously

reserved for public provision as nationalised industries from coal mining and steel production to telecommunications, airlines, and utilities were privatised. Partly as a result of such policies the 1980s witnesses a significant growth in IB activity in the service sector, which was formerly highly regulated and often reserved for public provision or national providers [50, 51].

These developments have not been without resistance, most often pursued at local levels. This resistance reached global proportions in 1999 at the Seattle meeting of the WTO. Critics adopted the tools of global media and communication, so productively employed by the interests of IB, to turn the spotlight on to MNEs and the international institutions whose activities, in line with neoliberal policies they promoted, had become so closely aligned with those of big business. Popular protest movements seek to highlight a variety of concerns about the operations and impacts of IB from poor working conditions, environmental degradation, abuse of human rights and excessive profits to unfair trading practices, issues of accountability and national sovereignty. The battle for Seattle marked the coming of age of a popular, though fragmented, movement against the negative consequences of IB and globalisation more generally [52].

#### **4. International Business: Present**

##### *4.1. Current significance*

Despite the rise of the anti-globalisation movement, IB in its various forms continued to increase in the early years of the 21<sup>st</sup> century. The current significance of IB is illustrated by the trade and investment data. Total world exports amounted to US\$19,505 billion in 2008 [53, p. 8], almost a third of the value of total world output.<sup>4</sup> Moreover, despite the global financial crisis world trade grew by 2 per cent in volume terms over the course of 2008, down on the 6 per cent increase in 2007 [53, p. 1]. Moreover, according the latest *World Investment Report* [55, p. xxi]:

‘there are some 82,000 TNCs worldwide, with 810,000 foreign affiliates.

These companies play a major and growing role in the world economy.

For example, exports by foreign affiliates of TNCs are estimated to

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<sup>4</sup> According to the IMF [54, p. 189, Table A1] the value of World output amounted to 60,690 billions of US dollars at market exchange rates.

account for about a third of total world exports of goods and services, and the number of people employed by them worldwide totalled about 77 million in 2008 – more than double the total labour force of Germany.’

The value-added activity (gross product) of foreign affiliates worldwide accounted for 11% of global GDP in 2007 [56, p. 9]. In addition, FDI inflows reached a historic high of \$1,979 billion in 2007 before the financial crisis began to take its toll resulting in a 14% decline to \$1,697 billion in 2008 [55, p. xix]. Inflows of FDI continued to decline in the first quarter of 2009, and, although UNCTAD expects a slow recovery beginning in 2010, it also suggests that the crisis has changed the investment landscape with the developing and transition economies’ share of global FDI flows increasing to 43% in 2008 [55, p. xix].

While the data on trade and FDI detailed above underline the economic significance of IB, data on global financial transactions is even more revealing. According to Galati and Heath [57, p. 63], average daily turnover in traditional foreign exchange markets increased significantly from \$1,950 trillion in 2004 to \$3.2 trillion in April 2007. Although this figure includes the foreign exchange transactions required to facilitate international trade and investment flows, the vast majority of foreign exchange market turnover arises from financial transactions related to trade and speculation in financial instruments of various sorts. It is important to note that large global corporations in all sectors are involved in financial activity. Many have developed sophisticated finance divisions specialized in the management of the company’s liquid assets as well as in the provision of financial services to customers. As Toporowski [58, THIS ISSUE] suggests, for some MNEs this type of activity has become the main source of profit leading to the development of what he refers to as financially enhanced transnationals. The severity of the current financial and economic crisis underlines the fact that the financial activities of MNEs can no longer be overlooked when assessing the impact of IB.

International business clearly has a significant direct and indirect impact on the local, national and global economic systems. Moreover, given the concentration of financial centres and FDI in particular countries and regions the impact of the activities of MNEs can be even more significant than the aggregate data suggest. It is though important to recognize that IB goes beyond the FDI activity of MNEs to include a wide variety of arrangements that are not captured by investment,

international trade and foreign exchange flows. Traces of IB are also evident in the flows of people, international travel expenditure, licensing and royalties cross-border payments, technology transfer agreements, and telecommunications and Internet traffic among others. Nevertheless, the data detailed here does provide an indication of the scale and significance of IB in the current era.

#### *4.2. Current trends*

The opening up of the public sector activity to IB continues apace as governments seek efficiency gains in the provision of services ranging from education, social care, healthcare, prison, policing, and defence services. Despite growing dissatisfaction with contracted out service provision and mounting evidence of failures, governments continue to promote the private provision of public services [42, 43]. This trend is likely to continue as governments seek to reduce public spending and struggle to pay off huge debts incurred in bailing out the banking sector.

Many factors in recent years have led to IB being placed under increased public scrutiny. The surge in cross-border mergers and acquisitions in the 1990s stimulated concerns about the consolidation of market shares and growth of monopoly power [59]. Such concerns are renewed in the current economic crisis as companies turn, with government approval, to merger and acquisition for their very survival. While jobs may be saved by such activity consumers may pay heavily in the future from the lack of competition.

The ICTs that have assisted the growth of IB have also provided its critics with the means of collecting and disseminating information on the unethical and environmentally damaging activities of some MNEs. Technological developments, in particular the convergence of digital technologies, cheap digital cameras, laptop computers and Internet connections, have allowed the production and distribution of low cost publications and video. The dominance of global news producers like News Corporation is being challenged by news and videos distributed through the Internet.<sup>5</sup> Those directly impacted by the negative consequences of IB can now reach out to a

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<sup>5</sup> For alternative media sources focused on the impact of IB see for example: Multinational Monitor (<http://www.multinationalmonitor.org/>) and Corporate Watch (<http://www.corporatewatch.org/> in particular <http://corporatewatch.visionon.tv/>)

global audience to air their grievances and seek support for their struggle against IB whether in the form of consumer boycotts or shareholder action.

Information and communication technologies allow the development of coordinated activity on the part of consumers and workers on an unprecedented scale. Although, in relation to cross-border worker solidarity, the current economic downturn is likely to test the strength of such developments. Moreover, technological developments ensure that people in the advanced countries can no longer ignore the impact of their consumption patterns on workers and citizens of developing countries.<sup>6</sup> Inequalities of income and quality of life are there for all to see in the widely distributed news reports, documentaries, films, books and magazine articles. Yet the voice of the poor may be heard but not heeded. Consumers become complicit in the exploitation of workers. Cheap clothing in high street stores and supermarkets like Primark, Tesco and Wal-Mart can only be achieved with low paid labour working in poor conditions [61]. Membership of the Ethical Trading Initiative and other efforts to display Corporate and Social Responsibility (CSR) do not hide the disparity between the consumers in the advanced countries and the producers in developing countries. As Banerjee [62] argues, CSR initiatives may be interpreted as ideological movements that aim to legitimize and consolidate the power of large corporations at the expense of external stakeholders. Nevertheless, initiatives to address global inequalities have developed and grown, through the work of truly ethical businesses, charities and other NGOs and a wide variety of social movements. One example is the Fair Trade movement, the roots of which can be traced back to the 1940s in the US and 1950s in Europe [63]. In 2008 the estimated retail value of fair trade products was almost € 2.9 billion [64].

Although the unethical behaviour and unfettered power of global corporations is increasingly brought into question [44], to date little effort to regulate IB has been undertaken by national governments or international institutions. At an international level voluntary codes of conduct and guidelines have been developed by organisations like the OECD, International Labour Organisation and United Nations [65]. A recent incarnation of such voluntary codes is the UN's Global Compact [66]. In the wake of the current financial and economic crisis there are many lessons to be learnt by policy

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<sup>6</sup> For instance, we can no longer turn a blind eye to the environmental devastation wrought by Shell in the Ogoniland of the Niger Delta in Nigeria in the search for oil reserves [60].

makers about IB in the financial sector and beyond. Yet current indications suggest reluctances on the part of governments to take on the challenges of regulation. The failures to learn from the corporate debacles of the early 2000s, including Enron in 2001 and WorldCom in 2002, have been devastating for the global economic system. For the financial activities practiced by Enron, and which eventually resulted in the company's collapse, are evident in the financial practices of the failed and faltering financial institutions in the aftermath of the financial crisis of 2008. Once again there is a chance to reconstruct the financial and IB regulatory framework. But will the opportunity be grasped?

The large global corporations are under pressure in the current economic climate. For example, a number of global car manufacturers and banks have resorted to government support to weather the current crisis (e.g. General Motors and Citigroup). Others have resorted to mergers or succumbed to takeovers as evident in the banking sector (e.g. Lloyds TSB and HBOS). While mergers and acquisitions lead to the consolidation of economic power within some markets, in others MNEs are increasingly subject to competition from smaller more agile organisations, including not for profit organisations as Roberts [67, THIS ISSUE] demonstrates in relation to the development of software. In addition, Western MNEs face increasing competition from emerging countries, especially Brazil, Russia, India and China (the BRIC countries). Such competition may save IB from rigorous regulation. Different perspectives on, for instance, human rights and labour standards in some emerging countries, present challenges for the development of a global consensus on an effective regulatory system.

Alongside these sources of competition, MNEs also face consumer and worker resistance to aspects of their competitive strategies. For instance, such resistance has been evident for some years in the backlash against offshoring [68]. In response, MNEs are adapting their competitive strategies and in some cases adopting a more local image in a bid to lowering their global profile and acquire a new source of competitiveness. For example, in 2009 Starbucks began introducing non-branded outlets [69].

## **5. International Business: Futures**

An exploration of the development of IB reveals its adaptive nature. Looking to the possible futures of IB there seems little doubt that, so long as there are profitable business opportunities, it will survive and prosper. Several contributors to this Special Issue identify the question of the availability of profitable opportunities as a key challenge for IB futures. In ‘The current economic crisis and international business: Can we say anything meaningful about future scenarios?’, Grazia Ietto-Gillies identifies the root cause of the excessive growth of the financial sector and subsequent crisis in the lack of profitable investment opportunities in the real sector of the advanced capitalist systems. She suggests that short-term remedies include a shift in income distribution to increase the consumption component of the level of effective demand and serious national and international regulation of the financial sector. According to Ietto-Gilles, in the medium to longer term governments should consider engaging in large investment projects such as alternative sources of energy, transport as well as in public services, providing profitable private sector investment opportunities in the real sector of the economy. The shift in profitable opportunities from productive (real sector) to the sphere of finance is also examined by Jan Toporowski in ‘The Transnational Company after Globalisation’. Toporowski examines how international capital market integration has facilitated the rise of a new kind of ‘financially-enhanced’ transnational, which, unlike the more traditional production-orientated multinational company, depends for its growth on buying and selling companies and exploiting inflating capital markets. But with deflated capital markets and little prospect of large government investment projects in the near future where will IB look for profitable opportunities?

Will the emerging markets offer new opportunities for MNEs from the West? Or will these opportunities be exploited by new MNEs developing rapidly in these expanding economies. Economic recovery is likely to renew the expansionary trend of IB from emerging countries. If Western MNEs cannot find sufficient opportunities in the emerging markets where will they turn? Perhaps, one path of business development lies in the ever-increasing commodification of everyday life [70]. Lucrative business opportunities can be inserted into the minutiae of people’s lives and relationships – as exemplified in the market for self-improvement books and

magazines. Other opportunities arise from consumer awareness of the environmental and human cost of the products and services they consume. Indeed, new IB activity is flourishing to cater for the demands of environmentally concerned consumer, in sectors such as tourism, and existing business are adapting their products and services by, for instance, offering add-on services such as carbon offsetting. New markets can then be developed by creating new products and services that cater for the demands of the socially and environmentally aware consumer in advanced markets. In line with this is the growing market for the provision of all manner of audits to verify the CSR strategies of business organisations.

The challenge of securing profitable opportunities will be particularly intense in certain sectors where new technologies have distributed the means of production and allowed alternative forms of production to develop. The development of community as a new organisational form of multinational activity is raised in Joanne Roberts's article 'Community and International Business Futures: Insights from Software Production'. Employing evidence from the software sector, Roberts explores the scope for international production and innovation to occur in global communities. While traditional IB may successfully absorb some of this activity there are elements that will remain out of its reach and ensure the survival of competition in at least some areas of productive activity. For instance, in the cultural industries new ICTs are increasingly allowing low cost small-scale production. Moreover, ICTs are also leading to a major struggle over the protection of intellectual property rights (IPRs) as they facilitate the illegal appropriation of proprietary knowledge. The enforcement of IPRs is currently being rigorously pursued by MNEs in the cultural industries, and beyond [71]. Yet whether these companies can change the culture of free downloading prevalent among today's youth is open to question.

The protection of propriety knowledge is, of course vital, to the competitiveness of most organisations. To remain profitable MNEs must develop new knowledge and products through research and development (R&D) and innovation as well as through the absorption of new knowledge through mergers and acquisitions. Such activity also offers opportunities for the development of new markets. Innovation is characterised by two approaches either the exploitation of existing knowledge or the exploration for new knowledge. In 'Exploitation versus Exploration in Multinational Firms: Implications for the Future of International Business', Michel

Leseure and Tarik Driouchi explore the extent to which the innovative process of MNEs is characterized by these two alternative strategies. They provide empirical evidence of the existence of traditional rigid MNEs seeking benefits from low-risk exploitative strategies on one hand, and of flexible MNEs seeking higher performance levels by balancing the trade-offs between exploration and exploitation on the other hand. Using a population ecology perspective to study likely ecological scenarios for the future they conclude that traditional multinationals tend to prevail over flexible multinationals. This implies that MNEs remain primarily exploitative, and, other organisational forms, such as entrepreneurial small business and communities of practices are more likely to be the source of exploratory innovation. Nevertheless, the traditional MNEs will no doubt continue to renew their innovative capacity through the acquisition of smaller entrepreneurial organisations.

Innovative capacities and knowledge resources are often available to MNEs through their subsidiaries in host countries. However, the extent to which subsidiaries are able to influence and contribute to the organisation's innovative strategy varies according to the power they wield in the overall structure of the organisation. This can be significant when knowledge is unevenly distributed and when subsidiaries are able to employ local knowledge strategically within the organisation. Power gained by access to local knowledge networks may provide a counterbalance to the authority and control exercised by the MNEs head-office. Mo Yamin and Rudolf R. Sinkovics address the relationship between headquarters and subsidiaries, together with the power dynamics inherent in such relationships, in their article 'ICT deployment and resource-based power in multinational enterprise futures'. Applying a resource-dependency perspective to intra-MNE power, their article examines the effect of the deployment of advanced ICT and particularly the implementation of enterprise resource planning (ERP). Yamin and Sinkovics argue that the deployment of ERP undermines the resource-base of subsidiary power and thus helps to restore greater central authority in the MNE. These findings may have significant adverse implications for the futures of the MNE as a federative organisational form and the legitimacy of MNE operations abroad. For how can MNEs benefit from the knowledge of subsidiaries if they maintain an organisational structure based on the centralisation of authority?

The location of ownership and control within the organisational structures of MNEs has evolved from the hierarchically controlled centrally owned MNEs identified by Chandler [23, 24] in the 20<sup>th</sup> century to a wide diversity of flatter and network type organisations with distributed ownership today [10]. Part of this evolution has been the growth of offshoring and outsourcing over the last 15 years. Yama Temouri, Nigel L. Driffield and Dolores Añón Higón address this topic in their article, ‘The Future of offshoring FDI in high-tech sectors’. They examine the relatively new practice of outsourcing/offshoring of high-technology manufacturing and services. While the offshoring of labour intensive activity to low cost locations has raised concerns for some time about job losses, the implication of the offshoring of high-tech activity including R&D activity has wider implications for the sustainability of value generating activities and competitiveness of the home country. So while offshoring may be a means of developing and exploiting the knowledge capabilities of subsidiaries and suppliers there are significant implications for the competitive advantage of the home country with concerns about the ‘hollowing out’ of national high-tech capabilities. However, Temouri, Driffield and Añón Higón show that the pattern of offshoring in high-tech sectors will not necessarily replicate that found in labour intensive sectors. For example, as they note, the risk attached to offshoring in high-tech sectors including knowledge spillovers to local firms is something that conflicts with the desire of both the MNE and the home nation to retain competitive advantage.

There are many challenges ahead for those managing IB activity and the final article in this Special Issue is focused on how management education might be developed to equip future managers with the abilities required to meet these challenges. In ‘Problematizing international business futures through a “critical scenario method”’, George Cairns, Martyna Śliwa and George Wright propose the need for change in how IB managers determine organisational objectives and what criteria they use in addressing business problems. They propose a shift from a focus on profit maximization and shareholder value to a broader societal and environmental view. Drawing on contemporary social science interpretation of the Aristotelian concept of *phronēsis*, or ‘practical wisdom’, they propose an approach to teaching and learning about IB futures that is based upon the development of what they term a

‘critical scenario method’. This offers a basis for the investigation of complex IB problems in the ‘real’ world from a variety of perspectives.

New methods of management education certainly have the potential to shape the range of possible IB futures. Yet, managers are not the only stakeholders in need of new educational approaches. Individuals need to understand, and accept responsibility for, their own consumer behaviour. While policymakers, with the support of informed citizens, need to ensure a more equitable distribution of the benefits of IB. Moreover, we all need to appreciate of the costs of unfettered IB, costs that can touch all our lives and those of generations to come.

## **6. Conclusions**

Through an exploration of the historical development and current significance of IB this article provides the backdrop for the speculations on the futures of IB included in this Special Issue. Key aspects of the workings of global economic systems of finance, manufacture, distribution and consumption that shape our everyday lives are taken up in the contributions that follow. Despite recent economic shocks that show just how fragile these global and inter-connected systems can be, a ‘business as usual’ scenario prevails in these articles. That is to say, a market structure of financially driven and technological based organisations that protect core capabilities from spilling out to developing countries, growing ever larger and more powerful to meet the uncritical individual desires of consumers. The co-evolutionary nexus is between financial institutions, governance institutions, consumers and MNEs.

The global and local consequences of trends in the evolution of IB are profound. Rather than strengthening the human species, the reduction in diversity and associated resilience is a major threat to humankind. International Business is producing increasingly amplified effects of free market capitalism – polarised wealth and power, narrow channelling of applied human intelligence and an unsustainable degradation in ecological systems. The raw power of financial systems is exposed by the observation that in a global financial crisis that will take 10 year to repair, the people and institutions that caused the crises continue to be unfeasibly rewarded [72]. Those who suffer most from the unconsidered consequences have little power to ameliorate the causes or effects.

However, there are some signals of alternative futures within the articles in this Special Issue. The signals relate mainly to structures, rather than individual agency. The development of open systems of collaboration, weakening IPRs, the return to a real economy of value exchange rather than the anticipation of future value, growing consumer awareness of ethical and environmental issues, the necessity of localised social capital for the commodification of everyday life and the globalisation of solidarity amongst knowledge workers are examples of emerging structures. These structures make possible the development of resilient diverse systems of localised value creation. Such value creating systems require community action and social embeddedness which, compared to globally interlocked systems, presents lower systemic risk, lower transactions costs, and less accessibility by big institutional forces.

We must also consider the role of the individual consumer. A counter-factual would be non-consuming consumers; consumers that in their acts of consuming, produce social, economic and environmental value rather than destroy it. Such responsible consumption is plausible given greater consumer consciousness of the destructive social, environmental and economic consequences of amplified individual consumption. A nexus of responsible consumption and open globally informed localised systems of value creation would produce different paths for IB; not the progressive rise of the ubiquity of ‘efficient cause’ production, but a flip to global awareness of ‘final cause’ of human achievement.

Finally, the question of global governance remains. The history of IB is a story of reductions in barriers to trade at national levels and a regulatory regime that has favoured economic growth through profit maximisation. What if the current trend of rolling back state and international intervention were reversed in the face of increasing damage to systems deemed by some as non-economic (ecological, social), but actually inherent to an overall healthy global system? There would be heavy resistance to such moves and there may be unintended negative consequences of this – not least the potential for greater corruption. The articles herein question whether adequate global governance of MNEs can be left in the hands of consumer choice, worker solidarity and regulation dominated by economic imperatives.

The evidence presented in this Special Issue suggests that MNEs cannot deliver anything more than they deliver now, because they are locked into their own

economic system. Sustainable futures for International Business will necessitate alternative structures and beliefs, some aspects of which have been elaborated in the pages of this edition of Futures; most of which have yet to be imagined.

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