

THE STUDY OF INTERNATIONAL BUSINESS: A PLEA FOR A MORE INTERDISCIPLINARY APPROACH

John H. Dunning*

University of Reading and Rutgers University

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INTRODUCTION

It is almost a truism to say that the practice of international business (IB) is only as successful as the human and physical resources available to the practitioners and the way in which these are procured, organised and translated into marketable products. Likewise, the effectiveness of our scholastic efforts to study and teach international business is entirely dependent on our capability to marshal and organise the necessary human and other assets so as to supply a range of end products which are acceptable to the academic community of which we are part, our paymasters and the main purchasers of our products, viz, the business community. Of course, the determinants of success of the practice and study of IB are interrelated; and, in our particular pursuit for excellence, there is no unique or sure-fire recipe for success.

But, I observe, that in an ever increasingly complex world of international business, which is dominated by rapid and far-reaching changes in technology and by environmental turbulence, this is no less true of successful practitioners. Rarely, in seeking to identify the reasons for business achievement, is one able to find a single common denominator. Sometimes excellence is primarily based on innovatory ingenuity; sometimes on the access to or control of key inputs or markets; sometimes on aggressive or novel methods of advertising and marketing; sometimes on super-efficient capital budgeting; sometimes on dynamic and imaginative entrepreneurship; sometimes on the diversity of operational experiences and capabilities; and sometimes on an unusual aptitude to manage human relationships. But in most cases, success is founded on some amalgam of these, and it is the way in which these discrete—though increasingly interdependent—advantages are combined with each other and with complementary assets in different countries and cultures, which contemporary research suggests is the key competitive advantages of international firms. Call it what you will—e.g.,

*John H. Dunning is ICI Research Professor in International Business at the University of Reading. From September 1989 onwards he will hold the appointment jointly with a State of New Jersey Professorship of International Business at Rutgers University.

a holistic and integrated approach to the creation and organisation of business wealth—the success of the modern international corporation is increasingly determined by the ability to organise natural resources, information, money and people across national boundaries, both within, and between organisations.

What's new in this, one may ask. In principle, nothing. What is perhaps new, is the high degree of diversification of modern IB in its products, production processes and markets. *Inter alia*, this is revealed by the increasing role of transaction-related business activities. By transaction-related activities, I mean all activities other than those directly associated with the actual act of producing or consuming goods and services. In the case of single product firms competing in perfect markets, transaction costs are zero. As firms become multi-activity and markets become imperfect, transaction costs assume a greater significance, and, in some cases, the proficiency of transaction-driven activities may determine the success or failure of an enterprise.

Essentially transaction costs comprise the costs of organisation and the costs of strategy. They include the functions of coordinating the procurement and disposition of inputs; those of production scheduling and inventory control; those of monitoring, controlling and inspecting performance and product quality; those of establishing networks of suppliers and managing industrial relations; those to do with the logistics of the movement of people and materials; those to do with marketing the final product and post-sales activities; those to do with the acquisition and use of information; and those to do with the management of all kinds of risk. As these tasks become more important, so transaction, relative to production, costs will rise. As new alliances are concluded and networks formed; as generic technologies, which are capable of being put to multiple uses, become more important; and as markets and production outlets become more geographically dispersed, then the demands on the organisational capabilities become dimensionally very different from those facing the single product firm. Multinationals both fashion change and are fashioned by it. But the prosperous firms are those best able to exploit technological advances and learning experiences to their own benefits; to adapt their strategic postures and ownership patterns to meet competitive pressures; to manage diversity and environmental turbulence; and to identify and seize new economic opportunities.

THE CHALLENGE TO INTERNATIONAL BUSINESS STUDY: MEASURES OF SUCCESS

So much for our brief excursion into the changing determinants of the success of IB. Let me now turn to some of the implications of these changes for the study, and particularly the organisation of the study, of IB.

I believe that for the most part, the challenges and opportunities now facing the international business community are well acknowledged and understood by scholars. Ours is a pragmatically oriented discipline and more than

our colleagues in most other disciplines, we keep abreast of the most important developments in our subject. A high proportion of IB teachers act as business consultants. Many are regular contributors to journals, periodicals and newspapers, read (or at least purchased by!) the business community. Through our research activities, conferences, seminars, executive training programs and professional contacts, we are afforded a good insight into the workings of international companies and their interaction with the economies in which they operate. However, at the same time, I am not persuaded that the way which we presently organise the study of IB is best suited to the needs of the 1990s. Let me explain what I mean.

Historically, the study of IB (IBS) has gone through two phases and is now entering a third. The first phase lasted from the mid-1950s to the late-1960s. This was a time in which the subject was taught and researched by a small group of senior scholars, most of whom played a key role in the formation and early development of the AIB. These scholars were primarily interested in IB *per se*, and although their initial training and professional orientation was rooted in one of the established functional fields of business, their perspective and vision was essentially cross-disciplinary. I am sure these scholars—most of whom are still active members of the academy today—would be the first to admit that the tools and technical apparatus they brought to analysing the behaviour of international companies were relatively undeveloped and unsophisticated; but, in emphasising the distinctive features of the international or foreign dimension of business, they were inevitably drawn into issues that were not only of interest to disciplines outside their own, but which needed to be approached and studied in a coordinated way. Since, at this time, there were few research-oriented business schools outside the US¹ (and what there were, were strongly American influenced), it was not surprising that these scholars were of U.S. origin. But, in the main, their efforts met with only limited success. Partly, this was because, since most U.S. businesses were largely domestically oriented, the study of their activities followed suit; and partly because the methodologies and techniques of IBS lacked analytical rigour. The authors addressed several functional issues from an international perspective; and their orientation of interest was primarily, though not exclusively, pedagogic. Trained usually in management economics or marketing, they argued for a more international approach to the teaching of business; but in so doing they did not hesitate to embrace an interdisciplinary perspective.

The second phase, which proceeded in conjunction with the first as IB became a subject in its own right, was more research driven. It was led by a rather different group of scholars who were interested in some international aspects of their particular subject. More often than not, these scholars were outside business schools, and were non-American. By and large, their research was policy oriented. For example, the growth of outward direct investment from the U.S. in the 1950s and 1960s triggered off a variety of host and home countries' studies on the economic consequences of that investment,² while the first major project on multinationals *per se* was

conducted by Ray Vernon and his colleagues at Harvard.³ These studies were mainly undertaken by economists; and this discipline and that of finance, also spawned a galaxy of theories—and, I might add, largely unidisciplinary theories—about the motivation for, and determinants of, foreign direct investment and the multinational enterprise (MNE).⁴ But it is perhaps worth observing that, with one or two major exceptions, these scholars were not in the mainstream of international economics, industrial organisation or the theory of the firm; and, indeed, they did not draw upon received theoretical constructs. The international textbooks gave short thrift to the subject of direct foreign investment until the 1970s. I think it was the 4th edition of Kindleberger's *International Economics* in 1968 that gave the first attention to foreign direct investment; and even the 1985 edition of Caves and Jones allocated only 10 of 537 pages to the subject. The industrial organisation literature paid even less attention to the structure, conduct and performance of international markets; and one would be hard put to find any reference to transaction costs and market failure in any textbook on the theory of the firm before the late 1970s.⁵ At the same time, the stirrings of discontent with existing paradigms in these branches of economics, and quite independently, the new thinking on organisational form and control, typified by the work of Alfred Chandler and Oliver Williamson,⁶ were providing the lynch pins for some of the most exciting theoretical advances of the later 1970s and early 1980s.

If most of the research on IB issues was being undertaken within particular disciplines, the period produced intense debates, both between and within disciplines, about the organisation of IB study. For the most part, the argument centered on whether IB—and particularly the teaching of IB—should be developed as a new and self-contained discipline or whether each of the functional areas comprising business studies should be internationalised; a debate which is still very much alive today. The AIB, and its members, have taken the lead in analysing the comparative merits of the alternative modalities without coming to any definitive conclusions as to which is the preferred one.⁷ So much seems to rest on university or school-specific characteristics, the interests and the personalities of those involved, and the knowledge, motivation and leadership of the Dean. The arguments for and against organising IB studies via an extension of the functional areas, compared with integrating these within a single IB department are well known and do not need to be rehearsed here; except, it is perhaps worth underlining that the options are not mutually exclusive. But I think the fact that much of the research on IB in the 1970s was unidisciplined tended to favour the first rather than the second option, which, in any case, was easier to accommodate within existing organisational structures. In this sense, at least, the organisation of IB study paralleled that of much of IB, which in the 60s and 70s grafted on the international dimension to an organisational responsibility based on product divisions. Thus most business schools carved up the teaching of IB by disciplinary area; while a few developed geographical specialisations. As for the AIB itself—apart from

gathering information and acting as a forum for debate, I do not think it advanced a particular view, even though individual members of the Academy did so.

As I see it, we have now reached a new watershed in the evolution of IBS. It has been brought about by changes in both exogenous variables and those endogenous to the profession. These changes are having, are likely to continue to have, widespread implications for IBS at all levels. They affect the training and career prospects of individual scholars; the composition of, and relationships between disciplines; the organisation of schools or Faculties; and the function of IBS as a whole. The question I now want to address is, What might be, or should be, the role of AIB not only in responding to these developments but helping to fashion them?

External Factors

The main external factor influencing IBS has undoubtedly been the globalisation of economic activity, and the realisation, by the business community and governments alike, that both are competing for resources and customers in a market environment in which one's own strategy both influences, and is influenced by, one's major foreign competitors. In such a scenario, governments need to adopt globally oriented macro-oligopolistic strategies, while firms, particularly in industries dominated by MNEs, need to adopt globally oriented micro-oligopolistic strategies. This, in turn, requires a reappraisal of existing macro- and micro-economic policies, and a much greater understanding of both the workings of the international economy and the variables affecting the internationalisation of business activity. And by internationalisation I mean the totality of cross-border activities, be they production or trade in assets, goods or services; and be they within the same institution or between independent economic agents. An understanding of the forces making for Japanese direct investment in the U.S. is just as relevant to our understanding of IB as how best non-resident firms might break into the Chinese market, or react to the new investment policies introduced by the Indian Government, or to the latest debt crisis in Latin America, or to the changes in the political climate in Mexico or the Middle East, or to the prospects of a single EEC market in 1992.

From the perspective of the student of IB, I believe the change required is a fundamental shift in the way in which we examine the foreign related variables affecting business. Initially just as in the practice of IB, the study of IB—which, I repeat was largely U.S. dominated—took the study of domestic business and gave it an international dimension with the least possible change. If it was acknowledged that there were some differences in selling to or producing in Belgium, Peru or Thailand compared with selling to or producing in Kansas, Oregon and Louisiana, these were considered relatively minor. Or, to put it differently, the achievement of business goals was perceived to be a culture-free phenomenon. Such a perception led to ill-conceived attitudes and inappropriate behaviour. For example,

it encouraged a parochial and ethnocentric approach by both American business and the American Government. The argument in the 1950s and early 60s seemed to run something like this. U.S. industry in the U.S. is efficient; its technology, management and marketing skills are the best in the world. Therefore when U.S. industry goes abroad, U.S. products, skills and production methods should follow it. A similar rationale drove macro-strategy, although since the U.S. was more or less a self-sufficient economy, such a policy was entirely domestically oriented. From the perspective of a hegemonic power, any reaction of other firms or governments to what the U.S. firms or the U.S. government did or did not do was assumed to be of negligible significance.

In the later 1960s and 70s, micro-business policy was differently focused. There was an increasing recognition, earlier acknowledged by some older European MNEs, that, because of country-specific differences in factor endowments, tastes, institutions, culture and language, foreign subsidiaries needed to be organised differently than their domestic counterparts. There was a move towards polycentrism and the development of multi-domestic MNEs; increasingly decisions in such firms were decentralised and local managers appointed to manage local operations. A third phase of organisational development followed in the late 1970s and early 1980s. This was aided and abetted by regional integration, technological developments and the geographical diversification of MNE activity. It led to a geocentric strategy in which the operations of the various subsidiaries were geared to a common goal and coordinated by a central plan. Yet, initially at least, even this strategy, while accepting that the internationalisation of an enterprise required some organisational modifications to allow for differences in institutional arrangements and political and ideological perceptions, presumed that, at the end of the day, these differences could be readily accommodated in the search for new markets and for greater efficiency.

In the late 1980s, I sense this philosophy is being increasingly questioned; and that efficiency-seeking MNEs have increasingly accepted the need to adapt their strategies to meet the particular and specific needs of the countries in which they operate. It is not just that international transactions are more important to almost all national economies; the very character of trade and investment has undergone important changes. Let us identify just three of particular interest to the IB student. First exchange rates are more volatile. Compare the 1960s with fixed exchange rates which could be considered exogenous. Firms could plan foreign operations. The gyrations of the major currencies over the past five years have reinforced the importance of this extra-domestic variable which had huge repercussions for risk management.

Second, and even more pervasive, has been the growing role of government as a factor influencing the location of economic activity by international companies. I don't have time to spell out my thesis here;⁸ but it is based upon three hypotheses. The first is that industry is becoming more

footloose in its choice of location as its dependence on natural and, for the most part immobile, factor endowments is becoming reduced. Inter alia, this reduced dependence is shown by the decreasing proportion of raw material and unskilled labour to total production costs. Second, and partly as a consequence of the first, the role of government in shaping locational costs and benefits is increasing. This is being accomplished not only by the more obvious instruments such as investment incentives, tariffs, and the performance requirements expected of foreign affiliates, but by a gamut of macro- and micro-economic measures, ranging from education and health programs, through competition and mergers policy to industrial relations legislation; but, perhaps most important of all, by fashioning an economic ethos acceptable to the major wealth-creating agents in society. By such means, locational attractions can be increased or decreased as the cost and efficiency of factor endowments and of their organisation are affected. As the policies, regulations and incentives of government are *country* specific, it follows that an examination of the character and rationale of these must be an important part of any international business study.

Third, the role of technology as a factor affecting internationalisation has also become more important. This is for four reasons. First technology is generally mobile across national boundaries, whether it be within the same firms or between different firms. Second, because of the increase in the costs of product or process innovation, firms have not only had to look to world markets to sell their products, but have had to conclude strategic alliances with other firms to recoup the benefits of joint supply and specialisation along the value-added chain, or to share risks and exploit scale economies at a given point on the value-added chain. Third, within the industrialised world, at least, the amount of intra-industry trade in all kinds of knowledge and information has risen rapidly. No one nation has a technological hegemony; each has something the other needs. Fourth, such technology has affected the organisation of cross-border transactions. Not only has it pushed back further the geographical boundaries of both firms and markets; it has had considerable implications for the role of governments [Dunning 1988].

The net result of these and other trends—including a resurgence of interest in environmental issues and national cultural identity—is that international business is now on the political agenda of most countries. Developments such as the Canadian-American Free Trade Agreement, the rapid industrialisation of the Pacific Rim countries, and Europe '1992'—to name but three—are forcing a reappraisal of the role of IB—particularly in North America and Europe. In a variety of guises, such as the U.S. Trade Bill which has authorised \$5 million for the setting up of new international business centres, to the establishment of the Ontario Centre for IB in Canada, and the initiative of the Economic and Social Research Council in the UK in fostering academic research into the internationalisation of the British economy, the interest in IBS, as a possible means of improving international competitiveness, is widespread.

Internal Factors

At the same time—and partly as a consequence of the above—the study of IB, and of business in general is itself changing. A reading of the literature, and conversations with other scholars suggests several reasons for this. One is that the subject of IB has achieved a certain amount of intellectual maturity, and, indeed, academic respectability. One sign of this is that it has started to evolve theories and paradigms of its own; another is that its own interpretation and application of existing paradigms has had some appeal outside the disciplines which make up IB. A third is that IBS has begun to attract some of the sharpest minds of a new generation of academia. In economics, some of the most interesting work is currently being done on strategic trade theory, international market structures, technology transfer, and the multinational firm. In organisational theory, the focus is on network analysis, on intra- and extra-firm cooperative relationships, on the organisation of technological galaxies, and on the coordination and control of interdependent assets. In marketing, renewed attention is being given to the entry strategies of firms into foreign markets, and to identifying the generic competitive advantages which allow firms to penetrate their rivals' markets. In management theory, the emphasis of interest has shifted from domestic to global business strategies and all this implies; witness, for example, the more recent work of Porter [1986, 1989], Doz and Prahalad [1987] and Bartlett and Ghoshal [1989]. In finance, scholars are paying increasing attention to questions of risk and management of financial assets in a world dominated by volatile exchange rates. Between several disciplines, there is evidence of an increasing cross-fertilisation of ideas and paradigms [Robbins 1985; Boddewyn 1988; Dunning 1988]. Each of these approaches or lines of study has been sparked off by an interest in issues or problems specific to IB, or by new lines of thought or research in the mainstream discipline, that are perceived to be especially relevant to cross-border economic activities.

At the same time, scholars have been forced to look outside their particular neck of the woods for answers to problems which, in a domestic context, might be capable of a multidisciplinary solution. Take a question like the location of value-added activity by U.S. firms. Within the U.S. this can be largely explained by economic variables. Not so when one looks outside the U.S. to discuss the merits of siting an electronics factory in (say) Korea cf. Thailand or Ireland cf. the Netherlands. Here political, cultural, legal institutional and language considerations may play a crucial role. Or take another example. How should a business acquire and organise the technology it needs to produce a particular range of products? Only as recently as twenty years ago, only a rudimentary knowledge of a limited range of technologies was required. Not so today, when an understanding of the interaction between a variety of generic technologies and the materials on which they are based may be key ingredients to success. No less far-reaching have been advances in the organisational techniques and modes open to

MNEs, as they affect, for example, both the ownership and control of resources and markets. As these latter advances, I believe, offer the most promising lessons for the future organisation of IBS, I will return to consider them further a little later.

At a macro-disciplinary level, we are now seeing the various professional associations taking a key interest in international issues. Some associations, e.g., the Academy of Management, have set up International Affairs Committees while others which have long had such committees, have begun to take them more seriously. At the same time, new journals, with intriguing titles as *Journal of Global Marketing*, *Journal of International Financial Management and Accounting* and *Journal of International Technology* have begun to appear. The International Studies Association, ASCSB and latterly the Association of American Colleges have been extremely active in encouraging the internationalisation of a wide range of academic curricula. All these and many other developments I have not mentioned, have important implications for the content and the study of IB.

TRANSACTION COSTS

I now turn to the one piece of theorising or model-building in my paper. It is concerned with the transaction costs of international economic activity and how the changing role of these costs is affecting the organisation of IB and IBS. The literature on transaction costs tends to concentrate on the costs of alternative modalities for organising the exchange of goods and services; but, taking a broader perspective, such costs might be thought to include all those associated with the buying or selling of a good or service, other than those incurred in actual acts in production or consumption.¹⁰ To the consumer, these might include the time and costs (including search, evaluation and negotiating costs) he has to incur prior to the purchase of a product; the uncertainty he faces as to whether the product will satisfy his needs; and the post-purchasing costs of servicing, repairs and maintenance, including the costs of seeking out and obtaining the necessary services at the right quality. To the producer, transaction costs include the costs of coordination of inputs to the value-added process, which are both internal and external to the firm. They include those of search costs for the appropriate inputs, of monitoring the quality of these inputs and of intermediate products, of minimising disturbances to the flow of output, and of managing the uncertainty of markets. It is worth noting that most of these costs dramatically rise as a firm diversifies its output or production outlets, and as the number of inputs required to produce a given product increases.

The literature identifies three kinds of transactional costs which producers and consumers¹¹ may have to incur if they use markets as a means of exchange. There are those which stem from the uncertainty surrounding the outcome of an exchange, the terms of which have already been agreed

to; those which arise from the external affects of a transaction; and those which occur when the presence of scale economies is incompatible with a perfect market situation. It is to save on these costs or potential costs, or to capture the benefits of common governance of separate but interrelated activities that lead producers to internalise markets. But by so doing they also incur costs. These are coordinating costs and are essentially to do with the management of intra-firm relationships and, in other than spot markets, with extra-firm relationships as well. Indeed as the number and complexity of relationships increase, so too are transactional costs likely to rise. The question is how best to organise relationships to produce a given set of products at the lowest production and transaction costs.

The exogenous and endogenous forces affecting the internationalization of business activity I have just described have had a dramatic impact not only on the production capabilities of firms and the consumption opportunities of consumers; but on the transaction costs incurred in production and consumption. As a result, the study of the disciplines making up IB, and IB as a discipline in itself, have had to pay more attention to the ownership and organisation of transactions as factors influencing the industrial and geographical distribution of business activity. The demands of modern technology and the internationalisation of consumer tastes are necessitating strategic alliances among producers. The specific characteristics of foreign (cf. domestic) production are such that their impact is likely to be felt on the transaction costs of MNEs rather than on their production costs. Obvious examples include the risks and uncertainties associated with environmental instability, e.g., fluctuating exchange rates, inter-country cultural differences, and the role of government both in influencing these and as a force in its own right.

Let me now draw the threads of my argument together. First, as a matter of fact, the relative importance of foreign trade and production is increasing in almost all major economies; [World Bank 1988; UNCTC 1988] and, with it, the foreign component of national economic decision taking at a macro- and micro-level. Secondly, the uniquely foreign attributes of the practice of IB are becoming more important; hence IBS is becoming a more distinctive subject for study. Thirdly, we have suggested that the impact of the foreignness is predominantly shown in the transaction costs incurred by the participating firms; and that, due to the complexity and nature of IB, the ratio of transaction costs is increasing relative to production costs.

What does this all mean for IB study? First, imagine if you will, a world without transaction costs. In such a scenario, there would be little or no need for interdisciplinary approach to IBS. The theories and paradigms would be subject or functional specific; indeed, one supposes this is why the study of business, as an academic discipline, was initially broken down into economics, management, finance, marketing and so on in the first place. This is not to say there would be no cross-functional linkages; clearly there would be, e.g., between economics and marketing, finance and management

and so on. However, the introduction of transaction costs, which themselves often reflect the existence of non-economic forces affecting the efficiency of markets, suggests the need for a mode of study which is not just multi-disciplinary, but interdisciplinary. By interdisciplinary in this context, I mean a holistic and integrated approach to a study of IB and its constituent subject areas, the primary purpose of which is to advance our understanding of the former as a discipline in its own right. Inter alia such an approach would capture certain externalities of common governance, which the individual disciplines working independently could not. *Interdisciplinary studies when properly organised lower the transaction costs of IB study.* This, then, is the final piece of the jigsaw. Due to both exogenous and endogenous factors, the practice of IB is involving an increasing ratio of transaction to total costs. But in order to study and explain this phenomenon, IB scholars need not only to draw upon different disciplines but to do so in a coordinated way. Hopefully this will lead to the emergence of paradigms and theories which are not only multi-disciplinary in their applications, but when approached from the viewpoint of the study of IB as a whole, yield special and unique benefits of their own.

IMPLICATIONS: CHALLENGE AND PROBLEMS

If developments in the practice and study of IB are anything like I suggest, then clearly, there are both opportunities and challenges to us both as individual scholars and collectively as AIB. The *opportunities* mainly stem from the tremendous demand for knowledge about IB. These are exemplified by the surge of demand both for undergraduate and graduate courses in IB, and for executive training programs, workshops, conferences and the like. In several countries too, the funds for IB research have also dramatically increased, both from governments and international agencies and from private institutions. In-house training and research on matters to do with IB have also mushroomed. Less clear is the impact of internal or autonomous demand by the producing institutions, i.e., the universities and business schools. True, some faculties and schools have sought to create the demand for more internationalisation of their curricula. Naturally, such bodies as the AIB have long encouraged and assisted such efforts; by contrast, it appears to me that most other professional associations are responding to (rather than taking the lead in creating) the demand for the internationalisation of their subject matter.

The *challenges and problems* are essentially supply oriented. I want to identify four of these. The first is resources, mainly human resources. The demand for first-rate teachers and researchers in IB still outweighs the supply at all levels. For whatever reason, we are not attracting a sufficient share of the top brains from the disciplines comprising IB. Whatever its interest and practical applicability, the intellectual prestige of IB as an area for academic study is insufficient to outweigh the attractions of a career in the

private sector or to tempt academics to specialise in IB research. I believe this is changing but slowly. The number of good Ph.D candidates pursuing IB studies is inadequate; our discipline still has difficulty in recruiting the best of these and other newly graduated doctorates; while the number of mainstream scholars of the highest calibre who apply their expertise to IB-related problems remains all too small. There is also the problem of retaining staff once recruited; the ease at which good faculty can move into business or elsewhere in the public sector is well known to all of us. Our first challenge, then, is to improve the quantity and quality of our human resources.

The second challenge is that of competition. Perhaps, here, we need to distinguish between scholars and disciplines with a peripheral or passing interest in IB and those who regard IB as their mainstream academic pursuit. For there appears to be a burgeoning of interest in IB topics by some younger unidisciplinary scholars who see IB providing a rewarding area for research. I do not think the results of such research have yet found their way into the journals, but I do see some evidence of an increase in articles that might have been of interest to *JIBS* being published in some of the more application-oriented specialist journals such as *Strategic Management Journal*, *Journal of Economic and Organisational Behaviour*, *Sloan Management Review*, *Managerial and Decision Economics*, *Weltwirtschaftliches Archiv*, *Journal of Marketing*, etc.; and some issue-oriented journals, e.g., *The Service Industries Journal* and the *International Journal of Technology Management*. I also observe—with mixed feelings I might add—the launching of several new journals with an international perspective, e.g., *Journal of Global Marketing*, *Pacific Review*, *Journal of International Consumer Marketing*; and also of special issues of journals dealing with IB issues, e.g., as recently produced by the *International Trade Journal*, and the *Journal of Common Market Studies*. More generally, there are stirrings within the disciplines to focus more on the international dimension of their subject. As yet, this is primarily an ‘awareness’ factor at work; but it could develop into a major change of emphasis; and, if it does, it could offer a challenge to our own Academy, in as much as it is perceived to offer an alternative academic forum for analysing and discussing issues germane to IB. How far would (or will) economists, organisational and financial theorists, marketing scholars, business analysts, political scientists and so on, need AIB, if their own professional associations fully embrace the international dimensions of their subject?

The third, and I think perhaps the greatest, challenge is within the profession of IB itself. Is the organisation of IBS efficient? If not, why not? Is its ownership (i.e., who, in fact are its researchers and teachers, and in control of its organisation) appropriate? Is it properly focused to meet the needs of its customers in the 1990s? Let me tackle the problem from three levels, viz. that of the *individual scholar*, *the school or faculty*, and *the AIB*. First the individual scholar level. Take a newly qualified Ph.D student. The question arises as to whether IB is recruiting the appropriate and best quality

Ph.Ds. I doubt it. Should we (do we?) insist upon a Ph.D in international business for a faculty position in that subject area? Is it not possible to recruit the best Ph.Ds from outside IB and encourage them to research and teach IB? With those already trained in IB, how can they best be guided to improve their techniques, methodologies, and to be imaginative and productive research workers. Some work that the Academy—and more particularly the Fellows of the Academy and the regional chapters—is doing in the training at the doctoral level is to be applauded, but I believe that more post doctoral tutorage is required, particularly in the interdisciplinary aspects of the subject. But in some cases, the issue is an academic (sic) one, as the recruiters are in the functional and not the IB areas. Here, I believe one touches upon one of the crucial yet sensitive areas of ownership rights and organisational responsibility. If business schools recruit on the basis of academic qualifications, technical merit and the potential for making a contribution to knowledge in a particular discipline; and if existing departments prefer to recruit in areas in which they already have a strong reputation—which is likely to reflect the academic and personal predilections of the existing faculty—there could well be a self-perpetuating barrier to entry to hiring new faculty trained or with interests in IB. Worse still, one can easily get into a ‘vicious’ knowledge-creating circle as the choice of subjects studied for a doctorate degree will reflect the interests of the existing faculty. So, fewer Ph.Ds in IB are trained because of shortage of qualified or interested supervisors; and this leads to fewer good potential IB scholars and so on. I shall suggest a possible way out of the impasse in a moment, but, for now, will simply observe that we should not rule out the possibility of training in at least some areas of IB coming *after* recruitment to faculty, even though it might mean that the productivity of the person appointed might be lower in the short run.

The next level of analysis is the school, and, within the school, the disciplines making up IB. In the past twenty years, AIB has been at the fore in trying to identify the best method of internationalising the business curricula. It has carried out several surveys—the last one was published in 1986 [Thanapoulos 1986]. It concluded that 262 schools, or 81% of those approached, taught one or more courses in IB, but that still only 68 schools offered a major in IB at an undergraduate level, 50 at an MBA level and 20 at a doctoral level. In the schools which did offer a range of courses in IB, the pedagogic model varied considerably. The majority tended to prefer a functional approach, by which the kind of courses taught in a traditional business curricula were also offered at an international level. Few programmes appeared to start off by looking at IB as a study in its own right, and then working backwards to identifying the kind of courses which might make up an integrated syllabus. Few appeared to tackle subjects outside the business arena, yet which are no less relevant to the practitioners of IB. Languages, political science, law, business and economic history each have much to contribute to an understanding of IB; but in the early 1980s

only a handful of business schools embraced these in their curriculum, although things are quite rapidly changing and seem likely to continue to change. Currently there are many initiatives, from the ASCSB downwards, to integrating liberal arts and, occasionally, some technologically or science-based subjects, with business studies.

The situation is worse outside the United States. In Canada, for example, in the early 1980s only one school offered a major or degree in IB; now there are at least three schools which offer such courses; in France, Sweden, Switzerland and the U.K. the situation is better; and in most of the better business schools, IB comprises between a third and 40% of an MBA curriculum. In Germany and Japan, IB is usually taught in university economics, finance or accounting departments, but in both countries, in-house training provided by MNEs plays a much more important role. In developing countries, the interest is generally following the U.S. pattern. India has a strong tradition in teaching commerce and there are several strong management schools that are now internationalising their curricula; one indeed—IMI (India)—teaches only internationally-oriented management. In East Asia, where most of the faculty in business schools have North American Ph.Ds, the curricula is strongly U.S. influenced, but in some schools, e.g., in Singapore, Korea and Hong Kong, IB is the most important component of an MBA curriculum. Teaching and research on IB subjects in Latin America is generally a long way behind. In Africa, business subjects appear to be mainly taught in management colleges and at a post-experience level.

But quantity is not as important as quality. It may be that there should be tiers or divisions of academic institutions. At the top of the pyramid, or in the first division, would be relatively few institutions in each country concentrating on a broad spectrum of research and Ph.D and post professional teaching programmes. These might be followed by a larger number of schools, well renowned in their own way, pursuing a variety of niche strategies, which could be issue or functionally oriented. A third group of institutions would offer MBA courses but conduct only limited research; while the base of the pyramid would be made up of schools which offered at least some training in IB, but primarily at an undergraduate level. No less relevant is *what* is taught and *how* it is studied and how IB relates to the larger program of which it is part. All too frequently, the international dimension is tacked on to the end of a course which is nationally oriented. This applies to all subjects, as taught in most countries. Only some of the smaller nations, e.g., Sweden and Switzerland in Europe, Singapore and Hong Kong in Asia, take an international perspective from the start, simply because their economic prosperity so much depends on events that occur outside their national boundaries.

Circumstances are changing, but it remains to be seen how disciplines will react. My guess is that many will take the easy way out and graft on the international dimension to unidisciplinary domestically-oriented courses. Others will take matters further and widen the curricula to include language,

law, political science, etc; and, in a few cases, engineering and technology-related subjects. The more entrepreneurial and far seeing of the new entrants and established schools will attempt to offer distinctive IB programmes, which, depending on the interests, resources and motivation of the faculty, may either be functional or issue based, or a mixture of the two. I suspect that most will opt for the former, simply because the perceived transactional costs of an issue-based interdisciplinary approach are regarded as too high. These costs include both the provision of the necessary academic infrastructure and interdisciplinary communication and monitoring costs. A lack of knowledge of how best to integrate the contributions of the various disciplines, the uncertainty of the benefits of such integration and the reluctance to experiment by faculty with new organisational structures, may deter all but a few very determined schools. But I hope it will not deter all, for it is here where I believe much of the best work on IB is likely to be done in the future.

On the other hand, I think the chances of interdisciplinary collaboration are more promising at a research level. The mushrooming of research centres or institutes on issues such as IB in developing countries, strategic alliances and network analysis, economic integration, international entrepreneurship, cross-cultural management, competitiveness, and international technology management; and of those which tackle a variety of issues from a regional or industrial perspective, are testimony to this. While these often draw people from various disciplines within the same school or university, and provide a useful mode for the cross-fertilisation of ideas, there is a temptation to adopt a 'me too' or 'copy cat' attitude towards the setting up of these institutions, with the result that already scarce resources are even more thinly spread. Such centres or institutes can provide a focal point not only for the sharing of interests and the cross-fertilisation of ideas of people from different disciplines; where the research is integrated, on the one hand, with post-professional training and advisory services, and on the other, with Ph.D programmes, they can be a useful tool for interdisciplinary training at the highest intellectual level. Indeed clusters of such centres within an institution or between institutions, could help produce a network of research and doctoral training facilities. In this respect, I believe the AIB could provide a useful role as an information clearinghouse.

At the same time, there is also need for the centres to be accorded full academic status, and the backing of the disciplines or functional areas. All too frequently, scholars whose research directions lie outside those which are the primary focus of their own departments or schools are treated as second class citizens. Even worse, because their interests are issue rather than technique oriented, and they do not publish in the mainstream journals, they are assumed to lack intellectual rigor, and, hence, academic distinction. This is particularly evident when appointment, tenure and promotion questions are discussed. I believe the present state of peer judgement in departments, which, on occasions, borders on arrogance (in my

own discipline, it is seen in the attitude taken by some economics departments to economists working in business schools) to be a strongly inhibiting factor for interdisciplinary research.

The problem does not just rest with the discipline itself. The upper echelons of decision takers in the university or schools may have even less idea of the value of a particular piece of interdisciplinary research; in any case they may be strongly influenced by recommendations of departmental chairmen and deans. And when appointments and promotions are considered by university committees, these are again usually represented by unidisciplinary scholars; while external assessors may well be chosen from the mainstream of a person's discipline.

The final level of analysis is the Academy itself. What *is* its role—and what might its role be? Like many other trade associations, the AIB has no legislative power; it cannot impel individuals or institutions to behave in a particular way. The best it can do is inform, educate and advise; to act on behalf of its members to advance their educational interests and career prospects; to offer a forum for the presentation and discussion of research results, and of pedagogic issues; and to provide support and guidance to those who seek to advance the teaching and research of IB in their own institutions. I think that the AIB has a pretty good track record on performing these functions. Paralleling the evolution of a multinational enterprise, it has grown from its ethnocentric origins in 1959 to a fully fledged globally-oriented organisation in the late 1980s. In the past, it has adopted an incremental approach to its tasks and functions; but just as the study of our subject matter is at a watershed, so too may the role of AIB itself need a fundamental reappraisal. It also is faced with its own distinctive opportunities and challenges. Indeed, the last decade of the 20th century should prove the most exciting yet in the Academy's short history; but it will need a bold, imaginative and well conceived strategy if it is to exploit its comparative advantages and offer distinctive benefits to its members and to the study of international business in general.

SOME SUGGESTIONS FOR SOLVING PROBLEMS

Space does not permit me to deal with all the issues facing the Academy. Suffice for me to offer two bullet-type comments, before concentrating on a matter which I believe, should be given especial attention by the Academy. The bullet remarks, which I shall present as propositions, will be all too familiar to you; nevertheless, I think they merit repeating in the light of the growing interest of IBS outside of AIB.

- The Academy should continue its efforts to encourage an internationalisation of its membership and of its sphere of influence. At the moment the globalisation of the study of IB is lagging that of the practice of IB. Currently 75% of the AIB membership is North American, a much greater proportion than the proportion of trade and direct investment accounted for by U.S.

and Canadian international companies. I regarded the London meeting as an organisational breakthrough and I give all credit to Duane Kujawa and his Executive Board for initiating it. I must add however that I am disappointed that the two subsequent annual meetings in the U.S. have not elicited a better response from the European members. For whatever reason, the numbers of Americans attending the annual EIBA meetings is considerably higher than that of Europeans attending AIB meetings. We must continue to publicise AIB as *the* international association of teachers and researchers in IB. I view the meeting in Singapore in 1989 as an even more significant step forward. The Pacific-Asian region embraces the fastest growing economies in the world, and much of the growth is internationally led. Cross-border trade and investment plays a more important role in most East Asia economies than in Europe or the Americas, and international business is high on the agenda of most business and management schools in the region. We must make a greater effort to involve our Asian colleagues more fully in the work of the Academy, and, in particular, to assist in the setting up of more regional chapters and the promotion of regional meetings.

- The Academy should widen its constituency by interesting scholars who, while not teaching IB per se, have much to contribute to our understanding of IB. I'm thinking both of scholars who pursue disciplines, which not only help fashion the environment of IB—e.g., law, political science, international relations, sociology—but those interested in issues of space and time, e.g., economic geography and business and economic history, and those working on the commercial and international applications of science and technology. A recent new book, *European Multinationals in Core Technologies* by Rob Van Tulder and Gerd Junne, illustrates the kind of interdisciplinary blending I have in mind—in this case between technology, business strategy and international relations. Another, *Corporate Strategy and the Search for Ethics* by Edward Freeman and Daniel Gilbert, bravely tackles the interface between ethics and management. The AIB should encourage the membership of such cross-disciplinary researchers, and for them to submit papers to *JIBS* (which I am delighted to see will become a quarterly publication in 1990). But it is not the commonality of issues that should determine the membership of our constituency. We should go beyond issues and seek to see how far it is possible to find unifying concepts, methodologies and paradigms.

I now turn to the kernel of my remarks, which are concerned with the very *raison d'être* of the Academy; what its basic objectives should be; and how far these need to be modified or realigned in the light of the growing

interest by unidisciplinary associations in international issues. Let me first present one scenario which I think is entirely possible even though it may be improbable. It is certainly one that I imagine would not appeal to most AIB members. Suppose the American Academy of Management, Academy of Marketing Science, American Finance Association, Administrative Science Association and the American Economic Association (I hope you will forgive a rather ethnocentric approach to the point I want to make) were each successful in both encouraging their members to internationalise their research and teaching; and in providing a forum for the exchange of information and ideas. Suppose that the house journals of these associations allocated 30%, 40%, 50% of their space to papers on international issues; or were to launch an additional, but specifically internationally research oriented, journal. Suppose, further, that the disciplines changed the orientation of their teaching from treating the foreign operations of firms as an extension of their domestic operations, to treating the domestic firm as a special case of the firm per se, whatever the geographical distribution of its activities might be. Suppose, too, that schools or departments began to offer a premium to Faculty researching the international dimension of these disciplines. Suppose finally that, as a result of all these things, scholars who are currently members of the AIB because its goals, rubric and facilities meet their needs and aspirations, discover that these same needs and aspirations can now be met by their own unidisciplinary associations; and, in consequence, either withdrew from the AIB, or played a less active role in its affairs. Then, under such a scenario (what I might call the *substitution* scenario), AIB would be very considerably weakened, as indeed would its house journal. To those who think this scenario is an implausible one, and point to the fact that the leading activists of the internationalisation movement within disciplines are staunch members of AIB, I would point to the ranking of business-related journals in the peer evaluation stakes, and also to the growing number of IB-related publications in well-respected journals other than JIBS.

The second scenario is what may be called the *room for all* or *status quo* scenario. Here one might speculate that the growth of interest in IBS will redound to the strength of both the unidisciplinary organisations and the AIB; but that, broadly speaking, each will coexist without any dramatic change in its functions or responsibilities. Supporters of this scenario would see no need for any change in the interests or policy of AIB.

The third scenario suggests the need for a *niche* strategy by the AIB; and argues for a reorientation of the Academy's academic thrust. The case for this scenario is based upon the validity of two propositions. The first is that the extension of unidisciplinary studies to incorporate the international dimension will lead to some redirection of interests of some of the members, or potential members, from the AIB to their own disciplines. I see this particularly likely to occur in the more technically oriented subject areas, e.g., finance and accounting. The second proposition is that, since both the practice and study of IB is becoming increasingly multidisciplinary, the

AIB—precisely because it deals with issues which transcend disciplinary boundaries—has a distinctive role to play in fostering and providing a forum for the promotion and results of interdisciplinary studies. Indeed I would argue that some of the most promising research now being undertaken in IB is at the intersection of (parts of) organisation theory and economics, finance and strategic management, and marketing and cross-cultural studies.

Earlier in this paper I suggested that not only were foreign or country-specific variables becoming more significant in affecting the location and behaviour of international companies, but that these elements were more likely to affect the transaction costs than the production costs of business activity. Because of this, I suggested that although primarily an economic or business concept, the determination of the nature and extent of transaction costs depended on both economic and non-economic variables, which needed to be treated from an interdisciplinary perspective. I finally suggested that these relationships were interdependent, in the sense, that it was often impossible to isolate the political, legal, cultural, organisational, managerial, et al. components of transaction costs. In consequence, to understand the nature and practice of decision taking in international companies, one needed to develop a cross-disciplinary (or supra-disciplinary) paradigmatic approach; and it was this (more than issues per se) that provided the bonding material for interdisciplinary studies.

The AIB has always been, or at least has aimed to be, a cross-disciplinary organisation. I am not persuaded, however, that in spite of efforts of past presidents and programme chairmen, the Academy is yet a truly inter- (as opposed to a multi-) disciplinary association; in the sense that it acts as a forum for the analysis of IB issues from different, but complementary disciplinary perspectives. Perhaps this reflects the isolationist persuasion of some of the constituent subjects, but, also I think, the fact that the focus of interest (at least of U.S. business scholars) has been domestically rather than the internationally oriented. I also think it reflects a lack of a common methodology of approach, which has resulted in intellectual iconoclasm. An analysis of the programmes in past annual meetings of the AIB shows a marked tendency to compartmentalise sessions by functional specialisation, apart from a few sessions dealing with themes of general interest. In almost every respect, these sessions could be said to be miniatures of the kind of sessions that the unidisciplinary professional meetings could put on—and, in fact, are now putting on. Indeed it is not unknown for the same paper to be presented at both these meeting and the AIB! It was my purpose in suggesting the theme for the San Diego annual meeting that, for one year at least, we got away from this kind of segmentation and focussed more on issues and paradigms at the confluence of two or more disciplines. I did so partly because I believe the important issues in IB do need a multidisciplinary input; partly because I think the comparative advantage of AIB, relative to its sister associations, will increasingly rest in the area of interdisciplinary studies; partly because I believe that there is more intellectual commonality among us than many business scholars

realize; and partly, because I would like to encourage the Academy to rethink its role in the light of the current and likely future developments I have outlined.

Just in case anyone should misunderstand me, I am not proposing that we should all become multidisciplinary in our expertise or interests; although I do think it important that, as our teaching and research cross over traditional disciplinary boundaries, we will need to read and study well outside our own area of training. But what I am suggesting is that disciplinary parochialism and educational insularity (to use David Blake's expressions [Blake 1987]) have no place in the teaching of IB; and that the kind of problems we are interested in solving do require joint intellectual inputs, which, when properly organised, provide an output greater than if the inputs were provided separately. This indeed, is the quintessence of any holistic programme of study. And I am also of the opinion that international business departments at universities and business schools, and the AIB among the professional associations, have an important—indeed unique—organisational task in minimising the transaction costs of such studies. For while I would contend that it is the perceived high transaction costs of the kind of scenario I have portrayed that has so far prevented us from a realignment of our teaching and research alliances, I also believe that the costs of not seeking to capture the benefits of cross-disciplinary integration may be even greater. For without such a focus of interest, I think there is a real danger of the component disciplines of IB splintering off and scholars reinforcing their prime allegiance to their unidisciplinary parents. AIB would then be left as a 'hollow' association.

SOME POLICY PRESCRIPTIONS

Finally, I want to return very briefly to some of the challenges I identified earlier, and in the light of what I have just said, ask what, if anything, the AIB can do about them. First, recruitment and training. I think the AIB must promote the distinctive intellectual character (and difficulties) of its subject matter and of IBS in general, so as to convince those in authority in our universities to recognise the challenges of the subject and the capabilities of those who pursue their studies (sometimes in collaboration with scholars in other disciplines) outside their own subject area and publish their results in other than mainstream journals. At the same time, I would urge AIB members, and especially, I might say, its leading scholars, to publish in mainstream unidisciplinary journals and to take a lead within their own schools and departments in influencing decisions which have implications for IBS. Concurrently AIB members need to recruit more of the leading scholars in the disciplines making up IB to the AIB, by offering them an interdisciplinary perspective which they are unable to obtain from other sources. At a different level, we need to publicise the work of and unique characteristics of AIB to the deans of business schools and of faculties in which AIB members work. The ASCSB itself has its own

international affairs committee on which the president of AIB is an ex officio member, and the current chairman who is a past president of AIB, Bob Hawkins. In spite of the valiant efforts of the committee to date, too many deans appear to be unfamiliar with the intellectual content of IBS, and its contribution to mainstream business studies or, indeed, of the work of the AIB. They also seem too easily persuaded in their role as faculty recruiters, and members of promotion committees by the chairmen of unidisciplinary departments who, themselves, may have even less knowledge, and certainly less interest, in IB. We must preach the value of IB as a subject in its own right and one of crucial relevance to modern management; and the need for those who contribute to it to be rewarded accordingly.

On training, I hope the AIB—and more especially the regional chapters—will continue and extend their ‘on the job’ training for younger faculty members. At the same time the AIB, possibly jointly with sister associations, might consider a series of interdisciplinary doctoral or post-doctoral tutorials or seminars. I note with interest that EIBA and EIASM (European Institute for Advanced Management) jointly sponsored such a tutorial with EIBA conference in Berlin in December 1988. Could we, the AIB, consider promoting such a tutorial with the Academy of Management or the equivalent associations in finance, marketing, sociology and organisation. Or, should we perhaps arrange more joint sessions at our annual meetings with associations like the AEA or AMA? Should we, or our regional chapters, attempt to become more seriously involved with international or regional studies associations? This idea of jointly organised meetings extends well beyond the training functions, of course; and, in the future, I hope the Executive Board of AIB will actively encourage joint sessions with some at least of its sister associations, including those covering subjects outside the mainstream of business, e.g., business history, economics, geography, law and political science.

Second, the AIB, through its publicity, annual meetings, training programmes, regional chapters, newsletters and *JIBS*, and the research of its members, must preach the interdisciplinary message. It is possible I am exaggerating the role of cross-disciplinary research. I certainly don’t mean to downplay the unique contributions of the individual disciplines; and I accept that most of the monographs and articles on IB will continue to reflect a unidisciplinary perspective. But if AIB does have a distinct role to play, and if it is to play it effectively, then it must give much more attention to integrating the various interest groups and work programmes; including those subject areas I have already mentioned as not being part of business schools. If it is possible, and in the not too distant future, I would like to see *JIBS* publishing a “state of the art” issue on *Interdisciplinary Paradigms and Issues in International Business*. I also hope that the regional chapters will focus more on conference topics that allow interdisciplinary contributions; and not hesitate to ask specialists in areas germane to IBS, who have not worked in the international arena to apply their mind to some of the issues of common interest and concern. By such means, the quality

of IBS will improve, and as it does, I believe that some of the challenges currently facing its practitioners will disappear.

Third, I hope that AIB will lend what support it can to a rigorous restructuring of the teaching and research in IB. This it will primarily have to do through its members, acting either in their personal capacity or as members of other like-minded associations. But the Academy can play its part, as it has done already, by collecting and interpreting data on new experiments in teaching IB, and by organisational as well as pedagogic and research-based discussion sessions at conferences and seminars, especially those related to cross-disciplinary teaching and research projects. I am fully aware of the difficulties of running interdisciplinary teaching programmes. At the same time it is not unreasonable to suppose that students reading for the Ph.Ds or those attending executive training programmes should have an intellectual capacity and curiosity which extends beyond the confines of their own subject interests and be able to assimilate techniques and methodologies that cut across disciplines. Surely in pursuing this kind of training at least we should be bold enough to present an interdisciplinary perspective.

I do not go along with the proposition that you have to have a degree in law to appreciate the legal implications of transfer pricing or the elements of contractual relationships; or that you need a training in political science to discern the major political ramifications of IB for the sovereignty of nation states; or that you have to master all branches of economics to comprehend the rudiments of transaction costs and market failure; or that you need a formal qualification in sociology or anthropology to value the importance of culture as a variable influencing business practices or government intervention in industry; or that you need to have read economic or business history to fully understand the emergence and growth of MNEs, and their changing interaction with their environment.¹² I believe that any Ph.D student worth his salt should be able to pick up enough of the technical apparatus of any subject area, while maintaining and advancing his own special interests, to fully benefit from an interdisciplinary approach to at least some parts of his programme of studies. Indeed, I find it much more rewarding to teach a group of students from different disciplinary backgrounds, interested and well motivated in IB, to discuss questions of (say) strategic alliances and competitiveness, the implications of the single European market in 1992 for the structure of decision making of MNEs, the impact of biotechnology on the organisation of the international pharmaceutical industry, the ethical implications of Bhopal and Piper Alpha (the North Sea oil rig disaster in 1988), or the impact of culture on cross-border transaction costs, than I do to teach students all of whom have a first class degree in economics only interested in model-building or utilising their econometrics, but who know little, and want to know little, about the variables *they* want to take as given. There must be room for academic excellence by grafting on, and integrating the relevant parts of other disciplines with a particular disciplinary specialisation; and that this should be the common meeting point of all scholars of IB. This I believe is what AIB

should be about, and what its members should seek to encourage. I know a few scholars and departments have moved along this path with success; the rest of us need their help and guidance, as well as that of others who have been less successful, in helping to form our own strategy.

Finally, and perhaps more controversially, I think AIB must gain more allies for what it is seeking to do in the academic community from outside that community, and especially from international business itself. I know that AIB wants to remain independent of any factions or special-interest groups, and this I fully endorse. But I wonder if we, as an organisation promoting IBS, are doing enough to publicise the relevance and cogency of our subject to the business community, or are benefitting from an exchange of ideas as much as we might. Of course, most of us are involved with business corporations, sometimes at the most senior level. We act for them as consultants; we serve with them on government task forces and commissions; we mine them for money and information. At our universities, we use them on policy-oriented committees and advisory boards, and welcome them as guest lecturers; and occasionally at academic conferences we invite them to present papers or act as discussants. But between AIB and the business community I see a communication gap. There are still too few executives, economists or other professionals working in MNEs who are members of AIB. Too often we think of the corporate managers as being interested only in making decisions on day-to-day and firm-specific issues; and they think of our research and teaching as being overtly esoteric, too general, and of little immediate relevance to decision taking. I can't believe either of us is so naive not to recognise there is so much more we can contribute to each others interests and concerns, and that beneath apparent differences in goals and perspectives, IB practice and study—or what might be loosely called the art and science of IB—have a great deal in common.

Remember too, the practice of IB has gone through waves of organisational and ownership restructuring; the methodology and logistics of decision taking has also undergone change. There still remains room for the functional specialist; technical qualifications and skills are still much valued assets, especially in finance and marketing. I also accept that in their recruitment of MBAs most of the leading MNEs do not give a high priority to IB skills. At the same time there are pressures for undergraduate and graduate business programmes to include some language training, some teaching on cross-cultural communications, and at least the rudiments of the international political and legal environment. By contrast, at an executive (and particularly senior management) training level, the skills required are more those of adaptability, inter-personal relationships, negotiating with governments, leadership and entrepreneurship, each of which requires an input from a variety of disciplines. This, in turn, I believe, reflects the fact that the practice of IB is increasingly involving the input of specialists from a variety of disciplines. How else might one explain the growing number of lawyers, psychologists, sociologists, political scientists and organisational theorists being employed by such companies?

CONCLUSIONS

In conclusion I would like to make one final parallel between the practice and study of IB. Contemporary research suggests that the possession of a core asset or assets (a particular product or technology, or access to essential inputs) is not, by itself, sufficient to ensure business success.¹³ To fulfill their potential—to appropriate their full economic rent—core assets must be properly coordinated with a network of complementary assets at different points of the value-added chain. A failure to properly control the quality of components; or to make the necessary modifications to machinery or equipment, or to develop or acquire adequate and efficient distribution channels, might turn a brilliant innovation into a commercial disaster. Moreover, the importance of such complementary assets is likely to increase where these assets serve different core assets and/or where the core assets become mature or imitated by competitors. It is also likely to be the case that the complementary assets play a more important role in the success of international than domestic business.

Apply this concept, if you will, to IBS. Assume the discipline of the scholar is his core asset; assume too that to be exploited efficiently, this may require to be combined with other disciplines—these are his complementary assets. If as in the *practice* of IB, the role of complementary assets—which essentially are those that arise from the economies of common governance—are becoming more important due inter alia to the increasing role played by transactional relationships in the success of the firm; so in the *study* of IB, if the property rights of the unidisciplinary scholar are to be fully appropriated, he (or she) may need to combine this knowledge with the insights of other disciplines much more systematically in the future than he (or she) has done in the past. Finally if the kind of common paradigmatic approach I have suggested in this paper helps to bring the disciplines together, it will surely offer a fruitful avenue both for a more constructive dialogue between those concerned with the future of IBS; and a more stimulating environment and better career prospects for our members.

NOTES

1. See, for example, in the work of Teece [1985 and 1987], Doz and Prahalad [1987] and Bartlett and Ghoshal [1988].

2. Though there were many institutions who taught business studies in the UK and other parts of Europe. IMI in Geneva was set up in 1948 specifically to teach international management. Others of more recent origin include: IMEDE in 1957; INSEAD, established by the French Chamber of Commerce in 1958; the London Business School in 1965; and the Manchester Business School in 1965. However, most of the European business schools were initially staffed by U.S. (and often Harvard) trained faculty and even today the U.S. influence on teaching and research methodology remains very strong. For a comprehensive list of schools engaging in international business study see McNulty [1986] and Thanapoulos [1986].

3. See, for example, Dunning (UK [1958]); Stonehill (Norway [1965]), Kidron (India [1965]), Safarian (Canada [1966]); Brash (Australia [1966]); Deane (New Zealand [1967]); Stubenitsky (Netherlands [1970]).

4. See, for example, Vernon [1966, 1974, 1979], Wells [1972], Vaupel and Curhan [1969, 1974].

5. Some of which have been recently summarised in Dunning [1988].
6. Such attention as was given to market failure was usually confined to the chapter on welfare economics.
7. See, for example, Chandler [1962] and Williamson [1964, 1970, 1971].
8. See particularly the work of Nehrt [1987], Daniels and Radebaugh [1974], Grosse and Perritt [1980] and Thanapoulos [1986].
9. This is explored in more detail in Dunning [1989].
10. It is possible that some costs may be considered as transaction costs by consumers but production costs by producers. The costs of travel and communications are essentially a transaction cost as far as intermediate and final consumers are concerned, but a production cost as far as the producer of these services is concerned.
11. Mainly producers, it should be said!
12. While accepting that scholars such as Alfred Chandler and Douglas North as professional historians, Seymour Rubin and Daniel Vagts as lawyers, Herbert Simon and Oliver Williamson as organisational theorists, Joseph Nye as a political scientist, Ronald Coase and Kenneth Arrow as economists, have offered theoretical insights of considerable relevance to our understanding of IB, I would submit it is not necessary to have their background and training to appreciate the basic message they are intending to convey.
13. See, for example, Teece [1987].

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