

International Business and economic development:

A summary

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Summary: Multinational corporations (MNCs) play key roles in development. Yet the developmental role of MNCs plays a negligent role in the current international business (IB) literature, the literature that deals with MNCs. It was not always like this: the IB literature was born out of an engagement in societal and developmental agendas and was fueled by the pursuit of grand questions, such as why MNCs exist, how and why international activities of MNCs are expanding to more and more regions and sectors, and how MNC activity affects the welfare and development of societies (see e.g. Hymer (1960), Rugman (1981), Vernon (1973), Dunning (1993), Kindleberger (1973), Caves (1996)). Since the early 2000s, however, it seems that IB has lost sight of the grand development questions, instead immersing itself in increasingly esoteric theoretically inspired enquiries. As a consequence, IB has lost relevance to practical development policy; today there seems to be no impact of IB on practical development policy, contrary to what is the case with IB adjacent research fields such as Development Economics, Economic Geography or Political Science that have been highly successful in engaging and informing practical development policy and discourse. This paper documents the movement of IB away from developmental and societal role related research agendas and will outline avenues for IB to re-invigorate research on the developmental and societal role of MNCs.

The paper starts out with a quantitative content analysis of IB journals. This analysis is based on an extensive survey of development-related articles in three leading IB journals, from their start until today. These journals are JIBS, IBR and JWB (Tuselmann et al; 2016). The content analysis is based on a word search of what we argue to be key development markers (e.g. 'developing countries', 'emerging markets', 'spillovers', 'linkages', 'development impact', 'industrial upgrading', 'absorptive capacity', 'CSR and development', and 'sustainable development'). The methodology of searching for key words in leading journals is similar to

that employed by Kolk and Thulder (2010) in a review of the IB CSR literature. The analysis produces a graphic representation of the historical evolution in interests in development related questions in the three top IB journals. The analysis suggests that while IB top journal articles increasingly are referring to 'developing countries' and 'emerging markets', the focus of these articles overwhelmingly is on MNC strategy and organization related issues (either developed country MNCs entering developing countries, or MNCs emanating from developing countries). Rarely do these articles engage with the thorny issue of how MNCs interact with development dimensions such as industrial development and restructuring, local community development, upgrading of local private sectors, poverty alleviation, or sustainable development.

The quantitative content analysis is complemented with a thematically organized literature review of the evolution in the development related IB literature. This review describes, on the hand, the rapidly expanding literature on e.g. emerging market MNCs and on entry, sourcing, marketing and finance strategies of MNCs from developed countries moving into the often promising but also institutionally challenging developing countries (see e.g. Matthews (2006), Ramamurty (2004/2012, Hennart (2012)), Khanna and Palepu (2010), Peng (2002/2003), Hoskisson et al (2000), Arnold and Quelch (1998), Dawar et al (2002)). On the other hand, the review describes a much smaller literature within IB that explicitly takes up the issue of MNCs' development role and how MNCs interact with other development actors. This literature focuses e.g. on FDI spill overs (see e.g. Blomstrøm and Kokko (2000), Narula and Pineli (2016)), on local firm-MNC linkages (see e.g. Altenburg (2000), Giroud and Scott-Kennel (2009), Hansen et al (2009)), on local firm integration and upgrading within global value chains (GVC) (see e.g. Gibbon and Ponte (2005), Gereffi et al (2005), Humphrey and Schmidtz(2004) (the GVC concept is akin to Buckley et al's (2009) Global Factory concept)), or on the CSR and BoP

strategies of MNCs in developing countries (see e.g. Jamali (2010), Pisani (2017), Prahalad (2002), Simanis (2011), Kolk and Thulder (2010)). The conclusion of the literature review is that IB does indeed take up issues related to MNCs' developmental role and that a vital development oriented IB literature exists. However, it is also concluded that this literature is placed at the fringes of the current IB literature.

Agreeing with leading IB scholars such as Buckley (2017), Doe et al (2009, 2016), Meyer (2004), Forsgren(2017) and Ramamurty (2004) who all have detected and lamented the apparent movement of IB away from questions related to the societal and developmental role of MNCs, the paper calls for a revival of development related research in IB and makes a plea for IB to rediscover its roots and relate to and engage in some of the grand questions of current development debate.

The chapter ends by outlining some principles that should underpin future IB research on development: 1. Move toward greater empirical problem orientation by initiating research with inspiration in current development phenomenon or problems. The climate crises or the SDG agenda are obvious candidates in this regard. Also, the growing fusion of MNC strategy and development objectives as reflected in Michael Porter's (2006) 'shared value' concept and in the strategic CSR and BOP literatures offers a promising path for development related IB research. 2. Loosen some of the methodological orthodoxies that have put IB on a path toward increasing quantitative, and, would many development practitioners argue, esoteric research agendas, and be more open to qualitative and inductive research methodologies that starts from an identification of current development problems and challenges. 3. Above all, be mindful of what it is that constitutes IB and delineates it from adjacent research fields, namely that IB tries to understand MNCs and their role with the point of departure in

the multinational nature of the MNC, i.e. with the point of departure in the fact that MNCs organize value added activities across borders!

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